

CITY OF SEAGOVILLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

As Prepared By
Finance Department
City of Seagoville, Texas

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INTRODUCTORY SECTION

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March 17, 2011

To the Honorable Mayor,
Members of the City Council
And the Citizens of the City of Seagoville, Texas

The comprehensive annual financial report ("CAFR") of the City of Seagoville, Texas, for the fiscal year ending September 30, 2010 is hereby submitted. The City accepts full responsibility for the accuracy of the data, as well as, the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City charter requires an annual audit to be conducted of the financial records by an independent public accountant. This requirement has been fulfilled and the report of the independent auditor is included in this report. Weaver & Tidwell, L.L.P., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Seagoville's financial statements as of and for the year ended September 30, 2010. The independent auditors' report is located at the front of the financial section of this report.

The Management's Discussion and Analysis (MD&A) can be found immediately following the independent auditors' report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

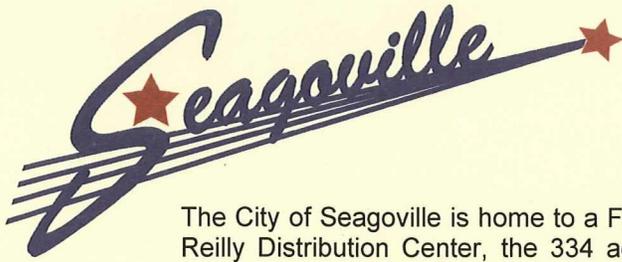
Reporting Entity

The accompanying financial statements present the City (the primary government) and its component unit. Component units are classified as either discretely presented or blended. The City of Seagoville's component unit, the Economic Development Corporation, is discretely presented, which means that the component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or whose relationship with the City is such that exclusion would be misleading or incomplete.

This report includes the financial statements of the funds required to account for those activities, as well as organizations and functions which are related to the City and are controlled by or dependent upon the City's governing body, the City Council. The criteria used by the City for including activities in preparing its financial statements are set forth in Governmental Accounting Standards Board (GASB) Statements. Based on these criteria, all municipal services listed are included in the City's 2010 financial statements.

The City of Seagoville

Seagoville, Texas, incorporated in 1926, sits at the southeast corner of Dallas County, bordering Mesquite to the north, Kaufman County to the east, and the City of Dallas on the northwest. The City of Seagoville has grown from a small rural town of 8,969 in 1990 to a suburban city with approximately 14,000 citizens.



The City of Seagoville is home to a Federal Correctional Institution, an Army Reserve Center, O' Reilly Distribution Center, the 334 acre Post Oak Preserve, the 500 acre Dallas Independent School District's Environmental Center and the 200 acre North Texas Municipal Water District Water Reclamation Facility.

The City provides a full range of municipal services including General Government; Public Safety – Police Department, Fire Department, Ambulance Services, Communications, and Code Enforcement; Community Services – Municipal Court, Library, Senior Center, and Sanitation; and Community Development – Building Inspection, Street Department, Parks Department, and Planning Department.

The City of Seagoville is a home rule city which operates under Council/City Manager form of government. The Council consists of the Mayor and five City Council members. Council members serve two- year terms and are responsible for appointing the City Manager, Municipal Judge and City Secretary.

The key to Seagoville's success as a thriving suburb which has managed to retain its own identity and down-home atmosphere is its citizenry. From its churches of every denomination to its active parent-teacher organizations, civic groups, and sports teams, to its owner-operated personalized service companies, Seagoville's outstanding feature is the caring and involvement of the people who call it home.

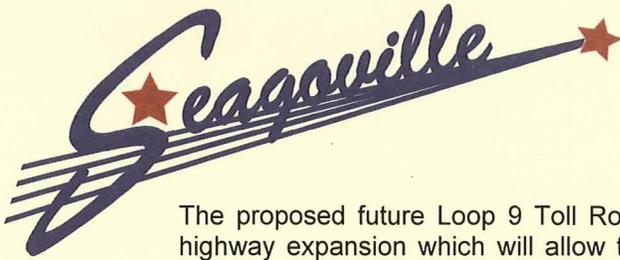
Economic Outlook and Conditions

The City of Seagoville which is expected to reach build-out in 2025 has experienced planned and sustainable growth. Prudent financial planning, oversight, and flexibility have enabled the City to weather the economic slowdown in a comparably favorable or better position than many other cities in the Dallas/Fort Worth Metropolitan Statistical Area. The homebuilding market in Seagoville mirrors the overall slowing economy. Despite this trend, each new home being built in new and existing subdivisions continues to support City-provided services.

Economic development is evidenced in the major retail outlets and small manufacturers that have acquired property and established a presence in the City. Wal-Mart is one of the dominant retail businesses opening in the last five years. Wal-Mart has served as an anchor along the Highway 175 corridor attracting two other retail centers in the same geographical area. The result has been that the City's economic position has been improved. The additional revenue stream from sales tax has helped to offset and stabilize the City's flat ad valorem tax revenue.

In order to provide for orderly growth and aggressively improve on the City's infrastructure, the City Council approved a multi-year Capital Improvement Program (CIP). The CIP funding has resulted in significant infrastructure improvements over the last three years with both tax-supported and self-supported debt. This has been accomplished without tax rate increases for the fiscal years to-date. Working in concert with accurate five year revenue and expense projections has enabled the City to plan for and meet the need for infrastructure improvements. With the City's first CIP in 2006, the City of Seagoville received a rating upgrade from Baa2 to A3, reflecting the City's growing tax base, favorable tax position, and solid financial operation. The rating upgrade was maintained through Moody's Investor Service with the subsequent 2008 \$3,250,000 bond issue.

An increase in the industrial development area of the City has experienced a road expansion of nearly one-half mile. Although the character of the Highway 175 will undoubtedly change in coming decades, Seagoville is positioned to become a dynamic gateway in the southeastern sector of Dallas County.



The proposed future Loop 9 Toll Road through the eastern portion of the City is a significant highway expansion which will allow the city to realize its full economic potential in the coming years.

Long-Term Financial Planning

Unreserved, undesignated fund balance in the general fund (27.5 % of total general fund expenditures) falls within the policy guidelines set by the Council for budgetary and planning purposes (approximately 12.5 % of total general fund expenditures).

Other Information

Certificate of Achievement for Excellence in Financial Reporting

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 Seagoville for its Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2009. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental must publish an easily readable and efficiently organized comprehensive annual financial report. This report 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 that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Respectfully Submitted,

Larry Graves
City Manager

Mike Hitt
Interim Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Seagoville
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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.



A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

President

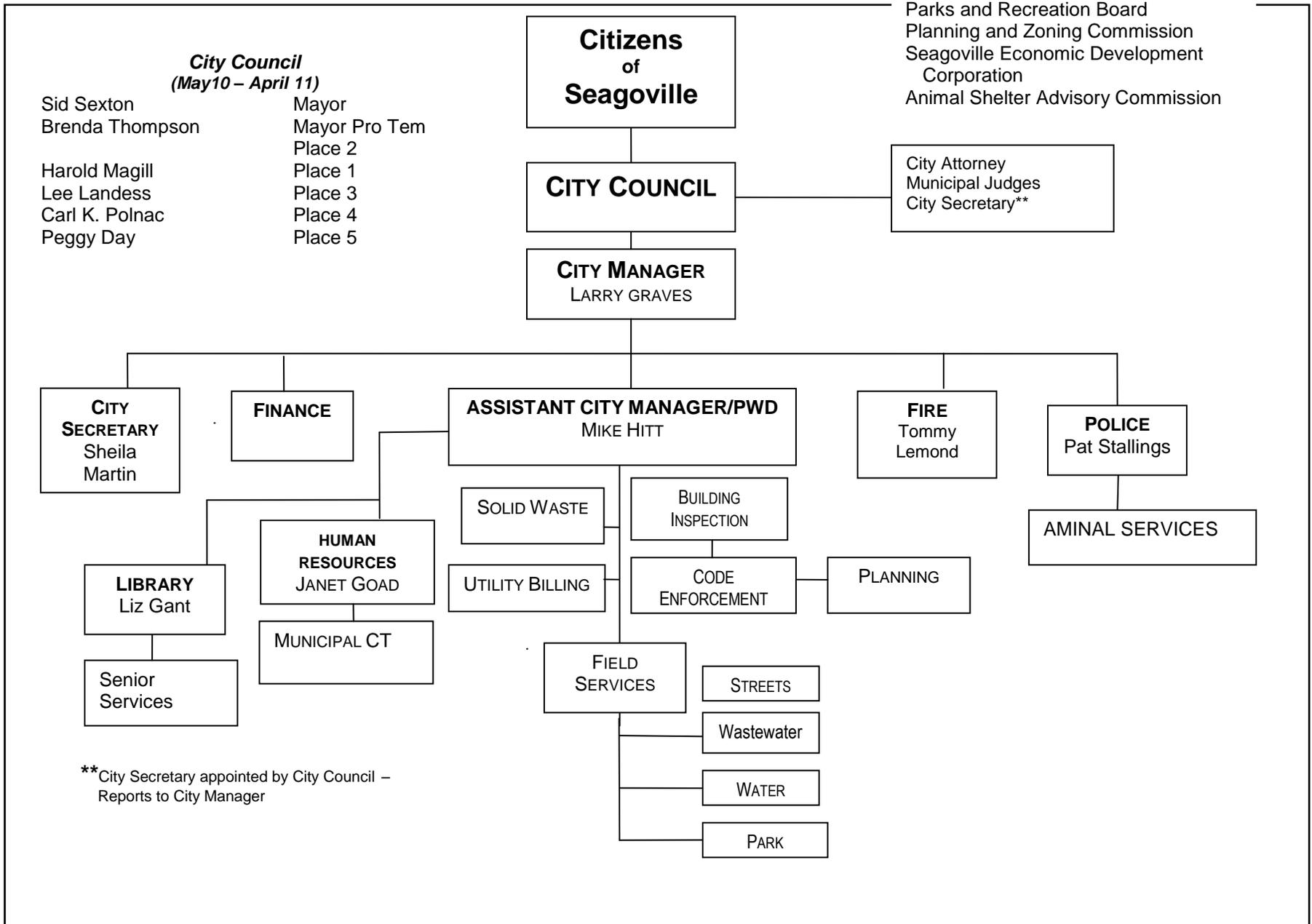
A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

City of Seagoville Organizational Chart 2010

Boards and Commissions

- Board of Adjustments
- Keep Seagoville Beautiful
- Library Board
- Parks and Recreation Board
- Planning and Zoning Commission
- Seagoville Economic Development Corporation
- Animal Shelter Advisory Commission



City of Seagoville, Texas
Principal City Officials
2009-2010

City Council

Sidney M. Sexton	Mayor	Term Expires May, 2011
Brenda Thompson	Mayor Pro-Tem, Place 2	Term Expires May, 2011
Harold Magill	Council Member, Place 1	Term Expires May, 2012
Lee Landess	Council Member, Place 3	Term Expires May, 2012
Carl K. Polnac	Council Member, Place 4	Term Expires May, 2011
Peggy Day	Council Member, Place 5	Term Expires May, 2012

City Executive Staff

Larry Graves	City Manager
Mike Hitt	Public Works Director/ACM
Mike Hitt	Interim Director of Finance
Patrick Stallings	Police Chief
Tommy Lemond	Fire Chief
Janet Goad	Director of Human Resources
Sheila Martin	City Secretary
Liz Gant	Director of Library

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To Mayor and City Council
City of Seagoville, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Seagoville, Texas (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Seagoville, Texas as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

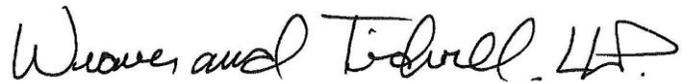
The accompanying management's discussion and analysis (pages 3 through 11), budgetary comparison information (pages 47 through 49) and schedule of funding progress for participation in Texas Municipal Retirement System (page 50) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have issued a report dated March 16, 2011, on our consideration of the City's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of 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. The 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.

City of Seagoville, Texas

Page 2

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, combining non-major fund financial statements, the debt service fund budgetary comparison schedule, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The combining non-major fund financial statements and the debt service fund budgetary comparison schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Weaver and Tidwell, L.L.P." with a stylized flourish at the end.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 16, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF SEAGOVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

As management of the City of Seagoville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities and position of the City of Seagoville for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report. Management's Discussion and Analysis has comparative data for the current year with the prior year.

Financial Highlights

- The assets of the City of Seagoville exceeded its liabilities at the close of the fiscal year ended September 30, 2010 by \$28,053,289 (net assets). Of this amount, \$6,136,670 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Seagoville's governmental funds reported combined ending fund balances of \$2,868,452. Approximately 67% of this amount, \$1,915,424 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,851,626 or 28% of the general fund expenditures.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Seagoville's basic financial statements. The City of Seagoville's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental 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 of Seagoville's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Seagoville'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 of Seagoville is improving or deteriorating.

The *statement of activities* presents information showing how the government'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*

**CITY OF SEAGOVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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 distinguish functions of the City of Seagoville that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Seagoville include general government, public safety, community services departments, community development departments and other non-departmental expenses. The business-type activities of the City of Seagoville include water and sewer utilities.

The government-wide financial statements include not only the City of Seagoville itself (known as the *primary government*), but also a legally separate economic development corporation, which is a component unit of the City of Seagoville. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The water and sewer utilities, although also legally separate, functions for all practical purposes as departments of the City of Seagoville, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12-14 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 of Seagoville, 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 of Seagoville can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* 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 funds balance sheet and the governmental fund statement of revenues, expenditures, and

**CITY OF SEAGOVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Seagoville maintains ten individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Seagoville adopts an annual appropriated budget for its General Fund and governmental Debt Service Fund. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary funds. The City of Seagoville maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Seagoville uses an enterprise fund to account for its water and sewer utilities. *Internal Service funds* are used to report the collections of other fund expenses and subsequent payments to suppliers. The City of Seagoville uses an internal service fund to account for other funds expenses and payments to insurance providers for employee and dependent care insurance coverage.

