

CITY OF OVILLA, TEXAS

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2009

CITY OF OVILLA, TEXAS
 ANNUAL FINANCIAL REPORT
 Year Ended September 30, 2009

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Witherspoon, Yeldell & Wilson

CERTIFIED PUBLIC ACCOUNTANTS (A PROFESSIONAL CORPORATION)
Members of American Institute of Certified Public Accountants / Members of Private Companies Practice Section

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Ovilla, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Ovilla, Texas, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Ovilla, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ovilla, Texas, as of September 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 10 and budgetary comparison information on page 47 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

City Council
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ovilla, Texas' basic financial statements. The combining and individual fund financial statements and schedules, supplementary financial data, and continuing financial disclosure tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and the supplementary financial data 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 continuing financial disclosure tables 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.



Witherspoon, Yeldell & Wilson, P.C.
Certified Public Accountants

February 18, 2010



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Ovilla, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2009.

FINANCIAL HIGHLIGHTS

- The liabilities of the City exceeded its assets at the close of the most recent fiscal year by \$530,272 (net deficit).
- The City's total net assets increased by \$304,641.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$994,646. Over 95% of this total amount, \$953,653 is unreserved and available for use within the City's designation and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$779,126 or 39% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements 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 supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, cultural and recreational, solid waste and economic development. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself, but also a legally separate economic development corporation which function for all practical purposes as part of the City, and therefore has been included as a blended component unit as a integral part of the primary government.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into 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 current sources and uses 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 fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General fund and Debt Service fund, both of which are considered to be major funds. Data from the other six 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 adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-15 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer fund since it is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 16-18 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 19-45 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents combining statements referred to earlier in connection with non-major governmental funds. Combining and individual statements and schedules can be found on pages 46-54 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets (deficit) may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities exceeded assets by \$530,272 as of September 30, 2009.

A large portion of the City's net assets reflects its investments in capital assets (e.g., land, buildings, improvements, machinery and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City'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.

CITY OF OVILLA'S NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 1,358,193	\$ 1,310,689	\$ 912,572	\$ 843,167	\$ 2,270,765	\$ 2,153,856
Capital assets	2,036,805	2,172,617	3,490,011	3,531,907	5,526,816	5,704,524
Total assets	3,394,998	3,483,306	4,402,583	4,375,074	7,797,581	7,858,380
Long term liabilities	6,360,003	6,590,216	1,632,777	1,720,351	7,992,780	8,310,567
Other liabilities	241,879	237,024	93,194	145,702	335,073	382,726
Total liabilities	6,601,882	6,827,240	1,725,971	1,866,053	8,327,853	8,693,293
Net assets:						
Invested in capital assets, net of related debt	1,949,593	2,098,086	1,742,195	1,942,160	3,691,788	4,040,246
Restricted	215,520	410,869	238,055	186,769	453,575	597,638
Unrestricted	(5,371,997)	(5,852,889)	696,362	380,092	(4,675,635)	(5,472,797)
Total net assets (deficit)	\$ (3,206,884)	\$ (3,343,934)	\$ 2,676,612	\$ 2,509,021	\$ (530,272)	\$ (834,913)

Certain reclassifications have been made to the prior year data to conform with the current year presentation and reflect adjustments to prior year data.

An additional portion of the City's net assets represents resources that are subject to external restriction on how they may be used.

As noted on pages 9-10, the City's net assets invested in capital assets increased as a result of infrastructure improvements contributed by developers, while long-term debt decreased due to scheduled debt payments being made.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate categories – governmental and business-type activities.

Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2009. Governmental activities increased the City's net assets by \$137,050, accounting for 45% of the growth in net assets. Business-type activities increased the City's net assets by \$167,591, accounting for 55% of the growth in net assets.

CITY OF OVILLA'S CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 425,458	\$ 521,162	\$ 1,057,916	\$ 1,084,317	\$ 1,483,374	\$ 1,605,479
Operating grants and contributions	28,946	51,346	-	-	28,946	51,346
Capital grants and contributions	-	-	10,000	-	10,000	-
General revenues:						
Property tax	1,815,509	1,851,633	-	-	1,815,509	1,851,633
Sales tax	193,246	130,119	-	-	193,246	130,119
Franchise tax	139,006	134,900	-	-	139,006	134,900
Investment earnings	20,048	45,680	5,326	14,951	25,374	60,631
Gain on sale of capital assets	-	27,500	-	-	-	27,500
Miscellaneous	89,648	37,152	-	-	89,648	37,152
Total revenues	2,711,861	2,799,492	1,073,242	1,099,268	3,785,103	3,898,760
Expenses:						
General government	495,742	448,837	-	-	495,742	448,837
Public safety	1,254,529	1,405,355	-	-	1,254,529	1,405,355
Streets	279,864	116,016	-	-	279,864	116,016
Cultural and recreational	23,905	18,602	-	-	23,905	18,602
Solid waste	182,647	135,539	-	-	182,647	135,539
Economic development	2,827	-	-	-	2,827	-
Interest on long-term debt	310,258	314,859	-	-	310,258	314,859
Water and sewer	-	-	930,690	1,243,259	930,690	1,243,259
Total expenses	2,549,772	2,439,208	930,690	1,243,259	3,480,462	3,682,467
Increase in net assets before transfers	162,089	360,284	142,552	(143,991)	304,641	216,293
Transfers	(25,039)	8,000	25,039	(8,000)	-	-
Increase in net asset	137,050	368,284	167,591	(151,991)	304,641	216,293
Net assets - beginning	(3,343,934)	(3,712,218)	2,509,021	2,661,012	(834,913)	(1,051,206)
Net assets - ending	\$ (3,206,884)	\$ (3,343,934)	\$ 2,676,612	\$ 2,509,021	\$ (530,272)	\$ (834,913)

Certain reclassifications have been made to the prior year data to conform with the current year presentation and reflect adjustments to prior year data.