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, sewer, customer service and other non-departmental activity, which makes up a major fund of the City of Seagoville.

The basic proprietary fund financial statements can be found on pages 19-22 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 23-46 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Seagoville's (1) General Fund and governmental Debt Service Fund budgetary compliance, and (2) progress in funding its obligation to provide pension

**CITY OF SEAGOVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

benefits to its employees. Required supplementary information can be found on pages 47-50 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining fund statements and schedules can be found on pages 52-56 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 of Seagoville, assets exceeded liabilities by \$28,053,289 as compared to net assets for the prior year of \$27,852,645.

A large portion of the City of Seagoville's net assets, \$21,725,972 (77 percent) 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 of Seagoville uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Seagoville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following table presents a comparative summary of the City's assets, liabilities, and net assets as of September 30, 2010 and September 30, 2009.

	City of Seagoville's Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 4,127,096	\$ 4,240,770	\$ 4,918,792	\$ 5,209,082	\$ 9,045,888	\$ 9,449,852
Capital assets	14,265,597	14,478,312	13,175,631	13,176,025	27,441,228	27,654,337
Total assets	18,392,693	18,719,082	18,094,423	18,385,107	36,487,116	37,104,189
Long-term liabilities outstanding	3,190,540	3,491,628	4,412,154	4,638,560	7,602,694	8,130,188
Other liabilities	395,054	562,109	436,079	559,247	831,133	1,121,356
Total liabilities	3,585,594	4,053,737	4,848,233	5,197,807	8,433,827	9,251,544
Net assets:						
Invested in capital assets, net of related debt	12,031,436	11,976,087	9,694,536	9,692,891	21,725,972	21,668,978
Restricted for debt service	102,826	133,609	87,821	161,694	190,647	295,303
Unrestricted	2,672,837	2,555,649	3,463,833	3,332,715	6,136,670	5,888,364
Total net assets	<u>\$ 14,807,099</u>	<u>\$ 14,665,345</u>	<u>\$ 13,246,190</u>	<u>\$ 13,187,300</u>	<u>\$ 28,053,289</u>	<u>\$ 27,852,645</u>

An additional portion of the City's net assets (1%) represents resources that are subject to external restriction on how they may be used. The remaining balance of *unrestricted net assets* (\$6,136,670) may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF SEAGOVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

At the end of the current fiscal year, the City of Seagoville 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.

Governmental activities. Governmental activities increased the City of Seagoville's net assets by \$141,754. The following table presents a comparative summary of the City's operations for the years ended September 30, 2010 and September 30, 2009.

	City of Seagoville's Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 1,224,855	\$ 1,069,241	\$ 4,082,833	\$ 4,036,498	\$ 5,307,688	\$ 5,105,739
Operating grants and contributions	304,485	117,005	-	-	304,485	117,005
Capital grants and contributions	25,160	201,965	-	-	25,160	201,965
General revenues:						
Property taxes	3,136,646	3,164,449	-	-	3,136,646	3,164,449
Sales taxes	1,967,218	2,001,793	-	-	1,967,218	2,001,793
Other	831,939	716,714	6,880	42,808	838,819	759,522
Total revenues	7,490,303	7,271,167	4,089,713	4,079,306	11,580,016	11,350,473
Expenses:						
General government	1,531,896	1,331,400	-	-	1,531,896	1,331,400
Public safety	3,598,398	3,653,761	-	-	3,598,398	3,653,761
Community services	1,059,095	1,060,379	-	-	1,059,095	1,060,379
Community development	1,336,002	1,923,442	-	-	1,336,002	1,923,442
Interest on long-term debt	84,276	169,274	-	-	84,276	169,274
Water and sewer	-	-	3,769,705	3,942,737	3,769,705	3,942,737
Total expenses	7,609,667	8,138,256	3,769,705	3,942,737	11,379,372	12,080,993
Increase in net assets before special items and transfers	(119,364)	(867,089)	320,008	136,569	200,644	(730,520)
Transfers	261,118	171,848	(261,118)	(171,848)	-	-
Increase in net assets	141,754	(695,241)	58,890	(35,279)	200,644	(730,520)
Net assets – Beginning	14,665,345	15,360,586	13,187,300	13,222,579	27,852,645	28,583,165
Net assets – Ending	\$ 14,807,099	\$ 14,665,345	\$ 13,246,190	\$ 13,187,300	\$ 28,053,289	\$ 27,852,645

Total key elements in Governmental Activities revenues for 2010 are as follows:

- Property taxes of \$3,136,646 were recognized on a tax base of \$489,357,930 in gross taxable valuations at a rate of 65 cents per each \$100 of property value.
- Sales tax revenues were \$1,967,218, representing 26 percent of governmental program revenues and other governmental revenues.
- Franchise taxes were \$590,509, or 8 percent of governmental program revenues and other governmental revenues.

Total key elements in expenses for 2010 are as follows:

- Public safety expenses totaled \$3,598,398, of which \$2,905,285 (81 percent) was for personnel services. The decrease in expenses can be attributed to the City's vacant positions.

**CITY OF SEAGOVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

- The City of Seagoville contracts with Republic Services for its sanitation services, which accounts for all of the \$554,312 of expenses in Sanitation Department.
- General Government expenses of \$1,531,896 include costs for City Council, City Manager/Human Resources, City Secretary, Finance, and non-departmental activities. The increase in expenses is attributed to the hiring of additional personnel.

Business-type activities. Business-type activities net assets increased by \$58,890, the result of revenues and expenses being relatively equivalent for the year. Including a \$141,754 net asset increase for governmental activities, the total increase in net assets for the City was \$200,644. Key elements of the business-type activities are as follows:

- Charges for services for business-type activities account for a significant portion of the revenue sources. The water and sewer utilities total charges for service, \$4,082,833, represents 99 percent of the total business-type revenue.
- Likewise, the expenses for the water and sewer utilities total, \$3,769,705, which is 100 percent of the overall business-type expenditures.
- Revenues exceeded expenses, before net transfers, by \$320,008.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Seagoville's governmental funds reported combined ending fund balances of \$2,868,452, an increase of \$41,268 in comparison with the prior year. The Capital Projects fund balance decreased by \$192,276, the result of \$219,362 of capital projects expenditures in streets, drainage, and park developments. Approximately 67 percent of the total combined fund balance (\$1,915,424) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to pay debt service (\$42,154), and (2) for capital expenditures (\$910,874).

The general fund is the chief operating fund of the City of Seagoville. At the end of the current fiscal year, unreserved fund balance of the general fund and total fund balance was \$1,851,626. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

**CITY OF SEAGOVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Unreserved fund balance and total fund balance represent 28 percent of total general fund expenditures.

The fund balance of the City of Seagoville's general fund increased by \$239,776 during the current fiscal year; the result of revenues exceeding prior year by \$ 170,271 and expenses decreasing from the prior year by \$359,540. The overall increase in fund balance was largely generated by increases in municipal court fines; grant revenue; licenses, permits, fees; and miscellaneous revenue.

Other changes in general fund revenues and expenditures and other financing sources and uses include:

- The City recorded insurance recoveries in other financing sources in the amount of \$125,597.
- Sales tax decreased by \$ 34,575. Investment income decreased significantly by \$27,774 due to reduction in interest rate.

Proprietary funds. The City of Seagoville's proprietary funds provide the same type of information found in the government-wide financial statement, but in more detail. Unrestricted net assets of the City of Seagoville's Enterprise Fund at the end of the year amount to \$3,463,833, an increase of \$131,118. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There were two budget amendments to the original budget approved by the Seagoville City Council. The budget ordinance passed allows the City Manager to authorize budget changes within funds, which does not affect the overall amount allocated to a specific fund.

Actual revenues were below budgeted revenues by \$10,948. Actual expenses were below budgeted appropriations by \$620,577, primarily due from significant cuts in Human Resources by \$190,047, with multiple other departments having gone under budget as well.

Capital Asset and Debt Administration

Capital assets. The City of Seagoville's investment in capital assets for its governmental and business-type activities, net of accumulated depreciation, as of September 30, 2010 amounts to \$27,441,228. This investment in capital assets includes land, buildings, system expansion, improvements, machinery and equipment, park facilities, streets and

**CITY OF SEAGOVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

drainage. The capital assets, net of depreciation, for governmental activities totaled \$14,265,597 and for the business-type activities totaled \$13,175,631.

There were a few capital assets and projects acquired during the year. For governmental activities, a cargo van was purchased for \$34,515 and major street improvements were made in the amount of \$315,268. For the business type activities, a replacement service truck was purchased for \$33,442 and construction in progress decreased by \$30,758 for the demolition of an elevated water storage tank. The following table presents a comparative summary of the City's capital assets as of September 30, 2010 and September 30, 2009.

City of Seagoville's Capital Assets, net of depreciation

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land (not depreciated)	\$ 2,524,542	\$ 2,524,542	\$ 54,792	\$ 54,792	\$ 2,579,334	\$ 2,579,334
Buildings	1,330,518	1,390,515	91,831	94,426	1,422,349	1,484,941
Improvements other than buildings	195,629	206,157	24,287	33,120	219,916	239,277
Machinery and Equipment	461,671	556,903	288,266	308,579	749,937	865,482
Motor Vehicle Under Capital Lease	63,213	70,236	-	-	63,213	70,236
Infrastructure	9,516,263	9,596,478	12,716,455	10,629,398	22,232,718	20,225,876
Construction in Progress	173,761	133,481	-	2,055,710	173,761	2,189,191
	<u>\$ 14,265,597</u>	<u>\$ 14,478,312</u>	<u>\$ 13,175,631</u>	<u>\$ 13,176,025</u>	<u>\$ 27,441,228</u>	<u>\$ 27,654,337</u>

Additional information on the City of Seagoville's capital assets can be found in note 3 on pages 36-37 of this report.

Long-term debt. At the end of the current fiscal year, the City of Seagoville had total bonded debt outstanding of \$6,370,395. Of this amount, \$2,916,110 comprises general certificates of obligation and \$3,454,285 is for proprietary fund debt. The following table presents a comparative summary of the city long term bonded debt for September 30, 2010 and September 30, 2009.

City of Seagoville's Outstanding Bonded Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Certificates of obligation	\$ 2,916,110	\$ 3,180,554	\$ -	\$ -	\$ 2,916,110	\$ 3,180,554
Combination tax and revenue refunding bonds	-	-	3,454,285	3,814,841	3,454,285	3,814,841
Total	<u>\$ 2,916,110</u>	<u>\$ 3,180,554</u>	<u>\$ 3,454,285</u>	<u>\$ 3,814,841</u>	<u>\$ 6,370,395</u>	<u>\$ 6,995,395</u>

**CITY OF SEAGOVILLE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

The City of Seagoville's total bonded debt decreased by \$625,000 during the current fiscal year generated by the scheduled principal payments of \$625,000 during the fiscal year.

Additional information on the City of Seagoville's long-term debt can be found in note 4 on pages 38-41 of this report.

Economic Factors and Next Year's Budgets and Rates

- The appraised values of taxable property in the City of Seagoville for the current fiscal year increased 4% over the prior year. The growth for the fiscal year was nearly 100 % from new construction.
- Sales tax receipts for the City of Seagoville were down by 3% for fiscal year 2009-2010. As compared to prior years' increases in sales tax revenue, the City is planning for a leveling off of sales tax revenues from the slowed economy.
- The majority of new construction for the current fiscal year is in new single family housing; and total new construction is anticipated to be down for January 1, 2011. We have been fortunate to not see significant retail closures from the slowed economy as so many other parts of the country have.

All of these factors were considered in preparing the City of Seagoville's budget for the 2010-2011 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Seagoville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Seagoville, Finance Department, 702 N. Hwy. 175, Seagoville, Texas, 75159.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF SEAGOVILLE, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 2,843,898	\$ 3,665,504	\$ 6,509,402	\$ 1,215,311
Receivables				
Taxes, net of allowance	1,153,388	-	1,153,388	158,005
Accounts, net of allowance	12,450	719,101	731,551	-
Due from component unit	45,787	-	45,787	-
Restricted assets				
Cash and cash equivalents	-	443,981	443,981	-
Deferred charges (net)	71,573	90,206	161,779	-
Capital assets				
Land	2,524,542	54,792	2,579,334	-
Construction in progress	173,761	-	173,761	-
Buildings	2,314,857	129,763	2,444,620	-
Improvements other than buildings	893,622	179,832	1,073,454	-
Machinery and equipment	1,846,868	543,569	2,390,437	-
Property acquired under capital lease, net	77,259	-	77,259	-
Infrastructure	17,709,450	21,415,768	39,125,218	-
Accumulated depreciation	(11,274,762)	(9,148,093)	(20,422,855)	-
TOTAL ASSETS	\$ 18,392,693	\$ 18,094,423	\$ 36,487,116	\$ 1,373,316
LIABILITIES				
Accounts payable	\$ 114,245	\$ 88,336	\$ 202,581	\$ -
Accrued expenses	280,809	70,123	350,932	11,364
Due to primary government	-	-	-	45,787
Customer deposits	-	277,620	277,620	-
Noncurrent liabilities:				
Due within one year	333,173	170,416	503,589	59,398
Due in more than one year	2,857,367	4,241,738	7,099,105	685,096
Total liabilities	3,585,594	4,848,233	8,433,827	801,645
NET ASSETS				
Invested in capital assets, net of related debt	12,031,436	9,694,536	21,725,972	-
Restricted for:				
Debt service	102,826	87,821	190,647	-
Unrestricted	2,672,837	3,463,833	6,136,670	571,671
Total net assets	\$ 14,807,099	\$ 13,246,190	\$ 28,053,289	\$ 571,671

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF SEAGOVILLE, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010**

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 1,531,896	\$ -	\$ -	\$ -
Public safety	3,598,398	61,636	239,738	-
Community services	1,059,095	994,133	58,405	-
Community development	1,336,002	169,086	6,342	25,160
Interest on long term debt	84,276	-	-	-
Total governmental activities	7,609,667	1,224,855	304,485	25,160
Business-type activities				
Water and sewer	3,769,705	4,082,833	-	-
Total business-type activities	3,769,705	4,082,833	-	-
Total primary government	11,379,372	5,307,688	304,485	25,160
Component unit:				
Economic Development Corporation	477,668	-	-	-
Total component units	\$ 477,668	\$ -	\$ -	\$ -

General Revenues:

Taxes:

 Ad valorem

 Sales

 Franchise taxes

 Hotel/Motel

Investment income

Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

The Notes to the Financial Statements are an integral part of this statement.