- Sales tax increased by \$63,127 (48.5%) during the year. The majority of this increase is due to the first full year collection of a .50% sales tax for the Ovilla 4B Economic Development Corporation and a .25% sales tax for street maintenance/repair.
- For the most part, decreases in expenses resulted from management imposed budgetary controls initiated in response to a declining national, state and local economy.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of 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's governmental funds reported combined ending fund balances of \$994,646. Approximately 96% of this total amount \$953,653 constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for debt service \$40,993.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$779,126. Unreserved fund balance represents 39% of total general fund expenditures.

The fund balance of the City's general fund increased \$34,754 during the current fiscal year. The increase in fund balance was primarily due to observance of budgetary policies that significantly curtailed discretionary expenditures.

The debt service fund has a total fund balance of \$40,993. The net decrease in fund balance during the current year in the debt service fund was \$36,291.

Proprietary Funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer fund at the end of the year amounted to \$696,362. Net assets increased in 2009 by \$167,591. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

General Fund Budgetary Highlights. General fund budgeted revenues of \$1,976,520 exceeded actual revenues of \$1,956,193 by \$20,327.

Budgeted general fund expenditures of \$2,283,520 exceeded actual expenditures of \$1,917,426. This \$366,094 positive variance in expenditures was achieved through a series of expenditure restrictions imposed during the year.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2009 amounts to \$5,526,816 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

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

- Machinery and equipment additions of approximately \$213,000.

Capital Assets at Year-End Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 92,685	\$ 92,685	\$ 86,700	\$ 86,700	\$ 179,385	\$ 179,385
Buildings	184,602	194,189	45,314	46,829	229,916	241,018
Improvements	-	-	3,195,966	3,361,562	3,195,966	3,361,562
Machinery and equipment	844,997	940,624	162,031	36,816	1,007,028	977,440
Infrastructure	914,521	945,119	-	-	914,521	945,119
Total	\$ 2,036,805	\$ 2,172,617	\$ 3,490,011	\$ 3,531,907	\$ 5,526,816	\$ 5,704,524

Additional information on the City of Ovilla's capital assets can be found in note 4 on pages 30-31 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total bonded debt of \$7,871,000. Of this amount, \$6,250,500 comprises bonded debt backed by the full faith and credit of the government.

Outstanding Debt at Year End Bonds and Interlocal Agreement Payable

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Certificates of obligation	\$ 6,250,500	\$ 6,462,000	\$ 1,409,500	\$ 1,453,000	\$ 7,660,000	\$ 7,915,000
General obligations refunding	-	-	211,000	260,000	211,000	260,000
Interlocal agreement payable	67,000	67,000	-	-	67,000	67,000
Total	\$ 6,317,500	\$ 6,529,000	\$ 1,620,500	\$ 1,713,000	\$ 7,938,000	\$ 8,242,000

The City's Tax and Water Works and Sewer System Certificates of Obligation ratings are listed below.

	Fitch	Standard's & Poor's
Certificates of Obligation	BBB+	A

Additional information on the City of Ovilla's long term-debt can be found in note 4 on pages 32-35 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2009-10 Budget, General Fund revenues continued to grow over the previous fiscal year based on an increase in ad valorem, sales and franchise taxes. The recent passage of the Ovilla 4B Economic Development Sales Tax generated \$54,438 in FY 2008-09. The estimated revenue projected in FY 2009-10 is \$50,000. The EDC Board is developing incentive programs to jump start commercial development in Ovilla and relieve the dependence on property taxes. However, it must be noted that Ovilla will remain predominantly dependent on residential property taxes. Certified assessed taxable values decreased by \$2,289,226 and sales tax continued to show improvement. Beginning in April 2010 the City of Ovilla will begin collecting an additional .25% Municipal Development District tax to help fund development in City and ETJ. The expected revenue from this new tax is projected to be \$10,000.

The City unemployment rate continues to stay significantly below the state average though the majority of residents commute outside the City for employment.

Though the projection for growth is positive, it is important for the City to continue to make a concerted effort to limit appropriations to only those items truly necessary for the continued provision of municipal services to citizens.

The 2009-10 fiscal year budgets do not include an increase in water or sewer rates but does include a \$3.00 increase in Solid Waste fees to fund a new curbside recycling program. The budget also includes funds for two studies, one is a rate analysis for water and sewer and the other is for completion of the City's Comprehensive Land Use Plan and accompanying Future Land Use Map. The Council also funded the codification of the City's ordinances. Water and sewer revenues should increase if normal rain patterns return.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City'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 Office of the City Secretary, 105 South Cockrell Hill Rd., Ovilla, Texas 75154.