EXHIBIT 2

**Net (Expenses) Revenue and
Changes in Net Assets**

Governmental Activities	Business - type Activities	Total	Component Unit
\$ (1,531,896)	\$ -	\$ (1,531,896)	\$ -
(3,297,024)	-	(3,297,024)	-
(6,557)	-	(6,557)	-
(1,135,414)	-	(1,135,414)	-
(84,276)	-	(84,276)	-
<u>(6,055,167)</u>	<u>-</u>	<u>(6,055,167)</u>	<u>-</u>
-	313,128	313,128	-
-	313,128	313,128	-
<u>(6,055,167)</u>	<u>313,128</u>	<u>(5,742,039)</u>	<u>-</u>
-	-	-	(477,668)
-	-	-	(477,668)
3,136,646	-	3,136,646	-
1,967,218	-	1,967,218	653,022
590,509	-	590,509	-
14,496	-	14,496	-
6,759	6,880	13,639	11,475
220,175	-	220,175	-
261,118	(261,118)	-	-
<u>6,196,921</u>	<u>(254,238)</u>	<u>5,942,683</u>	<u>664,497</u>
<u>141,754</u>	<u>58,890</u>	<u>200,644</u>	<u>186,829</u>
<u>14,665,345</u>	<u>13,187,300</u>	<u>27,852,645</u>	<u>384,842</u>
<u>\$ 14,807,099</u>	<u>\$ 13,246,190</u>	<u>\$ 28,053,289</u>	<u>\$ 571,671</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**CITY OF SEAGOVILLE, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2010**

	<u>General</u>	<u>Capital Projects</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,747,285	\$ 886,045	\$ 210,568	\$ 2,843,898
Receivables				
Ad valorem taxes	463,569	-	72,254	535,823
Sales taxes	349,789	-	-	349,789
Franchise taxes	267,776	-	-	267,776
Grant	-	-	11,859	11,859
Other	591	-	-	591
Due from other funds	101,369	-	-	101,369
Due from component unit	20,627	25,160	-	45,787
TOTAL ASSETS	<u>\$ 2,951,006</u>	<u>\$ 911,205</u>	<u>\$ 294,681</u>	<u>\$ 4,156,892</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 102,129	\$ 331	\$ 11,785	\$ 114,245
Accrued liabilities	265,906	-	3,321	269,227
Due to other funds	-	-	101,369	101,369
Deferred revenue	731,345	-	72,254	803,599
Total liabilities	<u>1,099,380</u>	<u>331</u>	<u>188,729</u>	<u>1,288,440</u>
Fund balances				
Reserved for debt service	-	-	42,154	42,154
Reserved for capital expenditures	-	910,874	-	910,874
Unreserved reported in:				
General fund	1,851,626	-	-	1,851,626
Special revenue funds	-	-	63,798	63,798
Total fund balances	<u>1,851,626</u>	<u>910,874</u>	<u>105,952</u>	<u>2,868,452</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,951,006</u>	<u>\$ 911,205</u>	<u>\$ 294,681</u>	<u>\$ 4,156,892</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF SEAGOVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

Total fund balances - governmental funds	\$ 2,868,452
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	14,265,597
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(11,582)
Revenues earned but not available within sixty days of the year end are not recognized as revenue in the fund financial statements.	803,599
Costs associated with the issuance of long-term debt are expensed when incurred in the governmental funds financial statements. These costs are capitalized and amortized over the life of the debt in the government-wide financial statements.	71,573
Compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statements.	(204,194)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the fund financial statements.	<u>(2,986,346)</u>
Net assets of governmental activities	<u><u>\$ 14,807,099</u></u>

EXHIBIT 5

CITY OF SEAGOVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes				
Ad valorem	\$ 2,737,554	\$ -	\$ 385,453	\$ 3,123,007
Sales	1,967,218	-	-	1,967,218
Franchise	590,509	-	-	590,509
Hotel/motel	-	-	14,496	14,496
Sanitation collection charges	718,481	-	-	718,481
Licenses, permits and fees	224,416	-	12,320	236,736
Municipal court fines	266,774	-	-	266,774
Intergovernmental	51,313	25,160	-	76,473
Investment income	4,680	1,926	153	6,759
Grant revenues	-	-	247,910	247,910
Miscellaneous	102,704	-	-	102,704
Total revenues	<u>6,663,649</u>	<u>27,086</u>	<u>660,332</u>	<u>7,351,067</u>
Expenditures:				
Current:				
General government	1,217,373	-	14,496	1,231,869
Public safety	3,460,398	-	253,799	3,714,197
Community services	1,028,645	-	-	1,028,645
Community development	1,020,222	-	64,073	1,084,295
Debt Service:				
Principal	-	-	264,445	264,445
Interest	-	-	153,701	153,701
Capital outlay	-	219,362	-	219,362
Total expenditures	<u>6,726,638</u>	<u>219,362</u>	<u>750,514</u>	<u>7,696,514</u>
Excess (deficiency) of revenues over expenditures	<u>(62,989)</u>	<u>(192,276)</u>	<u>(90,182)</u>	<u>(345,447)</u>
Other financing sources (uses):				
Insurance recovery	125,597	-	-	125,597
Transfers in	220,118	-	83,950	304,068
Transfers out	<u>(42,950)</u>	<u>-</u>	<u>-</u>	<u>(42,950)</u>
Total other financing sources (uses)	<u>302,765</u>	<u>-</u>	<u>83,950</u>	<u>386,715</u>
Net change in fund balances	239,776	(192,276)	(6,232)	41,268
Fund Balances - beginning of year	<u>1,611,850</u>	<u>1,103,150</u>	<u>112,184</u>	<u>2,827,184</u>
Fund Balances - end of year	<u>\$ 1,851,626</u>	<u>\$ 910,874</u>	<u>\$ 105,952</u>	<u>\$ 2,868,452</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF SEAGOVILLE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010**

Net change in fund balances - total governmental funds	\$ 41,268
Amounts reported for governmental activities in the statement of activities are different because:	
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 expense. This is the amount of capital assets recorded in the current period.	208,276
Depreciation expense on capital assets is reported in the statement of activities and does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(420,991)
The issuance of long-term debt (e.g. bonds and capital lease) 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, and deferred losses on refunding when debt is first issued; however the amounts are deferred and amortized in the government-wide financial statements. This amount represents the net effect of the the following items:	
o Amortization on Bond Premium - 2,335	
o Repayments on Bonds and capital lease - 290,909	
o Amortization of Bond issuance costs - (2,627)	290,617
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; and therefore, are not reported as expenditures in the governmental funds.	7,844
Current year changes in accrued interest payable do not required the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	1,101
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	<u>13,639</u>
Change in net assets of governmental activities	<u><u>\$ 141,754</u></u>

PROPRIETARY FUND FINANCIAL STATEMENTS

**CITY OF SEAGOVILLE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010**

	<u>Enterprise</u>	<u>Internal Service</u>
	<u>Water and Sewer Fund</u>	<u>Insurance Trust</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,665,504	\$ -
Receivables		
Accounts receivable, net	719,101	-
Total current assets	<u>4,384,605</u>	<u>-</u>
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	443,981	-
Deferred charges, net	90,206	-
Capital assets		
Land	54,792	-
Buildings	129,763	-
Improvements other than buildings	179,832	-
Machinery and equipment	543,569	-
Infrastructure	21,415,768	-
Accumulated depreciation	(9,148,093)	-
Total noncurrent assets	<u>13,709,818</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 18,094,423</u>	<u>\$ -</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 88,336	\$ -
Accrued expenses	70,123	-
Customer deposits	277,620	-
Compensated absences-current	4,055	-
Bonds payable-current	166,361	-
Total current liabilities	<u>606,495</u>	<u>-</u>
NONCURRENT LIABILITIES:		
Bonds payable	4,205,241	-
Compensated absences	36,497	-
Total noncurrent liabilities	<u>4,241,738</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,848,233</u>	<u>-</u>
NET ASSETS		
Invested in capital assets, net of related debt	9,694,536	-
Restricted for debt service	87,821	-
Unrestricted	3,463,833	-
TOTAL NET ASSETS	<u>13,246,190</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,094,423</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF SEAGOVILLE, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2010**

	<u>Enterprise</u>	<u>Internal Service</u>
	<u>Water and Sewer Fund</u>	<u>Insurance Trust</u>
OPERATING REVENUES		
Charges for service:		
Water sales	\$ 2,049,439	\$ -
Sewer sales	1,880,985	-
Tap fees	3,350	-
Penalties and interest	114,471	-
Reconnect fees	25,625	-
Miscellaneous	8,963	-
Insurance premiums collected	-	621,929
Total operating revenue	<u>4,082,833</u>	<u>621,929</u>
OPERATING EXPENSES		
Water operations	1,152,683	
Sewer operations	1,183,002	
Water and sewer administration	638,161	
Customer service operations	129,380	
Other expenses	37,496	
Depreciation	319,508	
Insurance premiums paid	-	621,929
Total operating expenses	<u>3,460,230</u>	<u>621,929</u>
Operating income	<u>622,603</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	6,880	-
Interest expense	(309,475)	-
Total nonoperating revenues (expenses)	<u>(302,595)</u>	<u>-</u>
Income before transfers	<u>320,008</u>	<u>-</u>
TRANSFERS		
Transfers out	(261,118)	-
Total transfers	<u>(261,118)</u>	<u>-</u>
Change in net assets	<u>58,890</u>	<u>-</u>
NET ASSETS, beginning of year	<u>13,187,300</u>	<u>-</u>
NET ASSETS, end of year	<u>\$ 13,246,190</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 9

CITY OF SEAGOVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2010

	<u>Enterprise</u>	<u>Internal Service</u>
	<u>Water and Sewer Fund</u>	<u>Insurance Trust</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 3,970,651	\$ -
Cash received for insurance premiums	-	621,929
Cash paid to employees	(816,727)	-
Cash paid to suppliers	(2,437,450)	-
Cash paid for insurance premiums	-	(621,929)
Net cash provided by operating activities	<u>716,474</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to other funds	(261,118)	-
Net cash used in noncapital financing activities	<u>(261,118)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on debt	(360,555)	-
Capital expenditures	(319,112)	-
Interest paid on debt	(164,997)	-
Net cash used in capital and related financing activities	<u>(844,664)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	6,880	-
Net cash provided by investing activities	<u>6,880</u>	<u>-</u>
Net decrease in cash	<u>(382,428)</u>	<u>-</u>
Cash and cash equivalents, beginning of year	4,491,913	-
Cash and cash equivalents, end of year	<u>\$ 4,109,485</u>	<u>\$ -</u>
Cash and cash equivalents	\$ 3,665,504	\$ -
Restricted cash and cash equivalents	443,981	-
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 4,109,485</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 9

**CITY OF SEAGOVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2010**

	<u>Enterprise</u>	<u>Internal Service</u>
	<u>Water and Sewer Fund</u>	<u>Insurance Trust</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 622,603	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	319,508	-
Increase in accounts receivable	(112,182)	-
Decrease in accounts payable	(120,716)	-
Increase in accrued expenses	1,389	-
Decrease in customer deposits	(3,842)	-
Decrease in compensated absences	(10,330)	-
Decrease in deferred revenue	20,044	-
	<u>20,044</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 716,474</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Seagoville (the City) is incorporated as a municipal corporation under the laws of the State of Texas. The City operates under a home-rule charter with a City Manager-City Council form of government. The accompanying financial statements present the City's primary government and its discretely presented component unit, for which the City is considered to be financially accountable. The component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

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 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 (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

Financial Reporting Entity

The City is governed by an elected mayor and a five-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB 39 "Determining Whether Certain Organizations Are Component Units".

Under GASB 14 component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Reporting Entity – Continued

GASB 39 added clarification to GASB 14 by including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Based on these criteria, the financial information of the following entity has been presented discretely in a separate column from the primary government in the government-wide financial statements:

The Seagoville Economic Development Corporation (Corporation) promotes and develops industrial and manufacturing enterprises to promote and encourage employment and the public welfare within the City and the State of Texas. There are seven directors, all of whom are required to be residents of the City and are appointed by the City Council. The Corporation provides financial benefits to the City in the form of an annual cash payment. The Corporation is authorized to sell bonds or other forms of indebtedness for any purpose authorized by Section 4B of the Development Corporation Act of 1979, Article 5190.6, Vernon's Revised Civil Statutes of Texas as amended. In the event of dissolution of the Corporation, the assets of the Corporation shall be distributed to the City. Copies of the Corporation's financial statements may be obtained from the Corporation's office at 1512-A N. Highway 175, Seagoville, Texas 75159.

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

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 operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental funds and proprietary funds. These statements present each major fund as a separate column in the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources.