CITY OF OVILLA, TEXAS
STATEMENT OF NET ASSETS
September 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 719,032	\$ 197,095	\$ 916,127
Investments	404,481	83,102	487,583
Receivables (net of allowance for uncollectibles)	109,230	190,997	300,227
Internal balances	(9,924)	9,924	-
Inventories	-	18,267	18,267
Deferred charges	135,374	46,502	181,876
Restricted assets:			
Cash and cash equivalents	-	209,931	209,931
Investments	-	156,754	156,754
Capital assets:			
Non-depreciable	92,685	86,700	179,385
Depreciable (net of accumulated depreciation)	1,944,120	3,403,311	5,347,431
Total assets	<u>3,394,998</u>	<u>4,402,583</u>	<u>7,797,581</u>
LIABILITIES			
Accounts payable and other current liabilities	159,627	44,308	203,935
Accrued payroll payable	40,903	12,743	53,646
Accrued interest payable	36,142	1,364	37,506
Due to other governments	5,207	-	5,207
Customer deposits payable	-	26,920	26,920
Liabilities payable from restricted assets	-	7,859	7,859
Noncurrent liabilities:			
Due within one year	341,137	116,014	457,151
Due in more than one year	6,018,866	1,516,763	7,535,629
Total liabilities	<u>6,601,882</u>	<u>1,725,971</u>	<u>8,327,853</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,949,593	1,742,195	3,691,788
Restricted for:			
Public safety	75,001	-	75,001
Cultural and recreational	21,392	-	21,392
Economic development	78,134	-	78,134
Debt service	40,993	102,187	143,180
Infrastructure improvements	-	135,868	135,868
Unrestricted	(5,371,997)	696,362	(4,675,635)
Total net assets	<u>\$ (3,206,884)</u>	<u>\$ 2,676,612</u>	<u>\$ (530,272)</u>

See accompanying notes to financial statements.

CITY OF OVILLA, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2009

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 495,742	\$ 25,940	\$ -	\$ -	\$ (469,802)	\$ -	\$ (469,802)
Public safety	1,254,529	217,524	28,946	-	(1,008,059)	-	(1,008,059)
Streets	279,864	-	-	-	(279,864)	-	(279,864)
Cultural and recreational	23,905	334	-	-	(23,571)	-	(23,571)
Solid waste	182,647	181,660	-	-	(987)	-	(987)
Economic development	2,827	-	-	-	(2,827)	-	(2,827)
Interest on long-term debt	310,258	-	-	-	(310,258)	-	(310,258)
Total governmental activities	<u>2,549,772</u>	<u>425,458</u>	<u>28,946</u>	<u>-</u>	<u>(2,095,368)</u>	<u>-</u>	<u>(2,095,368)</u>
Business-type activities:							
Water and sewer	930,690	1,057,916	-	10,000	-	137,226	137,226
Total business-type activities	<u>930,690</u>	<u>1,057,916</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>137,226</u>	<u>137,226</u>
Total primary government	<u>\$ 3,480,462</u>	<u>\$ 1,483,374</u>	<u>\$ 28,946</u>	<u>\$ 10,000</u>	<u>(2,095,368)</u>	<u>137,226</u>	<u>(1,958,142)</u>
General revenues:							
Property tax					1,815,509	-	1,815,509
Sales tax					193,246	-	193,246
Franchise tax					139,006	-	139,006
Investment earnings					20,048	5,326	25,374
Miscellaneous					89,648	-	89,648
Transfers					(25,039)	25,039	-
Total general revenues					<u>2,232,418</u>	<u>30,365</u>	<u>2,262,783</u>
Change in net assets					137,050	167,591	304,641
Net assets - beginning					(3,343,934)	2,509,021	(834,913)
Net assets - ending					<u>\$ (3,206,884)</u>	<u>\$ 2,676,612</u>	<u>\$ (530,272)</u>

See accompanying notes to financial statements.

CITY OF OVILLA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2009

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 486,465	\$ 38,940	\$ 193,627	\$ 719,032
Investments	404,481	-	-	404,481
Receivables (net of allowance for uncollectibles)	100,795	8,435	-	109,230
Due from other funds	5,503	-	14,218	19,721
Total assets	\$ 997,244	\$ 47,375	\$ 207,845	\$ 1,252,464
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 133,840	\$ -	\$ 25,787	\$ 159,627
Accrued payroll payable	38,875	-	2,028	40,903
Due to other funds	24,142	-	5,503	29,645
Due to other governments	5,207	-	-	5,207
Deferred revenue	16,054	6,382	-	22,436
Total liabilities	218,118	6,382	33,318	257,818
Fund balances:				
Reserved for:				
Debt service	-	40,993	-	40,993
Unreserved:				
Designated for reserves	412,758	-	-	412,758
Undesignated	366,368	-	-	366,368
Unreserved reported in nonmajor Special revenue funds	-	-	174,527	174,527
Total fund balances	779,126	40,993	174,527	994,646
Total liabilities and fund balances	\$ 997,244	\$ 47,375	\$ 207,845	

Amounts reported for governmental activities in the statement of net assets

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 2,036,805

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 22,436

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. (6,260,771)

Net assets of governmental activities \$ (3,206,884)

See accompanying notes to financial statements.

CITY OF OVILLA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended September 30, 2009

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 1,311,894	\$ 514,253	\$ -	\$ 1,826,147
Sales	138,808	-	54,438	193,246
Franchise	139,006	-	-	139,006
Licenses and permits	19,543	-	-	19,543
Fines and forfeitures	71,929	-	2,634	74,563
Charges for current services	188,057	-	142,961	331,018
Revenues from use of money and property	13,709	5,087	1,252	20,048
Other	89,075	-	907	89,982
Intergovernmental	16,832	-	2,003	18,835
Contributions and donations	-	-	10,111	10,111
Total revenues	<u>1,988,853</u>	<u>519,340</u>	<u>214,306</u>	<u>2,722,499</u>
EXPENDITURES				
Current:				
General government	494,602	-	-	494,602
Public safety	1,009,561	-	141,296	1,150,857
Streets	245,173	-	-	245,173
Cultural and recreational	22,701	-	5,924	28,625
Solid waste	182,647	-	-	182,647
Economic development	-	-	2,827	2,827
Debt service:				
Principal retirement	19,077	211,500	-	230,577
Interest and fiscal charges	2,338	297,092	-	299,430
Total expenditures	<u>1,976,099</u>	<u>508,592</u>	<u>150,047</u>	<u>2,634,738</u>
Excess of revenues over expenditures	<u>12,754</u>	<u>10,748</u>	<u>64,259</u>	<u>87,761</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	22,000	-	-	22,000
Transfers out	-	(47,039)	-	(47,039)
Total other financing sources (uses)	<u>22,000</u>	<u>(47,039)</u>	<u>-</u>	<u>(25,039)</u>
Net change in fund balances	34,754	(36,291)	64,259	62,722
Fund balances at beginning of year	<u>744,372</u>	<u>77,284</u>	<u>110,268</u>	<u>931,924</u>
Fund balances at end of year	<u>\$ 779,126</u>	<u>\$ 40,993</u>	<u>\$ 174,527</u>	<u>\$ 994,646</u>

See accompanying notes to financial statements.

CITY OF OVILLA, 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, 2009

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balance-total governmental funds (page 14)	\$ 62,722
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(125,260)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(10,552)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(10,638)
The issuance of long-term debt (e.g., bonds payable, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	230,577
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental	<u>(9,799)</u>
Change in net assets of governmental activities (page 12)	<u><u>\$ 137,050</u></u>

See accompanying notes to financial statements.

CITY OF OVILLA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
September 30, 2009

	Business-type Activities - Enterprise (Water and Sewer) Fund
	Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 197,095
Investments	83,102
Restricted assets:	
Cash and cash equivalents	10,984
Receivables (net of allowance for uncollectibles)	190,997
Due from other funds	9,924
Inventory	18,267
Total current assets	510,369
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	198,947
Investments	156,754
Total restricted assets	355,701
Deferred charges	46,502
Capital assets (net, where applicable of accumulated depreciation)	3,490,011
Total noncurrent assets	3,892,214
Total assets	4,402,583
LIABILITIES	
Current liabilities:	
Accounts payable	44,308
Accrued payroll payable	12,743
Accrued interest payable	1,364
Compensated absences	13,591
Customer deposits payable	26,920
Bonds payable	99,298
Current liabilities payable from restricted assets:	
Bonds payable	3,125
Accrued interest payable	7,859
Total current liabilities	209,208
Noncurrent liabilities:	
Bonds payable	1,516,763
Total noncurrent liabilities	1,516,763
Total liabilities	1,725,971
NET ASSETS	
Invested in capital assets, net of related debt	1,742,195
Restricted for debt service	102,187
Restricted for infrastructure improvements	135,868
Unrestricted	696,362
Total net assets	\$ 2,676,612
See accompanying notes to financial statements.	

CITY OF OVILLA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended September 30, 2009

	Business-type Activities - Enterprise (Water and Sewer) Fund
	Fund
Operating revenues:	
Water sales	\$ 815,252
Sewer service charge	166,117
Impact fees	84
Infrastructure improvement fees	52,289
Miscellaneous	24,174
Total operating revenues	1,057,916
Operating expenses:	
Water administration	133,083
Water expenses	454,166
Sewer expenses	87,296
Depreciation	177,772
Total operating expenses	852,317
Operating income	205,599
Nonoperating revenue (expenses):	
Investment earnings	5,326
Interest and fiscal charges	(73,822)
Bond issuance costs	(4,551)
Total nonoperating revenue (expenses)	(73,047)
Income before contributions and transfers	132,552
Capital contributions	10,000
Transfer in	47,039
Transfer out	(22,000)
Change in net assets	167,591
Total net assets - beginning	2,509,021
Total net assets - ending	\$ 2,676,612

See accompanying notes to financial statements.

CITY OF OVILLA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended September 30, 2009

	Business-type Activities - Enterprise (Water and Sewer) Fund
	Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 1,043,093
Payments to suppliers	(460,560)
Payments to employees	(264,783)
Net cash provided (used) by operating activities	317,750
Cash flows from noncapital financing activities:	
Advances to other funds	(392)
Transfers from other funds	47,039
Transfers to other funds	(22,000)
Net cash provided (used) by noncapital financing activities	24,647
Cash flows from capital and related financing activities:	
Capital contribution	10,000
Acquisition and construction of capital assets	(135,876)
Principal paid on revenue bond maturities	(92,500)
Interest and fiscal charges paid on revenue bonds	(73,397)
Net cash provided (used) by capital and related financing activities	(291,773)
Cash flows from investing activities:	
Interest on investments	5,326
Net cash provided (used) by investing activities	5,326
Net increase in cash and cash equivalents	55,950
Cash and cash equivalents at beginning of year	590,932
Cash and cash equivalents at end of year	\$ 646,882
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 205,599
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	177,772
(Increase) decrease in accounts receivable	(17,613)
Increase (decrease) in accounts payable and accrued expenses	(50,798)
Net increase in customer deposits	2,790
Total adjustments	112,151
Net cash provided by operating activities	\$ 317,750

See accompanying notes to financial statements.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Ovilla, Texas (the "City") is a general law municipality and was incorporated in 1963. The accompanying financial statements present the activity of the City.

Blended Component Units. Following are descriptions of legally separate component units for which the City is financially accountable that are blended with the City.

The Ovilla 4B Economic Development Corporation was created under Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended, and is responsible for collecting and disbursing the one-half percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City. The Corporation is presented as a governmental fund type and has a September 30 year-end.

Separate financial statements for the Ovilla 4B Economic Development Corporation are not issued.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information of the primary government and its component unit. 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.

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

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

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, inventories of materials and supplies are considered expenditures when used and debt service expenditures, as well as expenditures related to accumulated unpaid sick pay, are recorded only when payment is due.