The City reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund

The Capital Projects Fund is used to account for resources used for the acquisition and/or construction of capital facilities by the City, except those financed by proprietary funds.

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

In addition, the City reports the following non-major governmental funds:

Special Revenue Funds:

Hotel / Motel Occupancy Tax Fund

The Hotel / Motel Occupancy Tax Fund was established to account for local hotel and motel occupancy tax receipts.

Special Police Fund

The Special Police Fund was established to account for resources required to be utilized by the police department.

Miscellaneous Grants Fund

The Miscellaneous Grants Fund is used to account for contributions from corporations and others.

Municipal Court Technology Fund

The Municipal Court Technology Fund was established to account for a portion of municipal court fees earmarked to help fund technology and security purchases.

Special Fire Fund

The Special Fire Fund was established to account for resources required to be utilized by the fire department.

Building Maintenance Fund

The Building Maintenance Fund was established to account for repairs of the City buildings.

Storm Water Grant Fund

The Storm Water Grant Fund was established to account for contributions received for storm water damage.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

Proprietary Funds

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included in the Statement of Net Assets.

The City reports the following major proprietary funds:

Water and Sewer Enterprise Fund

Water and Sewer Enterprise Fund is used to account for the operation of the water distribution system, wastewater treatment plant, and wastewater pumping and collection systems which are supported primarily by user charges to the public.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In addition, the City reports the following proprietary fund as an internal service fund:

Group Insurance Trust

In August 2008, the City passed a resolution establishing a Single Non-Profit Trust which enables the City to receive a discount on premiums it pays to its insurance carrier. The Group Insurance Trust is used for the payment of insurance premiums and is funded by the governmental funds and the enterprise fund.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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.

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available.

“Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues as available if they are collected within 60 days after year end.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, sales taxes, franchise taxes and interest are susceptible to accrual. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

Cash, Cash Equivalents and Investments

City funds are deposited in an authorized depository bank. All deposits are fully collateralized (100%) with depository insurance; direct obligations of the United States of America backed by its full faith and credit; obligations guaranteed by the United States of America; evidence of indebtedness guaranteed by Federal Intermediate Credit Banks, Federal Land Banks, Banks for Cooperative, Federal Farm Credit System, Federal Home Loan Banks, Federal National Mortgage Association; or any general or special obligation (approved by the Attorney General of Texas) issued by a State of Texas public agency payable from taxes, revenues, either or both, provided all of such obligations are rated A or better by a generally recognized national bank-rating agency. The collateral is held in a bank other than the one in which the deposit was made.

The City’s cash and cash equivalents are defined as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition for classification in the statement of cash flows for proprietary fund types.

Property Taxes

The City’s property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and certain personal property located within the City. Appraised values are established by the Dallas Central Appraisal District at 100% of estimated market value and certified by the Appraisal Review Board. The assessed value upon which the tax year 2009 levy was based was \$489,357,930. Taxes are due on October 1 and are delinquent after the following January 31.

CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes – Continued

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. The combined tax rate to finance general governmental services including the payment of principal and interest on long-term debt for the year ended September 30, 2010 was \$0.650 per \$100 of assessed valuation.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

Interfund 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 “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Transactions Between Funds

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/ expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions are recorded as transfers.

Restricted Assets

Certain proceeds of the Water and Sewer Enterprise Fund’s revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Restricted Resources

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 required.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, 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 cost is not available. Donated assets are valued at fair market value on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset lives are not capitalized. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

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

Buildings	50 Years
Improvements other than buildings	20 Years
Machinery and equipment	5 - 10 Years
Infrastructure	75 Years

Vacation and Sick Leave (Compensated Absences)

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured.

Long-Term Obligations

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

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Long-Term Obligations – Continued

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 and discounts received on debt issuances are reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental fund equity is classified as *fund balance*, and is presented as *reserved* and *unreserved*. Reserved fund balance represents amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2010 up through March 16, 2011, the date the financial statements were issued. During this period there were no subsequent events requiring disclosure.

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2010 the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included as cash and cash equivalents) was \$1,028,595 and the bank balance was \$1,284,366. The City's cash deposits at September 30, 2010 and during the year ended September 30, 2010 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Legal and contractual provisions governing deposits and investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City 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, (9) and bid solicitation preferences for certificates of deposit. Statutes and the City's investment policy authorized the City to invest in the following investments as summarized in the table below:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	1 year	None	None
U.S. Agencies Securities	1 year	None	None
Certificates of Deposits	1 year	None	None
TexPool	-	None	None

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Cash and investments as of September 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:

Primary Government	
Cash and cash equivalents	\$ 6,642,338
Restricted cash and cash equivalents	<u>311,045</u>
Total Primary Government	6,953,383
Component Unit:	
Cash and cash equivalents	<u>1,215,311</u>
Total cash and investments	<u><u>\$ 8,168,694</u></u>

Cash and cash equivalents as of September 30, 2010 consist of the following:

Cash on hand	\$ 1,500
Deposits with financial institutions	1,028,595
Investments	<u>7,138,599</u>
Total cash and investments	<u><u>\$ 8,168,694</u></u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Disclosures Relating to Interest Rate Risk – Continued

As of September 30, 2010, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
Certificates of deposits	\$ 783,396	272 days
Texpool	<u>6,355,203</u>	42 days
Total	<u>\$ 7,138,599</u>	

As of September 30, 2010 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
Certificates of deposits	\$ 783,396	N/A	Not rated
Texpool	<u>6,355,203</u>	N/A	AAAM
Total	<u>\$ 7,138,599</u>		

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2010 other than external investment pools the City did not have 5% or more of its investment with one issuer.

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2010 the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

Investment in State Investment Pools

The City is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. This oversight includes the ability to significantly influence operations, designation 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. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized costs rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,524,542	\$ -	\$ -	\$ 2,524,542
Construction-in-Progress	133,481	173,761	(133,481)	173,761
	<u>2,658,023</u>	<u>173,761</u>	<u>(133,481)</u>	<u>2,698,303</u>
Capital assets being depreciated:				
Buildings	2,314,857	-	-	2,314,857
Improvements other than buildings	893,622	-	-	893,622
Machinery and equipment	1,812,353	34,515	-	1,846,868
Motor vehicle under capital lease	77,259	-	-	77,259
Infrastructure	17,575,969	133,481	-	17,709,450
	<u>22,674,060</u>	<u>167,996</u>	<u>-</u>	<u>22,842,056</u>
Accumulated depreciation:				
Buildings	(924,342)	(59,997)	-	(984,339)
Improvements other than buildings	(687,465)	(10,528)	-	(697,993)
Machinery and equipment	(1,255,450)	(129,747)	-	(1,385,197)
Motor vehicle under capital lease	(7,023)	(7,023)	-	(14,046)
Infrastructure	(7,979,491)	(213,696)	-	(8,193,187)
	<u>(10,853,771)</u>	<u>(420,991)</u>	<u>-</u>	<u>(11,274,762)</u>
Capital assets being depreciated, net	<u>11,820,289</u>	<u>(252,995)</u>	<u>-</u>	<u>11,567,294</u>
Governmental activities capital assets, net	<u>\$ 14,478,312</u>	<u>\$ (79,234)</u>	<u>\$ (133,481)</u>	<u>\$ 14,265,597</u>

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 3. CAPITAL ASSETS – CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 54,792	\$ -	\$ -	\$ 54,792
Construction-in-Progress	2,055,710	-	(2,055,710)	-
	<u>2,110,502</u>	<u>-</u>	<u>(2,055,710)</u>	<u>54,792</u>
Capital assets being depreciated:				
Buildings	129,763	-	-	129,763
Improvements other than buildings	179,832	-	-	179,832
Machinery and equipment	510,127	33,442	-	543,569
Infrastructure	19,074,386	2,372,140	(30,758)	21,415,768
	<u>19,894,108</u>	<u>2,405,582</u>	<u>(30,758)</u>	<u>22,268,932</u>
Accumulated depreciation:				
Buildings	(35,337)	(2,595)	-	(37,932)
Improvements other than buildings	(146,712)	(8,833)	-	(155,545)
Machinery and equipment	(201,548)	(53,755)	-	(255,303)
Infrastructure	(8,444,988)	(254,325)	-	(8,699,313)
	<u>(8,828,585)</u>	<u>(319,508)</u>	<u>-</u>	<u>(9,148,093)</u>
Capital assets being depreciated, net	<u>11,065,523</u>	<u>2,086,074</u>	<u>(30,758)</u>	<u>13,120,839</u>
Business-type activities capital assets, net	<u>\$ 13,176,025</u>	<u>\$ 2,086,074</u>	<u>\$ (2,086,468)</u>	<u>\$ 13,175,631</u>

Depreciation expense was charged as a direct expense to functions of the primary government as follows:

Governmental activities:

General government	\$ 27,372
Public safety	83,480
Community services	49,120
Community development	<u>261,019</u>
Total depreciation expense- governmental activities	<u>\$ 420,991</u>

Business type activities:

Water and Sewer	<u>\$ 319,508</u>
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**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4. LONG-TERM DEBT

The City issues certificates of obligation and combination tax and revenue bonds to provide for the acquisition and construction of major capital facilities and infrastructure. Certificates of obligation pledge the full faith and credit of the City. Combination tax and revenue bonds are payable from the net revenues of the water and sewer system and general debt service tax. Details of long-term debt outstanding as of September 30, 2010 are as follows:

Primary Government:

Description	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/10
Governmental activities:					
Certificates of obligations					
Improvements	\$ 1,000,000	1996	2016	5.20%-7.50%	\$ 395,000
Improvements	1,400,000	1997	2012	5.00%-7.50%	260,000
Improvements	1,250,000	2006	2026	4.00%-5.50%	1,086,110
Improvements	1,250,000	2008	2028	3.50%-5.125%	<u>1,175,000</u>
Total governmental activities					<u>\$ 2,916,110</u>
Business-type activities:					
Combination tax and revenue refunding bonds:					
Refunding	\$ 5,380,396	1993	2015	2.60%-5.60%	\$ 585,396
Improvements	1,000,000	2006	2026	4.00%-5.50%	868,889
Improvements	2,000,000	2008	2028	4.50%-5.125%	2,000,000
Total business-type activities					<u>\$ 3,454,285</u>

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4. LONG-TERM DEBT – CONTINUED

Component Unit

Description	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2010
Note payable- Project funding	\$ 1,000,000	2004	2019	4.93%	<u>\$ 744,494</u>

The following is a summary of long-term transactions for the year ended September 30, 2010:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due within One year
Governmental activities:					
Certificates of obligation	\$ 3,180,554	\$ -	\$ (264,444)	\$ 2,916,110	\$ 282,222
Premium on bonds	44,374	-	(2,335)	42,039	2,335
Compensated absences	212,038	26,476	(34,320)	204,194	20,419
Capital Lease Obligation	54,662	-	(26,465)	28,197	28,197
Total governmental activities	<u>\$ 3,491,628</u>	<u>\$ 26,476</u>	<u>\$ (327,564)</u>	<u>\$ 3,190,540</u>	<u>\$ 333,173</u>
Business-type activities:					
Combination tax and revenue refunding bonds	\$ 3,814,841	\$ -	\$ (360,556)	\$ 3,454,285	\$ 170,715
Accreted interest	811,652	78,856	-	890,508	-
Premium on bonds	74,197	-	(6,936)	67,261	3,737
Deferred loss on refunding	(113,012)	-	72,560	(40,452)	(8,091)
Total bonds payable	<u>4,587,678</u>	<u>78,856</u>	<u>(294,932)</u>	<u>4,371,602</u>	<u>166,361</u>
Compensated absences	50,882	5,860	(16,190)	40,552	4,055
Total business-type activities	<u>\$ 4,638,560</u>	<u>\$ 84,716</u>	<u>\$ (311,122)</u>	<u>\$ 4,412,154</u>	<u>\$ 170,416</u>

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4. LONG-TERM DEBT – CONTINUED

Component Unit

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due within One year
Notes payable	\$ 801,101	\$ -	\$ (56,607)	\$ 744,494	\$ 59,398
Total	<u>\$ 801,101</u>	<u>\$ -</u>	<u>\$ (56,607)</u>	<u>\$ 744,494</u>	<u>\$ 59,398</u>

Compensated absences are liquidated in the governmental fund to which each employee's payroll is allocated.

Annual debt service requirements as of September 30, 2010 are as follows:

Primary Government:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Bonds Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2011	\$ 282,222	\$ 138,995	\$ 170,715	\$ 350,763
2012	292,222	124,868	162,546	356,854
2013	165,000	109,613	155,316	359,228
2014	177,778	100,596	151,342	363,224
2015	185,556	91,487	147,699	367,242
2016-2020	656,000	348,378	850,000	541,250
2021-2025	788,889	190,526	1,061,111	320,721
2026-2029	368,443	28,764	755,556	68,911
	<u>\$ 2,916,110</u>	<u>\$ 1,133,227</u>	<u>\$ 3,454,285</u>	<u>\$ 2,728,193</u>

Component Unit

Year Ending September 30,	Notes Payable	
	Principal	Interest
2011	\$ 59,398	\$ 33,775
2012	62,326	30,787
2013	65,315	27,483
2014	68,619	24,100
2015	72,002	20,550
2016-2020	416,834	43,123
	<u>\$ 744,494</u>	<u>\$ 179,818</u>

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivables and payables balances at September 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Non major	\$ 67,861	Reimbursable grant expenditures
General fund	Non major	30,230	To eliminate negative cash balance
General fund	Non major	3,278	To eliminate negative cash balance
	Totals	<u>\$ 101,369</u>	

All interfund transfers between the various funds are approved supplements to the operations of those funds. Individual fund transfers for fiscal year 2010 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Water and sewer fund	\$ 74,826	In lieu of franchise fees - water
General fund	Water and sewer fund	79,034	In lieu of franchise fees - sewer
General fund	Water and sewer fund	66,258	General and admin - Indirect costs
Non Major Fund	General fund	42,950	City matching requirement - fire grant
Non Major Fund	Water and sewer fund	41,000	City matching contribution
	Totals	<u>\$ 304,068</u>	

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. RETIREMENT PLAN

Plan Description

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

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (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.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. 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.