Property taxes, when levied for, intergovernmental revenues, when eligibility requirements are met, solid waste collection fees, interest and special assessments associated with the current fiscal year are all considered to be susceptible to accrual (measurable) and so have been recognized as revenues of the current fiscal period, if available. Available has been defined as received within sixty days of the fiscal year end. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

The debt service fund accounts for the resources accumulated and payments made for principal and interest and related costs on long-term general obligation debt of governmental funds.

The City reports the following major proprietary fund:

The water and sewer fund accounts for the activities of the sewage pumping stations and collection systems, and the water distribution system.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in the government-wide governmental and business type activities to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has elected not to apply private-sector guidance issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services and the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the water and sewer fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, liabilities, and net assets or equity

Deposits and Investments -

For purposes of the Statement of Cash Flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the City are reported at fair value.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

Receivables and payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivables in excess of sixty days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to .2 percent of outstanding property taxes at September 30, 2009.

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 personal property. Appraised values are established by the Ellis Central Tax Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Ellis County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

Inventory and prepaid items -

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

Restricted assets –

Certain proceeds of the City’s enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The “bond debt service” account is used to segregate resources accumulated for debt service payments. The “bond construction” account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "infrastructure impact fees" account is used to segregate resources accumulated for infrastructure improvements.

Capital assets -

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

Property, plant, equipment and infrastructure are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Improvements	7-40
Machinery and equipment	3-15
Infrastructure	15-40

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

Compensated absences –

It is the government's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vacation leave shall be taken annually.

Long-term obligations -

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the 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.

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

Fund Equity -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF OVILLA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2009

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable and net pension obligation, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(6,260,771) difference are as follows:

Bonds payable	\$(6,250,500)
Less: Issuance discount (to be amortized as interest expense)	11,830
Less: Deferred charge for issuance costs (to be amortized as interest expense)	135,374
Accrued interest payable	(36,142)
Intergovernmental agreement payable	(67,000)
Compensated absences	(34,121)
Capital lease payable	<u>(20,212)</u>
Net adjustments to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$(6,260,771)</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balance – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element explains that “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.” The details of this \$(125,260) difference are as follows:

Capital outlay	\$ 77,463
Depreciation expense	<u>(202,723)</u>
Net adjustments to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (125,260)</u></u>

CITY OF OVILLA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2009

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
 (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$230,577 difference are as follows:

Principal repayments:		
Certificates of obligation		\$ 211,500
Capital lease		<u>19,077</u>
Net adjustments to increase <i>net changes in fund balances</i>		
<i>- total governmental funds to arrive at changes in net assets</i>		
<i>of governmental activities</i>		
		<u><u>\$ 230,577</u></u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(9,799) difference are as follows:

Amortization of bond discounts		\$ (1,392)
Compensated absences		1,028
Accrued interest		3,524
Amortization of issuance costs		<u>(12,959)</u>
Net adjustments to decrease <i>net changes in fund balances</i> -		
<i>total governmental funds to arrive at changes in net assets</i>		
<i>of governmental activities</i>		
		<u><u>\$ (9,799)</u></u>

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and debt service funds. The annual budget for the water and sewer fund is prepared on the budgetary basis of accounting. All annual appropriations lapse at fiscal year end. The legal level of budgetary control is the fund level.

B. Compliance with finance related legal and contractual provisions

The City has no material violations of finance related legal and contractual provisions.

C. Deficit fund equity

The Municipal Court special revenue fund had a deficit fund balance of \$2,510 as of September 30, 2009. The City plans to clear this deficit through future collection of fund revenues.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2009. At year end, the bank balance of the City's deposits was \$1,160,725. Of the bank balance, \$411,313 was covered by federal depository insurance and the remaining balance, \$749,412, was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$2,861,000.

Investments – Public funds of the City of Ovilla may be invested in the following obligations: (1) obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities, (2) direct obligations of the State of Texas, or its agencies and instrumentalities, (3) other obligations which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, excluding mortgage-related securities, (4) fully insured or collateralized certificates of deposits at a national or state bank with FDIC membership, domiciled within the State of Texas, (5) investment pools meeting the criteria established by section 2256.016 of the Texas Government Code, (6) repurchase agreements, reverse repurchase agreements, bankers' acceptances, and commercial paper provided these instruments are authorized for the City to the extent that they are contained in the portfolios of approved public funds investment pools in which the City invests, and (7) regulated no-load money market mutual funds.

CITY OF OVILLA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2009

NOTE 4 – DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and investments (continued)

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 the Public Funds Investment Act, and the actual rating as of year end.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	\$ 115,248	N/A	AAA
TexSTAR	529,089	N/A	AAAm
	<u>\$ 644,337</u>		

The City currently invests in 2a7-like pools. The City's investment in TexPool and TexSTAR are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Texas Local Government Investment Pool (TexPool), was created under the Interlocal Cooperation Act, Texas Government Code Ann. Ch. 791 and the Texas Government Code Ann. Ch. 2256. The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is the sole officer, director and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act, Texas Government Code Ann. Ch. 2256.

The daily operations of TexPool are managed by Federated Investors under a contract with the State Comptroller of Public Accounts. The state comptroller maintains oversight responsibility for TexPool including the ability to influence operations, designation of management and accountability for fiscal matters.

TexSTAR is co-administered by First Southwest Asset Management, Inc. and JPMorgan Chase, who provide investment services, participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JP Morgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co.

CITY OF OVILLA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2009

NOTE 4 – DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Water and Sewer	Total
Receivables:				
Taxes	\$ 73,839	\$ 11,662	\$ -	\$ 85,501
Accounts	19,119	-	206,014	225,133
Other	15,370	-	-	15,370
Gross receivables	<u>108,328</u>	<u>11,662</u>	<u>206,014</u>	<u>326,004</u>
Less: allowance for uncollectibles	<u>(7,533)</u>	<u>(3,227)</u>	<u>(15,017)</u>	<u>(25,777)</u>
Net total receivables	<u>\$ 100,795</u>	<u>\$ 8,435</u>	<u>\$ 190,997</u>	<u>\$ 300,227</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent property taxes receivable (general fund)	\$ 16,054
Delinquent property taxes receivable (debt service fund)	6,382
Total deferred revenue for governmental funds	<u>\$ 22,436</u>

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 4 – DETAILED NOTES ON ALL FUNDS (continued)

C. Capital assets

Capital asset activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,685	\$ -	\$ -	\$ 92,685
Total capital assets not being depreciated	92,685	-	-	92,685
Capital assets being depreciated:				
Buildings	287,623	-	-	287,623
Machinery and equipment	2,250,376	77,463	(30,150)	2,297,689
Infrastructure	1,029,861	-	-	1,029,861
Totals capital assets being depreciated	3,567,860	77,463	(30,150)	3,615,173
Less accumulated depreciation for:				
Buildings	(93,434)	(9,587)	-	(103,021)
Machinery and equipment	(1,309,752)	(162,538)	19,598	(1,452,692)
Infrastructure	(84,742)	(30,598)	-	(115,340)
Total accumulated depreciation	(1,487,928)	(202,723)	19,598	(1,671,053)
Total capital assets, being depreciated, net	2,079,932	(125,260)	(10,552)	1,944,120
Governmental activities capital assets, net	<u>\$ 2,172,617</u>	<u>\$ (125,260)</u>	<u>\$ (10,552)</u>	<u>\$ 2,036,805</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 86,700	\$ -	\$ -	\$ 86,700
Total capital assets not being depreciated	86,700	-	-	86,700
Capital assets being depreciated:				
Buildings	60,587	-	-	60,587
Improvements	4,820,112	-	-	4,820,112
Machinery and equipment	232,539	135,876	-	368,415
Total capital assets being depreciated	5,113,238	135,876	-	5,249,114
Less accumulated depreciation for:				
Buildings	(13,758)	(1,515)	-	(15,273)
Improvements	(1,458,550)	(165,596)	-	(1,624,146)
Machinery and equipment	(195,723)	(10,661)	-	(206,384)
Total accumulated depreciation	(1,668,031)	(177,772)	-	(1,845,803)
Total capital assets being depreciated, net	3,445,207	(41,896)	-	3,403,311
Business-type capital assets, net	<u>\$ 3,531,907</u>	<u>\$ (41,896)</u>	<u>\$ -</u>	<u>\$ 3,490,011</u>

CITY OF OVILLA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2009

NOTE 4 – DETAILED NOTES ON ALL FUNDS (continued)

C. Capital assets (continued)

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

Governmental activities:	
General government	\$ 8,408
Public safety	158,420
Streets	34,691
Cultural and recreational	1,204
Total depreciation expense - governmental activities	<u>\$ 202,723</u>
Business-type activities:	
Water and sewer	<u>\$ 177,772</u>
Total depreciation expense - business-type activities	<u>\$ 177,772</u>

D. Interfund receivables, payables and transfers

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 5,503
Nonmajor governmental funds	General	14,218
Water and sewer	General	9,924
		<u>\$ 29,645</u>

These balances resulted from the lag time between the dates that transactions are recorded in the accounting system and payments between funds are made.

Interfund transfers:

	<u>Transfer In:</u>		
	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Transfer out:			
Debt Service	\$ -	\$ 47,039	\$ 47,039
Water and Sewer	22,000	-	22,000
	<u>\$ 22,000</u>	<u>\$ 47,039</u>	<u>\$ 69,039</u>

Transfers are primarily used to move funds from the Debt Service Fund to the Water and Sewer Fund for payment of bonds and from the Water and Sewer Fund to the General Fund for operations.

CITY OF OVILLA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2009

NOTE 4 – DETAILED NOTES ON ALL FUNDS (continued)

E. Lease

Capital –

The City is currently purchasing equipment under lease purchase agreements. The interest on the leases is 5.95%.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 60,354
Less: accumulated depreciation	(17,100)
Total	<u>\$ 43,254</u>

Primary Government

Annual debt service requirements to maturity are as follows –

<u>Year Ending September 30</u>	<u>Capital Lease Obligations</u>	
	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	<u>\$ 20,212</u>	<u>\$ 1,203</u>
	<u>\$ 20,212</u>	<u>\$ 1,203</u>

F. Long-term debt

Certificates of Obligation -

The City issues certificates of obligation to provide fund for the acquisition and construction of major capital facilities. Certificates of obligation have been issued for both governmental and business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government and are further secured by and payable from a pledge of the surplus net revenues derived from the operation of the City's water and sewer system.

CITY OF OVILLA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2009

NOTE 4 – DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term debt (continued)

Certificates of obligation currently outstanding and reported as liabilities of the City’s governmental activities are:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2002	\$ 7,420,500	8/15/2028	3.5-5.0	\$ 6,250,500
Total				<u>\$ 6,250,500</u>

Certificates of obligation currently outstanding and reported as liabilities of the City’s business-type activities are:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2002	\$ 824,500	8/15/2028	3.5-5.0	\$ 694,500
2005	\$ 775,000	11/15/2025	4.3	715,000
Total				<u>\$ 1,409,500</u>

General Obligation Refunding Bonds -

The City issues general obligation refunding bonds to provide funds for the refunding of prior outstanding certificates of obligation. General obligation refunding bonds have been issued for business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