The pension plan does not issue separate reports on the pension plan. However, TMRS does issue a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained by writing to: Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153.

Contributions

The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. 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 contribution rate, both of which are calculated to be a level percent of payroll from year to year.

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. RETIREMENT PLAN – CONTINUED

Contributions – Continued

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 amortization period. The projected 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, 2008 valuation is effective for rates beginning January 2010).

A summary of the City's net pension obligation (NPO) and annual required contributions for the last three fiscal years is as follows:

	Fiscal Year Ended September 30		
	2010	2009	2008
NPO at the beginning of the period	\$ -	\$ -	\$ -
Annual required contribution	440,856	452,446	376,490
Contributions made (100%)	<u>440,856</u>	<u>452,446</u>	<u>376,490</u>
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A summary of the actuarial assumptions used is as follows:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	23 Years - Closed Period
Asset Valuation Method	10-year smoothed market
Investment Rate of Return	7.5%
Projected Salary Increases	Varies by age and service
Includes Inflation At	3.0%
Cost-of-Living Adjustments	None

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. RETIREMENT PLAN – CONTINUED

Contributions – Continued

Trend information is presented below for the three most recent plan years.

<u>Plan Year December 31</u>	<u>Annual Contributions</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Pension Obligation (Asset)</u>
2007	\$ 376,490	\$ 376,490	100 %	-
2008	452,446	452,446	100	-
2009	440,856	440,856	100	-

As of the most recent actuarial valuation date, funding progress on the plan is as follows:

Actuarial valuation date	December 31, 2009
Actuarial value of plan assets	\$ 6,344,356
Actuarial accrued liability (AAL)	8,273,715
Unfunded AAL	1,929,359
Covered payroll	4,178,736
Unfunded AAL as a % of covered payroll	46.20%

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 7. COMMITMENTS AND CONTINGENCIES

As of August 1, 1989 the City entered into an agreement with Combine Water Supply Corporation (“Combine”) whereby the City agrees to provide up to 1,000,000 gallons of water per day to Combine in exchange for annual compensation and a fee of \$1.05 per 1,000 gallons for the first two years of the contract term and \$1.10 per 1,000 gallons for the remainder of the term for volume usage; subject to change based upon future cost increases to the City as charged by the City of Dallas.

The contract term expires April 30, 2014, and contains renegotiation clauses for demand and volume charges at the end of each three (3) years after the first five years of the contract.

In 2005, the City entered into a contract with the North Texas Municipal Water District (the “District”) for the transportation, treatment and disposal of sanitary sewage and other waste. The contract will continue in force at least until all bonds issued by the District pursuant to the contract have been paid in full and will remain in force thereafter throughout the useful life of the District’s sanitary sewer system. The contract requires the City to pay varying amounts based on the costs associated with sewage transported and/or treated and disposed of. The cost includes the City’s proportionate share of the District’s operating and maintenance expenses and related debt service costs. During 2010, the City’s share of these costs was \$261,294.

NOTE 8. RISK FINANCING AND INSURANCE

The City places all of its property, liability, and workers’ compensation coverage with Texas Municipal League, a public entity risk pool currently operating as a common risk management and insurance program for over 1,869 members. The City pays an annual premium to Texas Municipal League for its general insurance coverage. The risk pool is self-sustaining through member premiums 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 damages. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

**CITY OF SEAGOVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. RISK FINANCING AND INSURANCE – CONTINUED

The limits of liability and deductible are:

	<u>Limit</u>	<u>Deductible</u>
General Liability	\$ 1,000,000 Each Occurrence \$ 2,000,000 Annual	\$ 1,000
Auto Liability	\$ 1,000,000 Each Occurrence	\$ -
Law Enforcement Liability	\$ 1,000,000 Each Occurrence \$ 2,000,000 Annual	\$ 1,000
Error and Omissions Liability	\$ 2,000,000 Each Occurrence \$ 4,000,000 Annual	\$ 1,000
Auto Physical Damage	A.C.V. Per Vehicle Each Occurrence	\$ 500 \$ 10,000
Real and Personal Property	\$ 12,066,062	\$ 500
Mobile Equipment	\$ 598,021	\$ 500
Workers' Compensation	Statutory	

REQUIRED SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON
GENERAL FUND**

EXHIBIT A-1

**CITY OF SEAGOVILLE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Ad valorem	\$ 2,811,992	\$ 2,811,992	\$ 2,737,554	\$ (74,438)
Sales	2,040,600	2,040,600	1,967,218	(73,382)
Franchise	611,217	611,217	590,509	(20,708)
Sanitation collection charges	717,000	717,000	718,481	1,481
Licenses, permits and fees	128,334	128,334	224,416	96,082
Municipal court fines	251,000	251,000	266,774	15,774
Intergovernmental	53,058	53,058	51,313	(1,745)
Investment income	30,000	30,000	4,680	(25,320)
Miscellaneous revenues	9,500	9,500	102,704	93,204
Total revenues	6,652,701	6,652,701	6,663,649	10,948
Expenditures:				
Current				
General government				
City council	13,170	13,170	9,482	3,688
City manager	213,388	213,388	264,309	(50,921)
City secretary	100,798	100,798	82,756	18,042
Finance	332,302	332,302	331,934	368
Human Resources	109,706	294,051	104,004	190,047
Non-departmental	449,748	449,748	313,774	135,974
Communications/IT	117,978	117,978	111,114	6,864
Total general government	1,337,090	1,521,435	1,217,373	304,062
Public safety				
Police	1,668,464	1,668,464	1,607,662	60,802
Fire	1,184,904	1,184,904	1,181,432	3,472
EMS	164,080	164,080	164,080	-
Communications	358,177	358,177	327,483	30,694
Code enforcement/animal control	264,473	264,473	179,741	84,732
Total public safety	\$ 3,640,098	\$ 3,640,098	\$ 3,460,398	\$ 179,700

(Continued)

**CITY OF SEAGOVILLE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Services				
Municipal court	127,159	127,159	134,798	(7,639)
Library	151,441	151,441	152,697	(1,256)
Senior center	188,628	188,628	182,020	6,608
Sanitation	531,000	531,000	559,130	(28,130)
Total community services	998,228	998,228	1,028,645	(30,417)
Community development				
Building inspection	225,706	225,706	208,557	17,149
Streets	487,208	487,208	401,270	85,938
Parks	350,757	350,757	295,948	54,809
Planning	123,783	123,783	114,447	9,336
Total community development	1,187,454	1,187,454	1,020,222	167,232
Total expenditures	7,162,870	7,347,215	6,726,638	620,577
Excess (deficiency) of revenues over expenditures	(510,169)	(694,514)	(62,989)	631,525
Other financing sources (uses)				
Insurance recovery	-	-	125,597	125,597
Transfers in	220,118	220,118	220,118	-
Transfers out	-	-	(42,950)	(42,950)
Total other financing sources (uses)	220,118	220,118	302,765	82,647
Net change in fund balance	(290,051)	(474,396)	239,776	714,172
Fund Balances - beginning of year	1,611,850	1,611,850	1,611,850	-
Fund Balances - end of year	\$ 1,321,799	\$ 1,137,454	\$ 1,851,626	\$ 714,172

(Concluded)

**CITY OF SEAGOVILLE, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2010**

Budgetary Data

The City Council adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. Each year the City Manager is required to submit to the City Council, between sixty and ninety days prior to the beginning of each fiscal year, a proposed budget for the General and Debt Service Fund for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayers' comments.
3. Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.
4. During the fiscal year, the City Council may transfer funds allocated to a department to another department or re-estimate revenues or expenditures. The City Manager may transfer budgeted funds within a fund. Expenditures should not exceed appropriations at the fund level. Supplemental appropriations to amend the budget during the year were not material to total appropriations.
5. Expenditures in excess of appropriations for the year ended September 30, 2010 were:

- City manager \$(50,921)
- Municipal court \$(7,639)
- Library \$(1,256)
- Sanitation \$(28,130)

Annually appropriated budgets are consistent with U.S. generally accepted accounting principles.

**CITY OF SEAGOVILLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
PARTICIPATION IN TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (Excess of Assets over AAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL (Excess) as a Percentage of Covered Payroll ((b - a) / c)	City Contribution (d)	Average City Rate (d / c)
12/31/00	2,256,939	2,288,785	31,846	98.6%	2,021,590	1.6%	80,112	3.96%
12/31/01	2,656,155	2,765,801	109,646	96.0%	2,256,483	4.9%	87,771	3.89%
12/31/02	3,053,033	3,348,643	295,610	91.2%	2,351,648	12.6%	117,016	4.98%
12/31/03	3,310,242	3,610,313	300,071	91.7%	2,456,384	12.2%	145,925	5.94%
12/31/04	3,475,587	4,600,826	1,125,239	75.5%	2,724,608	41.3%	260,873	9.57%
12/31/05	3,957,144	5,102,953	1,145,809	77.5%	3,023,550	37.9%	297,131	9.83%
12/31/06	4,618,603	6,443,130	1,824,527	71.7%	3,401,950	53.6%	296,199	8.71%
12/31/07	4,996,695	6,836,484	1,839,789	73.1%	3,622,340	50.8%	376,490	10.39%
12/31/08	5,487,445	7,347,266	1,859,821	74.7%	3,993,787	46.6%	452,446	11.33%
12/31/09	6,344,356	8,273,715	1,929,359	76.7%	4,178,736	46.2%	440,856	10.55%

COMBINING SCHEDULES AND STATEMENTS

**CITY OF SEAGOVILLE, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for revenue sources that are legally restricted to expenditures for specified purposes.

Hotel/Motel Occupancy Tax Fund – Established to account for local hotel and motel occupancy tax receipts.

Special Police Fund – Established to account for resources required to be utilized by the police department.

Miscellaneous Grants Fund – Established to account for contributions from corporations and others.

Municipal Court Technology Fund – Established to account for a portion of municipal court fees earmarked to help fund technology and security purchases.

Special Fire Fund – Established to account for resources required to be utilized by the fire department.

Building Maintenance Fund – Established to account for repairs of the City's building.

Storm Water Grant Fund – Established to account for contributions received for storm water damage.

DEBT SERVICE FUNDS

The Debt Service Fund is utilized to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest, and related costs arising from the issuance of bonds.

**CITY OF SEAGOVILLE, TEXAS
COMBINING BALANCE SHEET -
NON MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	<u>Special Revenue</u>			
	<u>Hotel/Motel Occupancy Tax</u>	<u>Special Police</u>	<u>Miscellaneous Grants</u>	<u>Municipal Court Technology</u>
ASSETS				
Cash and cash equivalents	\$ 4,390	\$ 68,801	\$ 9,772	\$ 40,668
Accounts receivable:				
Grant	-	-	-	-
Ad valorem taxes	-	-	-	-
TOTAL ASSETS	<u>\$ 4,390</u>	<u>\$ 68,801</u>	<u>\$ 9,772</u>	<u>\$ 40,668</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,933	55	\$ -	\$ -
Due to other funds	-	67,861	-	-
Accrued liabilities	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>3,933</u>	<u>67,916</u>	<u>-</u>	<u>-</u>
Fund balances				
Reserved for debt service	-	-	-	-
Unreserved				
Undesignated	457	885	9,772	40,668
Total fund balances	<u>457</u>	<u>885</u>	<u>9,772</u>	<u>40,668</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,390</u>	<u>\$ 68,801</u>	<u>\$ 9,772</u>	<u>\$ 40,668</u>

EXHIBIT B-1

<u>Special Fire</u>	<u>Building Maintenance</u>	<u>Storm Water Grant</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service</u>	<u>Total Non Major Governmental Funds</u>
\$ 21,316	\$ -	\$ 20,146	\$ 165,093	\$ 45,475	\$ 210,568
11,859	-	-	\$ 11,859	-	11,859
-	-	-	-	72,254	72,254
<u>\$ 33,175</u>	<u>\$ -</u>	<u>\$ 20,146</u>	<u>\$ 176,952</u>	<u>\$ 117,729</u>	<u>\$ 294,681</u>
3,153	4,644	\$ -	\$ 11,785	\$ -	\$ 11,785
3,278	30,230	-	101,369	-	101,369
-	-	-	-	3,321	3,321
-	-	-	-	72,254	72,254
<u>6,431</u>	<u>34,874</u>	<u>-</u>	<u>113,154</u>	<u>75,575</u>	<u>188,729</u>
-	-	-	-	42,154	42,154
<u>26,744</u>	<u>(34,874)</u>	<u>20,146</u>	<u>63,798</u>	<u>-</u>	<u>63,798</u>
<u>26,744</u>	<u>(34,874)</u>	<u>20,146</u>	<u>63,798</u>	<u>42,154</u>	<u>105,952</u>
<u>\$ 33,175</u>	<u>\$ -</u>	<u>\$ 20,146</u>	<u>\$ 176,952</u>	<u>\$ 117,729</u>	<u>\$ 294,681</u>

**CITY OF SEAGOVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - -
NON MAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2010**

	<u>Special Revenue</u>			
	<u>Hotel/Motel Occupancy Tax</u>	<u>Special Police</u>	<u>Miscellaneous Grants</u>	<u>Municipal Court Technology</u>
Revenues				
Taxes:				
Hotel/ motel taxes	\$ 14,496	\$ -	\$ -	\$ -
Ad valorem	-	-	-	-
Licenses and permits	-	-	-	12,320
Investment income	-	-	-	-
Grant revenue	-	97,228	10,886	-
Total revenues	<u>14,496</u>	<u>97,228</u>	<u>10,886</u>	<u>12,320</u>
Expenditures:				
Current:				
General government	14,496	-	-	-
Public safety	-	96,343	1,272	182
Community development	-	-	8,345	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>14,496</u>	<u>96,343</u>	<u>9,617</u>	<u>182</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>885</u>	<u>1,269</u>	<u>12,138</u>
Other financing sources (uses):				
Transfer In	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	885	1,269	12,138
Fund Balances - beginning of year	<u>457</u>	<u>-</u>	<u>8,503</u>	<u>28,530</u>
Fund Balances - end of year	<u>\$ 457</u>	<u>\$ 885</u>	<u>\$ 9,772</u>	<u>\$ 40,668</u>

EXHIBIT B-2

<u>Special Fire</u>	<u>Building Maintenance</u>	<u>Storm Water Grant</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service</u>	<u>Total Non Major Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 14,496	\$ -	\$ 14,496
-	-	-	-	385,453	385,453
-	-	-	12,320	-	12,320
-	-	-	-	153	153
<u>139,796</u>	<u>-</u>	<u>-</u>	<u>247,910</u>	<u>-</u>	<u>247,910</u>
<u>139,796</u>	<u>-</u>	<u>-</u>	<u>274,726</u>	<u>385,606</u>	<u>660,332</u>
-	-	-	14,496	-	14,496
156,002	-	-	253,799	-	253,799
-	34,874	20,854	64,073	-	64,073
-	-	-	-	-	-
-	-	-	-	264,445	264,445
-	-	-	-	153,701	153,701
<u>156,002</u>	<u>34,874</u>	<u>20,854</u>	<u>332,368</u>	<u>418,146</u>	<u>750,514</u>
<u>(16,206)</u>	<u>(34,874)</u>	<u>(20,854)</u>	<u>(57,642)</u>	<u>(32,540)</u>	<u>(90,182)</u>
<u>42,950</u>	<u>-</u>	<u>41,000</u>	<u>83,950</u>	<u>-</u>	<u>83,950</u>
<u>42,950</u>	<u>-</u>	<u>41,000</u>	<u>83,950</u>	<u>-</u>	<u>83,950</u>
<u>26,744</u>	<u>(34,874)</u>	<u>20,146</u>	<u>26,308</u>	<u>(32,540)</u>	<u>(6,232)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>37,490</u>	<u>74,694</u>	<u>112,184</u>
<u>\$ 26,744</u>	<u>\$ (34,874)</u>	<u>\$ 20,146</u>	<u>\$ 63,798</u>	<u>\$ 42,154</u>	<u>\$ 105,952</u>

**CITY OF SEAGOVILLE, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 393,582	\$ 393,582	385,453	\$ (8,129)
Interest Income	2,000	2,000	153	(1,847)
Total revenues	<u>395,582</u>	<u>395,582</u>	<u>385,606</u>	<u>(9,976)</u>
Expenditures:				
Current				
1996 Bond Interest Expense	26,470	26,470	26,470	-
1996 Bond Principal Payment	60,000	60,000	60,000	-
1997 Bond Interest Expense	19,000	19,000	19,000	-
1997 Bond Principal Payment	120,000	120,000	120,000	-
2006 Bond Interest Expense	49,249	49,249	49,249	-
2006 Bond Principal Payment	44,444	44,444	44,444	-
2008 Bond Interest Expense	57,481	57,481	57,481	-
2008 Bond Principal Payment	40,000	40,000	40,000	-
Other Debt Expenses	1,500	1,500	1,502	(2)
Total Expenses	<u>418,144</u>	<u>418,144</u>	<u>418,146</u>	<u>(2)</u>
Net change in fund balance	(22,562)	(22,562)	(32,540)	(9,978)
Fund Balances - beginning of year	<u>42,700</u>	<u>42,700</u>	<u>74,694</u>	<u>-</u>
Fund Balances - end of year	<u>\$ 20,138</u>	<u>\$ 20,138</u>	<u>\$ 42,154</u>	<u>\$ (9,978)</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Seagoville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

<u>Contents</u>	<u>Table #s</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1, 2, 3 & 4
Revenue Capacity These tables contain information to help the reader assess the City's two most significant local revenue sources, the property and sales taxes.	5, 6, 7 & 8
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	9, 10, 11 & 12
Economic and Demographic Information These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	13 & 14
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.	15, 16 & 17

Source: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2003: tables presenting government-wide information include information beginning in that year.

TABLE 1

**CITY OF SEGOVILLE, TEXAS
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year						
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 7,223,435	\$ 9,344,983	\$ 11,096,269	\$ 12,280,692	\$ 10,989,258	\$ 11,976,087	\$ 12,031,436
Restricted for debt service	89,340	90,971	101,309	116,316	120,590	133,609	102,826
Unrestricted	2,099,410	3,175,764	3,083,194	2,841,049	4,250,738	2,555,649	2,672,837
Total governmental activities net assets	<u>\$ 9,412,185</u>	<u>\$ 12,611,718</u>	<u>\$ 14,280,772</u>	<u>\$ 15,238,057</u>	<u>\$ 15,360,586</u>	<u>\$ 14,665,345</u>	<u>\$ 14,807,099</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 8,830,465	\$ 10,559,863	\$ 11,370,891	\$ 11,821,765	\$ 9,788,858	\$ 9,692,891	\$ 9,694,536
Restricted	223,584	226,292	223,129	222,719	158,103	161,694	87,821
Unrestricted	3,036,714	2,981,293	3,378,839	3,342,263	3,275,618	3,332,715	3,463,833
Total business-type activities net assets	<u>\$ 12,090,763</u>	<u>\$ 13,767,448</u>	<u>\$ 14,972,859</u>	<u>\$ 15,386,747</u>	<u>\$ 13,222,579</u>	<u>\$ 13,187,300</u>	<u>\$ 13,246,190</u>
Primary government							
Invested in capital assets, net of related debt	\$ 16,053,900	\$ 19,904,846	\$ 22,467,160	\$ 24,102,457	\$ 20,778,116	\$ 21,668,978	\$ 21,725,972
Restricted for debt service	312,924	317,263	324,438	339,035	278,693	295,303	190,647
Unrestricted	5,136,124	6,157,057	6,462,033	6,183,312	7,526,356	5,888,364	6,136,670
Total primary governmental net assets	<u>\$ 21,502,948</u>	<u>\$ 26,379,166</u>	<u>\$ 29,253,631</u>	<u>\$ 30,624,804</u>	<u>\$ 28,583,165</u>	<u>\$ 27,852,645</u>	<u>\$ 28,053,289</u>

Source: Comprehensive Annual Financial Report

Note: Accrual-basis financial information for the city as a whole is only available back to 2004, the year GASB Statement 34 was implemented.

**CITY OF SEGOVILLE, TEXAS
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year						
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses							
Governmental activities:							
General government	\$ 832,425	\$ 906,251	\$ 1,044,553	\$ 1,073,921	\$ 1,214,815	\$ 1,331,400	\$ 1,531,896
Public safety	2,461,299	2,766,543	3,091,888	3,350,968	3,500,767	3,653,761	3,598,398
Community services	728,160	799,633	844,118	919,770	969,199	1,060,379	1,059,095
Community development	1,339,066	1,363,014	1,619,816	1,475,536	1,457,928	1,923,442	1,336,002
Interest on long-term debt	104,853	94,930	86,524	127,778	123,459	169,274	84,276
Total governmental activities expenses	<u>5,465,803</u>	<u>5,930,371</u>	<u>6,686,899</u>	<u>6,947,973</u>	<u>7,266,168</u>	<u>8,138,256</u>	<u>7,609,667</u>
Business-type activities:							
Water and sewer	<u>2,803,787</u>	<u>2,801,820</u>	<u>3,162,630</u>	<u>3,503,216</u>	<u>3,972,794</u>	<u>3,942,737</u>	<u>3,769,705</u>
Total business-type activities expenses	<u>2,803,787</u>	<u>2,801,820</u>	<u>3,162,630</u>	<u>3,503,216</u>	<u>3,972,794</u>	<u>3,942,737</u>	<u>3,769,705</u>
Total primary government expenses	<u>\$ 8,269,590</u>	<u>\$ 8,732,191</u>	<u>\$ 9,849,529</u>	<u>\$ 10,451,189</u>	<u>\$ 11,238,962</u>	<u>\$ 12,080,993</u>	<u>\$ 11,379,372</u>
Program Revenues							
Governmental activities:							
Public Safety	\$ 43,935	\$ 53,987	\$ 56,149	\$ 62,578	\$ 59,746	\$ 60,578	\$ 61,636
Community Services	872,015	854,634	922,695	968,543	963,167	946,664	994,133
Community Development	388,843	205,976	206,257	199,254	124,514	61,999	169,086
Charges for services	1,304,793	1,114,597	1,185,101	1,230,375	1,147,427	1,069,241	1,224,855
Operating grants and contributions	73,622	119,044	81,736	167,532	70,258	117,005	304,485
Capital grants and contributions	227,012	420,905	1,796,428	824,102	104,051	201,965	25,160
Total governmental activities program revenues	<u>1,605,427</u>	<u>1,654,546</u>	<u>3,063,265</u>	<u>2,222,009</u>	<u>1,321,736</u>	<u>1,388,211</u>	<u>1,554,500</u>
Business-type activities:							
Charges for services	3,289,692	3,415,328	3,564,455	3,402,082	3,631,160	4,036,498	4,082,833
Capital grants and contributions	<u> </u>	<u>1,025,000</u>	<u>845,268</u>	<u>450,548</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities program revenues	<u>3,289,692</u>	<u>4,440,328</u>	<u>4,409,723</u>	<u>3,852,630</u>	<u>3,631,160</u>	<u>4,036,498</u>	<u>4,082,833</u>
Total primary government program revenues	<u>\$ 4,895,119</u>	<u>\$ 6,094,874</u>	<u>\$ 7,472,988</u>	<u>\$ 6,074,639</u>	<u>\$ 4,952,896</u>	<u>\$ 5,424,709</u>	<u>\$ 5,637,333</u>

TABLE 2

	Fiscal Year						
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net (Expenses) Revenue							
Governmental activities	\$ (3,860,376)	\$ (4,275,825)	\$ (3,623,634)	\$ (4,725,964)	\$ (5,944,432)	\$ (6,750,045)	\$ (6,055,167)
Business-type activities	485,905	1,638,508	1,247,093	349,414	(341,634)	93,761	313,128
Total primary government net expenses	<u>\$ (3,374,471)</u>	<u>\$ (2,637,317)</u>	<u>\$ (2,376,541)</u>	<u>\$ (4,376,550)</u>	<u>\$ (6,286,066)</u>	<u>\$ (6,656,284)</u>	<u>\$ (5,742,039)</u>
General Revenues							
and Other Changes in Net Assets							
Governmental activities:							
Taxes:							
Property taxes	\$ 2,065,570	\$ 2,242,524	\$ 2,539,587	\$ 2,819,773	\$ 3,019,148	\$ 3,164,449	\$ 3,136,646
Sales taxes	1,216,575	1,642,191	1,793,598	1,786,791	2,058,226	2,001,793	1,967,218
Other taxes	651,132	792,313	586,896	599,534	589,119	614,469	605,005
Investment income	19,754	69,259	160,025	236,308	146,798	42,116	6,759
Miscellaneous revenues	74,700	57,006	70,323	54,860	40,876	60,129	220,175
Transfers	451,336	165,000	174,099	185,985	181,943	171,848	261,118
Total governmental activities	<u>4,479,067</u>	<u>4,968,293</u>	<u>5,324,528</u>	<u>5,683,251</u>	<u>6,036,110</u>	<u>6,054,804</u>	<u>6,196,921</u>
Business-type activities:							
Other	30,226	86,586	132,417	250,459	127,098	42,808	6,880
Special Items					(1,790,333)		
Transfers	(75,000)	(165,000)	(174,099)	(185,985)	(181,943)	(171,848)	(261,118)
Total business-type activities	<u>(44,774)</u>	<u>(78,414)</u>	<u>(41,682)</u>	<u>64,474</u>	<u>(1,845,178)</u>	<u>(129,040)</u>	<u>(254,238)</u>
Total primary government	<u>\$ 4,434,293</u>	<u>\$ 4,889,879</u>	<u>\$ 5,282,846</u>	<u>\$ 5,747,725</u>	<u>\$ 4,190,932</u>	<u>\$ 5,925,764</u>	<u>\$ 5,942,683</u>
Change in Net Assets							
Governmental activities	\$ 618,691	\$ 692,468	\$ 1,700,894	\$ 957,287	\$ 91,678	\$ (695,241)	\$ 141,754
Business-type activities	441,131	1,560,094	1,205,411	413,888	(2,186,812)	(35,279)	58,890
Total primary government	<u>\$ 1,059,822</u>	<u>\$ 2,252,562</u>	<u>\$ 2,906,305</u>	<u>\$ 1,371,175</u>	<u>\$ (2,095,134)</u>	<u>\$ (730,520)</u>	<u>\$ 200,644</u>

Source: Comprehensive Annual Financial Report

Note: Accrual-basis financial information for the city as a whole is only available back to 2004, the year GASB Statement 34 was implemented.