General obligation refunding bonds currently outstanding and reported as liabilities of the City’s business-type activities are:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2005	\$ 393,000	2/1/2013	3.88	\$ 211,000
Total				<u>\$ 211,000</u>

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 4 – DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term debt (continued)

Annual debt service requirements to maturity are as follows -

Primary Government

Year Ending September 30	Governmental Activities			
	Certificates of Obligation		Interlocal Agreement Payable	
	Principal	Interest		
2010	\$ 220,500	\$ 289,140	\$ 67,000	
2011	229,500	280,320	-	
2012	238,500	271,140	-	
2013	247,500	261,600	-	
2014	256,500	251,700	-	
2015-2019	1,449,000	1,089,050	-	
2020-2024	1,804,500	725,535	-	
2025-2029	1,804,500	231,075	-	
	<u>\$6,250,500</u>	<u>\$ 3,399,560</u>	<u>\$ 67,000</u>	

Year Ending September 30	Business-Type Activities			
	Certificates of Obligation		General Obligation Refunding Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 49,500	\$ 62,334	\$ 53,000	\$ 7,159
2011	50,500	60,279	51,000	5,141
2012	51,500	58,184	54,000	3,104
2013	52,500	56,049	53,000	1,028
2014	53,500	53,874	-	-
2015-2019	321,000	231,301	-	-
2020-2024	390,500	153,285	-	-
2025-2028	440,500	52,120	-	-
	<u>\$1,409,500</u>	<u>\$ 727,426</u>	<u>\$ 211,000</u>	<u>\$ 16,432</u>

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 4 – DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term debt (continued)

Changes in long-term liabilities –

Long-term liability activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental activities:					
Bonds payable:					
Certificates of obligation	\$ 6,462,000	\$ -	\$ (211,500)	\$ 6,250,500	\$ 220,500
Less deferred amounts:					
For issuance discount	(13,222)	-	1,392	(11,830)	(696)
Total bonds payable	6,448,778	-	(210,108)	6,238,670	219,804
Interlocal agreement payable	67,000	-	-	67,000	67,000
Compensated absences	35,149	15,969	(16,997)	34,121	34,121
Capital leases	39,289	-	(19,077)	20,212	20,212
Governmental activity					
Long-term liabilities	<u>\$ 6,590,216</u>	<u>\$ 15,969</u>	<u>\$ (246,182)</u>	<u>\$ 6,360,003</u>	<u>\$ 341,137</u>
Business-type activities:					
Bonds payable:					
Certificates of obligation	\$ 1,453,000	\$ -	\$ (43,500)	\$ 1,409,500	\$ 49,500
General obligation refunding bonds	260,000	-	(49,000)	211,000	53,000
Less deferred amounts:					
For issuance discount	(1,391)	-	77	(1,314)	(77)
Total bonds payable	1,711,609	-	(92,423)	1,619,186	102,423
Compensated absences	8,742	9,494	(4,645)	13,591	13,591
Business-type activity					
Long-term liabilities	<u>\$ 1,720,351</u>	<u>\$ 9,494</u>	<u>\$ (97,068)</u>	<u>\$ 1,632,777</u>	<u>\$ 116,014</u>

Certificates of obligation issued for governmental activity purposes are liquidated by the debt service fund. Certificates of obligations and general obligation refunding bonds issued for business-type activities are repaid from those activities.

Governmental compensated absences and capital lease obligations will be liquidated by the general fund. Business-type compensated absences will be liquidated by those activities.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 4 – DETAILED NOTES ON ALL FUNDS (continued)

G. Restricted assets

The balances of the restricted asset accounts in the proprietary fund are as follows:

Bond debt service account	\$ 102,187
Bond construction account	128,630
Infrastructure impact fees	135,868
	<u>\$ 366,685</u>

NOTE 5 – OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

B. Commitments

The City has entered into a contract with the City of Dallas, Texas to purchase treated water for a term of thirty years, expiring in 2040. The City pays for water based on the volume received at a flat rate as determined under the contract. The City of Dallas agrees to provide potable water to meet volume and demand requirements of the City. Delivery of potable water are subject to and limited to available system supply and system deliverability, as determined by the Director of Water Utilities of Dallas. If the City ceases to take water from the City of Dallas because other surface water supplies have been developed or acquired, the City shall for five years or the balance of this contract, whichever is less, remain liable for demand charges at the billing level in effect at such cessation.

Actual payments for the year ended September 30, 2009 were \$231,893.

The City has entered into a contract with the Trinity River Authority of Texas - Red Oak Creek Regional Wastewater System to obtain wastewater treatment services, expiring in 2017. In the contract, the Authority agreed to acquire and construct a regional wastewater treatment system to serve the City and other contractual parties, in the area of the watershed or drainage basin of Red Oak Creek, being a tributary of the Trinity River, and located in Ellis and Dallas Counties, Texas. The Trinity River Authority (TRA) is a governmental agency, which is controlled by directors appointed by the governor.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 5 – OTHER INFORMATION (continued)

B. Commitments (continued)

The City is responsible for a proportionate share of the system's annual operation, maintenance and debt service costs for the term of the contract. These costs are determined annually and are payable in monthly installments. The estimated future monthly payment due under the contract at September 30, 2009 totaled \$3,141.

Actual payments for the year ended September 30, 2009 were \$29,753.

The payments to be received from the City of Ovilla, Texas are used as collateral for the bonds issued by TRA to construct the facility.

Complete separate financial statements for the Trinity River Authority may be obtained at Trinity River Authority of Texas, 5300 South Collins, P.O. Box 60, Arlington, Texas 76004.