**CITY OF SEAGOVILLE, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005^b</u>
General Fund					
Reserved ^a	\$ 26,587	\$ 39,590	\$ 57,354	\$ 102,720	\$ 145,883
Unreserved	<u>902,963</u>	<u>852,560</u>	<u>1,163,432</u>	<u>1,680,633</u>	<u>2,310,253</u>
Total general fund	<u><u>\$929,550</u></u>	<u><u>\$892,150</u></u>	<u><u>\$1,220,786</u></u>	<u><u>\$1,783,353</u></u>	<u><u>\$2,456,136</u></u>
All Other Governmental Funds					
Reserved for:					
Tourism & Promotion	\$ 1,673	\$ 2,665	\$ 2,000	\$ -	\$ -
Crime prevention	1,913	1,977	2,024	-	-
Construction	72,315	59,725	-	-	226,333
Debt service	49,754	59,607	47,650	48,925	50,681
Unreserved, reported in:					
Special revenue funds	-	-	-	6,609	103,800
Capital projects funds	-	-	-	136,612	-
Total all other governmental funds	<u><u>\$125,655</u></u>	<u><u>\$123,974</u></u>	<u><u>\$ 51,674</u></u>	<u><u>\$ 192,146</u></u>	<u><u>\$ 380,814</u></u>

Source: Comprehensive Annual Financial Report

Notes: ^a Includes encumbrances

^b Fund balance for General Fund, restated

TABLE 3

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 25,674	\$ 47,805	\$ -	\$ -	\$ -
2,139,866	1,919,427	1,963,454	1,611,850	1,851,626
<u>\$ 2,165,540</u>	<u>\$ 1,967,232</u>	<u>\$ 1,963,454</u>	<u>\$ 1,611,850</u>	<u>\$ 1,851,626</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
1,724,205	1,471,738	2,770,492	1,103,150	910,874
59,391	70,841	75,456	74,694	42,154
42,479	57,264	72,313	37,490	63,798
-	-	-	-	-
<u>\$ 1,826,075</u>	<u>\$ 1,599,843</u>	<u>\$ 2,918,261</u>	<u>\$ 1,215,334</u>	<u>\$ 1,016,826</u>

**CITY OF SEAGOVILLE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year				
	2001	2002	2003	2004	2005
REVENUES					
Taxes					
Ad valorem taxes	\$ 1,554,203	\$ 1,753,486	\$ 2,149,620	\$ 2,041,640	\$ 2,268,023
Sales taxes	606,090	597,128	620,199	1,216,575	1,642,191
Franchise taxes	464,098	512,565	597,909	633,568	532,397
Hotel/motel	15,558	17,154	17,010	17,564	16,166
Sanitation collection charges	460,489	508,853	569,484	599,113	619,985
Licenses, permits & fees	162,726	255,597	334,699	451,439	267,424
Municipal Court Fines	241,614	381,601	318,776	249,891	219,111
Inter-governmental ^a	124,891	91,925	76,926	269,789	295,199
Contributions	-	-	-	-	175,000
Investment Income	54,665	24,527	17,785	19,754	69,259
Grant revenue	-	-	-	-	69,750
Miscellaneous	35,484	22,365	26,916	109,895	65,084
Total revenues	3,719,818	4,165,201	4,729,324	5,609,228	6,239,589
EXPENDITURES					
Current:					
General government	778,122	821,719	733,956	767,288	854,268
Public safety	2,062,332	2,040,246	2,346,652	2,351,445	2,902,614
Community services	343,163	362,917	388,238	719,250	788,952
Community development	824,939	863,265	920,340	811,246	961,743
Other services	-	-	-	-	-
Debt Service:					
Principal	171,011	163,540	178,113	186,743	198,938
Interest	119,900	125,140	115,004	105,420	94,595
Capital Outlay	15,558	25,896	18,147	416,133	292,196
Total expenditures	4,315,025	4,402,723	4,700,450	5,357,525	6,093,306
Excess (deficiency) of revenues over expenditures	(595,207)	(237,522)	28,874	251,703	146,283
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease obligation	325,374	14,008	-	-	-
Proceeds from certificates of obligations	-	-	-	-	-
Transfer from other funds	276,868	224,612	227,462	743,772	487,765
Transfer to other funds	-	-	-	(292,436)	(322,765)
Total other financing sources (uses)	602,242	238,620	227,462	451,336	165,000
NET CHANGE IN FUND BALANCES	\$ 7,035	\$ 1,098	\$ 256,336	\$ 703,039	\$ 311,283
Debt service as a percentage of non-capital expenditures	9.01%	8.84%	8.02%	7.53%	6.31%

Footnote ^a: FY 2004 and prior Intergovernmental revenue includes any grants received.

TABLE 4

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$	2,493,768	\$ 2,747,656	\$ 2,979,862	\$ 3,115,546	\$ 3,123,007
	1,793,598	1,786,791	2,058,226	2,001,793	1,967,218
	569,449	631,199	598,896	600,359	590,509
	17,447	14,713	13,726	14,110	14,496
	636,097	661,123	684,831	707,250	718,481
	275,048	269,704	190,793	135,816	236,736
	272,007	287,890	259,828	222,434	266,774
	45,435	48,532	49,431	251,497	76,473
	-	-	-	-	-
	160,025	236,308	146,798	42,116	6,759
	35,301	119,000	18,436	66,374	247,910
	107,404	62,344	135,789	64,969	102,704
	<u>6,405,579</u>	<u>6,865,260</u>	<u>7,136,616</u>	<u>7,222,264</u>	<u>7,351,067</u>
	950,866	1,021,403	1,157,665	1,240,817	1,231,869
	3,097,115	3,256,449	3,438,030	3,774,950	3,714,197
	836,656	913,635	964,943	994,267	1,028,645
	1,122,396	1,301,901	1,195,937	1,217,567	1,084,295
	-	-	-	-	-
	251,037	193,889	203,889	246,667	264,445
	84,340	127,684	117,645	171,301	153,701
	332,603	660,824	222,519	1,887,781	219,362
	<u>6,675,013</u>	<u>7,475,785</u>	<u>7,300,628</u>	<u>9,533,350</u>	<u>7,696,514</u>
	<u>(269,434)</u>	<u>(610,525)</u>	<u>(164,012)</u>	<u>(2,311,086)</u>	<u>(345,447)</u>
	-	-	-	84,707	125,597
	1,250,000	-	1,250,000	-	-
	852,424	485,985	261,943	187,207	304,068
	(678,325)	(300,000)	(80,000)	(15,359)	(42,950)
	<u>1,424,099</u>	<u>185,985</u>	<u>1,431,943</u>	<u>256,555</u>	<u>386,715</u>
\$	<u>1,154,665</u>	<u>\$ (424,540)</u>	<u>\$ 1,267,931</u>	<u>\$ (2,054,531)</u>	<u>\$ 41,268</u>
	6.63%	5.88%	5.74%	5.26%	5.58%

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TABLE 5

**CITY OF SEAGOVILLE, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2001	206,546,450	32,380,600	24,851,302	214,075,748	0.58000
2002	229,338,920	50,522,300	29,387,947	250,473,273	0.58000
2003	257,294,180	55,609,710	35,450,180	277,453,710	0.65000
2004	291,000,580	58,197,210	37,804,735	311,393,055	0.65000
2005	340,618,160	57,598,580	43,710,706	354,506,034	0.63500
2006	386,552,840	52,112,700	69,014,372	369,651,168	0.63500
2007	424,562,430	76,645,170	78,172,552	423,035,048	0.63500
2008	471,831,740	82,831,090	87,304,227	467,358,603	0.63500
2009	490,774,910	88,393,450	92,120,970	487,047,390	0.63500
2010	496,150,600	97,531,130	104,323,800	489,357,930	0.65000

Source: City of Seagoville Budget Document
 Dallas County Central Appraisal District Certified Roll (excludes protested values)

Notes: N/A - Data not Available

**CITY OF SEAGOVILLE, TEXAS
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 (PER \$100 OF ASSESSED VALUE)
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

City Direct Rates

Fiscal Year	Operating/ General Rate	General Obligation Debt Service	Total Direct
2001	0.466051	0.113949	0.580000
2002	0.483511	0.096489	0.580000
2003	0.569302	0.080698	0.650000
2004	0.578040	0.071960	0.650000
2005	0.595668	0.039332	0.635000
2006	0.576491	0.058509	0.635000
2007	0.558905	0.076095	0.635000
2008	0.566701	0.068299	0.635000
2009	0.549700	0.085300	0.635000
2010	0.569798	0.080202	0.650000

Source: Dallas County Appraisal District

TABLE 6

Overlapping Rates					
Dallas Independent School District	Dallas County School Equalization	Dallas County Community College	Dallas County	Dallas County Hospital District	Total
1.547530	0.005667	0.050000	0.196000	0.254000	\$ 2.633197
1.547530	0.005525	0.060000	0.196000	0.254000	\$ 2.643055
1.587530	0.005500	0.060000	0.196000	0.254000	\$ 2.753030
1.639500	0.005460	0.077800	0.203900	0.254000	\$ 2.830660
1.669400	0.005460	0.080300	0.203900	0.254000	\$ 2.848060
1.688360	0.005300	0.081600	0.213900	0.254000	\$ 2.878160
1.502640	0.005034	0.081000	0.213900	0.254000	\$ 2.691574
1.199643	0.004714	0.080400	0.228100	0.254000	\$ 2.401857
1.183402	0.004928	0.089400	0.228100	0.254000	\$ 2.394830
1.271343	0.005212	0.094900	0.228100	0.274000	\$ 2.523555

**CITY OF SEAGOVILLE, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT FISCAL YEAR AND SEVEN YEARS AGO
(UNAUDITED)**

2010

Taxpayer	Assessed Value	Percentage of Total City Assessed Value^b
OREILLY/HI LO AUTOMOTIVE INC.	\$ 43,050,390	8.80%
WALMART	17,205,480	3.52%
TEXAS UTILITIES/ONCOR ELECTRIC EQUITY DEVELOPMENT CORP.	11,623,450	2.38%
ARC SPEII LLC	7,670,030	1.57%
ARC SPEII LLC	8,452,130	1.73%
TSCA 50 LIMITED PARTNERSHIP	6,103,010	1.25%
AT & T COMMUNICATIONS	4,617,500	0.94%
WALTRUST PROPERTIES INC.	3,821,680	0.78%
SEAGOVILLE PARTNERS	3,200,000	0.65%
FGG RETAIL PORTFOLIO II	7,210,236	1.47%
Total	\$ 112,953,906	23.09%
Total Assessed Valuation	489,357,930	100.00%

Source: Tax Office

Notes:

^bTaxpayers are assessed, 2009 tax year, for the 2010 fiscal year.

Information for 2001 was not available at printing, therefore 2001 information was not presented .

TABLE 7

2004		
Taxpayer	Assessed Value	Percentage of Total City Assessed Value
HI LO AUTOMOTIVE INC.	\$ 28,278,470	7.98%
WALMART	7,612,210	2.15%
TEXAS UTILITIES	7,171,750	2.02%
SOUTHWESTERN BELL/CINGULAR	5,273,040	1.49%
ARC SPEII LLC	5,194,080	1.47%
EQUITY DEVELOPMENT CORP.	3,648,480	1.03%
SEAGOVILLE PARTNERS	3,299,990	0.93%
MTEK INTERNATIONAL LTD.	3,149,420	0.89%
SEAGOVILLE BUSINESS PARK	3,078,930	0.87%
ECONO FUEL INC.	2,762,990	0.78%
Total	\$ 69,469,360	19.61%
Total Assessed Valuation	354,506,034	100.00%

TABLE 8

**CITY OF SEAGOVILLE, TEXAS
AD VALOREM TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections	
		Amount	Percentage of levy		Amount	Percentage of Levy
2001	1,241,639	\$ 1,174,876.00	94.62 %	\$ 43,557	\$ 1,218,433.00	98.13 %
2002	1,452,745	\$ 1,372,543.00	94.48 %	\$ 49,340	\$ 1,421,883.00	97.88 %
2003	1,803,449	\$ 1,732,937.00	96.09 %	\$ 63,749	\$ 1,796,686.00	99.62 %
2004	2,024,055	\$ 1,930,076.00	95.36 %	\$ 70,049	\$ 2,000,125.00	98.82 %
2005	2,251,113	\$ 2,140,320.00	95.08 %	\$ 82,889	\$ 2,223,209.00	98.76 %
2006	2,448,520	\$ 2,368,864.00	96.75 %	\$ 71,750	\$ 2,440,614.00	99.68 %
2007	2,711,878	\$ 2,600,008.00	95.87 %	\$ 91,005	\$ 2,691,013.00	99.23 %
2008	2,996,338	\$ 2,855,106.00	95.29 %	\$ 68,839	\$ 2,923,945.00	97.58 %
2009	3,123,704	\$ 2,984,584.55	95.55 %	\$ 74,699	\$ 3,059,283.40	97.94 %
2010	3,183,565	\$ 3,012,455.48	94.63 %	\$ 72,831	\$ 3,085,286.43	96.91 %

Source: Tax Office

TABLE 9

**CITY OF SEAGOVILLE, TEXAS
RATIO OF OUTSTANDING BONDED DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Governmental Activities Certificates of Obligation	Business-Type Combination Water and Sewer Tax and Revenue Bonds	Total Primary Government	Percentage of Personal Income^a	Per Capita^a
2001	2,025,000	3,140,396	5,165,396	N/A	\$ 477
2002	1,910,000	2,900,396	4,810,396	N/A	\$ 431
2003	1,785,000	2,650,396	4,435,396	N/A	\$ 387
2004	1,655,000	2,430,396	4,085,396	2.25	\$ 342
2005	1,515,000	2,140,396	3,655,396	1.92	\$ 297
2006	2,575,000	2,845,396	5,420,396	2.75	\$ 432
2007	2,381,111	2,509,285	4,890,396	2.29	\$ 369
2008	3,427,221	4,168,174	7,595,395	3.35	\$ 571
2009	3,180,554	3,814,841	6,995,395	3.08	\$ 505
2010	2,912,110	3,454,285	6,366,395	2.03	\$ 429

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

^aSee Table 13 for personal income and population data.

TABLE 10

**CITY OF SEAGOVILLE, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Certificates of Obligation</u>	<u>Percentage of Actual Taxable Value of Property^a</u>	<u>Per Capita^b</u>
2001	2,025,000	0.95%	\$ 187
2002	1,910,000	0.76%	\$ 171
2003	1,785,000	0.64%	\$ 156
2004	1,655,000	0.53%	\$ 138
2005	1,515,000	0.43%	\$ 123
2006	2,575,000	0.70%	\$ 205
2007	2,381,111	0.56%	\$ 180
2008	3,427,221	0.73%	\$ 258
2009	3,180,554	0.65%	\$ 230
2010	2,912,110	0.60%	\$ 196

Note: ^a Property values are from table 5.

^b Populations are from table 13.

TABLE 11

**CITY OF SEAGOVILLE, TEXAS
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2009
(UNAUDITED)**

<u>Governmental Unit</u>	<u>Gross Bonded Debt</u>	<u>Percentage of Debt Applicable to Area</u>	<u>Seagoville Share of Overlapping Debt</u>
Debt repaid with property taxes			
Crandall ISD	\$ 47,172,810	0.71%	\$ 334,927
Dallas County	158,486,552	0.21%	332,822
Dallas County Community College District	301,795,948	0.21%	633,771
Dallas County Hospital District	-	0.31%	-
Dallas ISD	1,786,063,482	0.57%	10,180,562
Kaufman County	19,310,000	0.04%	<u>7,724</u>
Subtotal, overlapping debt			<u>11,489,806</u>
City of Seagoville (direct debt)	2,916,110	100.00%	<u>2,916,110</u>
Total direct and overlapping debt			<u><u>\$ 14,405,916</u></u>

Source: Debt outstanding data provided by each school district and county.
Percentage of debt provided by the Municipal Advisory Council of Texas.

TABLE 12

**CITY OF SEAGOVILLE, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Water and Sewer System Revenue Bonds					
Less:					
Fiscal Year	Total Revenues	Operating Expenses	Net Available Revenue	Annual Requirement^a	Times Coverage
2001	\$ 2,844,966	\$ 2,239,130	\$ 605,836	\$ 352,180	1.72 %
2002	2,751,191	2,371,478	379,713	351,733	1.08 %
2003	3,133,306	2,489,655	643,651	351,198	1.83 %
2004	3,319,918	2,627,054	692,864	340,920	2.03 %
2005	3,501,914	2,611,356	890,558	341,303	2.61 %
2006	3,698,247	2,972,767	725,480	382,030	1.90 %
2007	4,072,721	3,636,189	436,532	348,155	1.25 %
2008	3,758,258	4,154,737	(396,479)	444,624	(0.89) %
2009	4,036,498	3,620,040	416,458	420,526	0.99 %
2010	4,082,833	3,460,230	622,603	312,703	1.99

Note: ^aAverage Principal and Interest requirements for next ten years.

TABLE 13

**CITY OF SEAGOVILLE, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
(UNAUDITED)**

<u>Year</u>	<u>Estimated Population^a</u>	<u>Total Households^a</u>	<u>Per Household Personal Income^b</u>	<u>Total Personal Income</u>
2000	10,450	N/A	N/A	N/A
2001	10,823	N/A	N/A	N/A
2002	11,150	N/A	N/A	N/A
2003	11,450	N/A	N/A	N/A
2004	11,950	4,111	44,187	181,652,757
2005	12,300	4,193	45,513	190,836,009
2006	12,550	4,246	46,424	197,116,304
2007	13,250	4,493	47,585	213,799,405
2008	13,300	4,648	48,775	226,706,200
2009	13,850	4,752	47,737	226,846,224
2010	14,835	4,770	65,651	313,155,270

Sources: ^aTotal Households provided by NCTCOG

^bPer Household Income provided by Seagoville Economic
Development Corporation

TABLE 14

**CITY OF SEAGOVILLE, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND FIVE YEARS AGO
(UNAUDITED)**

2010			2004		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
HI LO AUTO. / O'REILLY	450	8.05%	Not Available		
WALMART	450	8.05%			
BUREAU OF PRISONS	350	6.26%			
OAK GROVE CARE CENTER	100	1.79%			
CITY OF SEAGOVILLE	96	1.72%			
GREEN FOREST	80	1.43%			
SEAGO MANOR NURSING CENTER	60	1.07%			
ROCKWELL AMERICAN MFG. CO.	55	0.98%			
BEACON INDUSTRIES	48	0.86%			
BROOKSHIRES FOOD STORES	75	1.34%			
Total	<u>1,764</u>	<u>31.55%</u>		<u>0</u>	<u>0.00%</u>

Source: Top ten employers and employee count provided by Seagoville Economic Development Corporation.

TABLE 15

**CITY OF SEAGOVILLE, TEXAS
 FULL-TIME CITY GOVT. EMPLOYEES BY FUNCTION/PROGRAM
 LAST SIX FISCAL YEARS
 (UNAUDITED)**

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government and Administration	6.00	6.00	6.00	7.00	8.00	8.00	9.00
Public Safety	39.00	44.00	47.00	48.00	50.00	53.00	54.00
Community Services	4.00	5.00	5.00	6.00	6.00	6.00	6.00
Community Development	10.00	11.00	11.00	11.00	12.00	12.00	11.00
Water and Sewer	<u>13.00</u>	<u>14.00</u>	<u>15.00</u>	<u>15.00</u>	<u>15.00</u>	<u>15.00</u>	<u>16.00</u>
Total	<u><u>72.00</u></u>	<u><u>80.00</u></u>	<u><u>84.00</u></u>	<u><u>87.00</u></u>	<u><u>91.00</u></u>	<u><u>94.00</u></u>	<u><u>96.00</u></u>

Source: City Budget

**CITY OF SEAGOVILLE, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Function/Program</u>	Fiscal Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Public Safety				
Police				
Number of stations	1	1	1	1
Number of police personnel	17	17	17	17
Number of arrests	1,004	1,106	996	1,026
Number of traffic violations	2,458	5,132	4,557	3,477
Fire				
Number of stations	1	1	1	1
Number of fire personnel	13	13	13	13
Number of calls answered	1,202	1,560	1,748	1,791
Developmental				
Miles of streets ^a	0	3	0	17
Cultural/Recreational Changes				
Parks	0	0	0	0
Park acreage	0	0	0	0
Library	0	0	0	0
Volumes in Collection	451	352	1,087	425
Water				
Number of water connections	2,939	3,140	3,546	4,226
Average daily water consumption (gallons)	1,493,073	1,595,185	1,877,655	1,709,532
Sewer				
Number of sewer connections	2,789	2,980	3,337	3,478
Average daily sewer flow (gallons)	1,059,497	1,132,055	1,267,673	1,321,237

Notes: ^a Actual inventory not performed until GASB 34 requirement (prior to 2004 - estimates)

TABLE 16

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1	1	1	1	1	1
19	20	21	21	21	23
1,009	859	820	859	913	914
2,831	3,590	3,535	2,805	2,603	1,981
1	1	1	1	1	1
15	16	16	16	19	20
2,055	2,207	2,275	2,396	2,378	1,043
0	3	1	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(863)	466	975	(926)	726	1,897
4,526	4,651	4,786	4,875	4,897	4,945
1,905,989	1,989,635	1,510,427	1,684,989	1,639,285	1,706,000
3,580	3,752	3,915	3,987	4,002	4,050
1,359,985	1,425,325	1,474,300	1,501,414	1,460,689	1,100,000

TABLE 17

**CITY OF SEAGOVILLE, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	7	9	9	9	9	9	9	9	9	9
Fire Stations	1	1	1	1	1	1	1	1	1	1
Development Services										
Streets-Paved (miles) ^a	93	96	96	113	113	116	116	116	116	116
Recreational Services										
Parks	7	7	7	7	7	7	7	7	7	7
Park acreage	93	93	93	93	93	93	93	93	93	93
Baseball/softball field	1	1	1	1	1	1	1	1	1	1
Tennis Court	2	2	2	2	2	2	1	1	1	1
Basketball Court	0	0	0	0	0	0	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Library volumes	27,885	28,237	29,324	29,749	28,886	29,352	29,654	29,401	30,127	32,024
Water and Sewer										
Water Mains (miles)	N/A	N/A	N/A	104.2	104.2	106.9	107.7	107.7	107.7	108
Fire Hydrants	304	340	362	364	364	392	436	436	436	463
Sanitary Sewers (miles)	N/A	N/A	N/A	94.7	94.7	97.6	98.4	98.4	98.4	98.4
Storm Sewer Lines (miles)	N/A	N/A	N/A	11.5	13.0	13.0	13.2	13.2	13.2	13.2

Notes: ^a Actual inventory not performed until GASB 34 requirement (prior to 2004 - estimates)

GOVERNMENT AUDITING STANDARDS SECTION



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

To the Members of City Council
and City Manager
City of Seagoville
Seagoville, Texas

We have audited the financial statements of the governmental activities, business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Seagoville (the City) as of and for the year ended September 30, 2010, and have issued our report thereon dated March 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

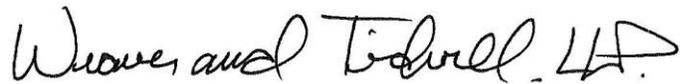
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described below as items 10-1 through 10-6 to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

This report is intended solely for the information and use of the City Council and City management, and is not intended to be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Weaver and Tidwell, L.L.P." with a stylized flourish at the end.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 16, 2011

**CITY OF SEAGOVILLE, TEXAS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

10-1. Preparation of Financial Statements

Statement on Auditing Standards No. 112, "Communicating Internal Control Related Matters Identified in an Audit" defines the inadequate design of internal control over the preparation of financial statements being audited as a deficiency in the design of internal controls. As the City does not currently prepare its own financial statements, this could impact the City's ability to report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected.

We continue to recommend that the City evaluate the benefits of preparing its own financial statements against the costs of doing so.

10-2. Improve Controls Over Payroll

During our prior year audit, we noted that the person who processes the City's payroll also has the ability to add or remove employees from the payroll system. These duties are considered incompatible and should not be performed by the same person. During the current year audit, we noted that the same situation exists.

We continue to recommend the City implement formal policies and procedures designed to properly segregate these duties. Implementation of this recommendation will help reduce the likelihood of errors and irregularities from occurring without detection.

10-3. Improve Controls Over Municipal Court Clerk Revenue

During our testing of controls over Municipal Court Clerk receipts, we noted that although a motion to dismiss signed by a Judge is required for the Court Clerk to dismiss charges, the Court Clerk can dismiss ticket charges in the INCODE tracking system without any approval. As a result, unauthorized abatement of charges, as well as other irregularities, can occur and go undetected.

We recommend the City review controls over the INCODE system so that formal policies and procedures designed to prevent the unauthorized dismissal of charges can be implemented. Implementation of this recommendation will help reduce the likelihood of irregularities from occurring and going undetected.

10-4. Develop Information Technology Standards, Policies, and Procedures Manual

We noted that the City does not have formally documented computer standards, policies, and procedures to provide control over the various computer activities being performed. A computer-based accounting system requires effective general and application controls in order to ensure that assets are safeguarded and that transactions are recorded in accordance with management's authorization. We recommend that the

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City develop information technology standards (IT), policies, and procedures manual. The following items should be considered for inclusion in the manual:

- a. General controls including:
 - (1) Plan of organization and operation of the IT department and computer facility.
 - (2) Procedures for developing, testing, documenting, reviewing, and approving systems or programs and subsequent modifications.
 - (3) Controls over access to computer equipment and data contained therein.
 - (4) Disaster/recovery plans, including backup procedures, off-site storage, and contingency planning.
 - (5) Review procedures and guidelines for tasks performed in the IT department.

- b. Application controls in the following three areas:
 - (1) Input controls to provide reasonable assurance that data received for processing by the computer is authorized, complete, and accurate.
 - (2) Processing controls to ensure that all transactions are processed as intended and that no unauthorized transactions are processed.
 - (3) Output controls to ensure the accuracy of data processing and that only authorized personnel receive the output.

10-5. Store Backup Computer Files Off-Site

During our audit, we noted that backup files of the IT system were stored on-site in a locked room at City Hall. One of the main reasons for creating backup files is to be able to recover information in the event of a disaster such as fire or water damage. Storing the backup files on-site negates that ability. An effective method for storing backup files may be found through the use of three computer disks or tapes. Rotation of the three disks or tapes would ensure that backup information will be available in the event of disk failure.

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10-6. Develop an Information Technology Disaster Recovery Plan and Test Periodically

At present, there are no written contingency plans that address operating procedures for the City in the event of the loss of computer processing equipment, software, or capability. We recommend that the City develop a written contingency plan that addresses procedures to be followed in the event of loss of the online system. Such a contingency plan should include the following matters:

- a. A current list of employees assigned to disaster teams, including telephone numbers.
- b. Employee assignments and responsibilities.
- c. A risk analysis identifying critical applications.
- d. Details of off-site storage locations and availability of information stored at these locations.
- e. A list of procedures for processing critical transactions, including forms or other documents to use.
- f. Details of hardware and software requirements needed to run critical systems and the applicable vendors from which hardware and software can be obtained.
- g. Restoration procedures for backup media (i.e., tapes and servers).
- h. An outline of overall testing strategies, established testing frequencies, and documentation of tests of the disaster recovery plan.

In addition, we recommend that the City communicate and distribute copies of the disaster recovery plans to the necessary employees and ensure that they are aware of and are properly trained in their recovery responsibilities.

Furthermore, the City should periodically test the backup tapes and the backup server, which should be located in a different physical location from the system servers so that it is available for operation in the event of a disaster.