C. Contingencies

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

D. Texas Municipal Retirement System

Plan Description -

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system, one of over 833 administered by TMRS. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

CITY OF OVILLA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2009

NOTE 5 – OTHER INFORMATION (continued)

D. Texas Municipal Retirement System (continued)

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	Plan Year 2008	Plan Year 2009
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Contributions -

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 24-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

CITY OF OVILLA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2009

NOTE 5 – OTHER INFORMATION (continued)

D. Texas Municipal Retirement System (continued)

The City contributes to the TMRS Plan at an actuarially determined rate, which for 2009 and 2008 was 5.36% and 7.02%, respectively. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 48,420
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	48,420
Contributions Made	(48,420)
Increase (decrease) in net pension obligation	-
Net Pension Obligation/(Asset), beginning of year	-
Net Pension Obligation/(Asset), end of year	\$ -

Six-year trend information is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2004	\$ 39,183	\$ 39,183	100%	\$ -
2005	39,751	39,751	100%	-
2006	42,282	42,282	100%	-
2007	52,233	52,233	100%	-
2008	55,804	55,804	100%	-
2009	48,420	48,420	100%	-

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 5 – OTHER INFORMATION (continued)

D. Texas Municipal Retirement System (continued)

The required contribution rates for the year ended September 30, 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Valuation Date	12/31/2006	12/31/2007	12/31/2008
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 years; open period	25 years; closed period	24 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.5%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at			
Cost-of-Living Adjustments	3.0%	3.0%	3.0%
	N/A	0.0%	0.0%

The funded progress, presenting multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2003	\$ 501,407	\$ 544,240	92.1%	\$ 42,833	\$ 573,448	7.5%
12/31/2004	611,454	651,238	93.9%	39,784	612,951	6.5%
12/31/2005	654,140	706,127	92.6%	51,987	593,988	8.8%
12/31/2006	499,847	548,375	91.2%	48,528	689,402	7.0%
12/31/2007	590,205	706,706	83.5%	116,501	722,025	16.1%
12/31/2008	722,820	844,686	85.6%	121,866	854,190	14.3%

CITY OF OVILLA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2009

NOTE 5 – OTHER INFORMATION (continued)

E. Texas Emergency Services Retirement System

Plan Description -

The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2008 there were 186 member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2008, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits*	1,939
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	1,975
Active Participants (Vested and Nonvested)	4,340
	8,254

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

CITY OF OVILLA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2009

NOTE 5 – OTHER INFORMATION (continued)

E. Texas Emergency Services Retirement System (continued)

Funding Policy -

Contribution provisions were established by S.B. 411, 65th Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up a limited amount to make TESRS actuarially sound.

Annual Required Contribution -

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2008 total contributions (dues and prior service) of \$2,439,339 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. In addition, the state appropriated \$8,800,000 for the fiscal year ending August 31, 2008. Total contributions made were greater than the contributions required by the state statute and were greater than the contributions required based on the August 31, 2006 actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2008 revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2009 (\$415,405 to help pay for the System's administrative expenses) and with the assumed continuation of legislative appropriations of (1) the maximum state contribution amount in future years as is necessary for the System to have a 30-year amortization period, and (2) approximately \$425,000 each year to help pay for the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2009 are equal to the contributions required.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ¹ (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Total Members Covered	UAAL Per Member Covered
08/31/2004	\$ 38,140,501	\$ 51,567,426	\$ 13,426,925	74.0%	7,994	\$ 1,680
08/31/2005	N/A	N/A	N/A	N/A	N/A	N/A
08/31/2006 ²	42,268,305	58,082,828	15,814,523	72.8%	8,061	1,962
08/31/2007	N/A	N/A	N/A	N/A	N/A	N/A
08/31/2008 ³	60,987,157	64,227,341	3,240,184	95.0%	8,254	393
08/31/2009	N/A	N/A	N/A	N/A	N/A	N/A

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 5 – OTHER INFORMATION (continued)

E. Texas Emergency Services Retirement System (continued)

Notes:

- ¹ The actuarial accrued liability is based upon the entry age actuarial cost method.
- ² Changes in actuarial assumptions and methods as well as benefit and contribution provisions were first reflected in this valuation.
- ³ Changes in actuarial assumptions were reflected in this valuation.

Six-year trend information is as follows:

Fiscal Year Ending	Annual Required Contributions (ARC)	Actual Contributions	Percentage of ARC Contributed
08/31/2004	\$ 2,896,557	\$ 1,833,310	63%
08/31/2005	3,206,300	1,891,243	59%
08/31/2006	2,753,035 ¹	2,753,035 ³	100%
08/31/2007	3,162,742 ²	3,162,742 ⁴	100%
08/31/2008	3,160,764 ³	11,239,339 ⁵	356%
08/31/2009	N/A	N/A	N/A

¹ Based on the revised August 31, 2004 actuarial valuation.

² Based on the August 31, 2006 actuarial valuation.

³ Includes a state contribution of \$675,307.

⁴ Includes a state contribution of \$709,072.

⁵ Includes a state contribution of \$8,800,000.

Valuation Date	8/31/2006	8/31/2008
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level dollar, open	Level dollar, open
Amortization Period	30 years	6 years
Asset Valuation Method	Market value smoothed by a 5- year deferred recognition method with a 90%/110% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 90%/110% corridor on market value
Actuarial Assumptions:		
Investment Rate of Return*	8.00% per year, net of investment expenses	8.00% per year, net of investment expenses
Projected Salary Increases	N/A	N/A
* Includes Inflation at	3.75%	3.50%
Cost-of-Living Adjustments	None	None

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 5 – OTHER INFORMATION (continued)

F. Postemployment Benefits

Effective for year ended September 30, 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)" prospectively (no beginning Net OPEB Obligation).

Program Description:

The City participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

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

Plan / Calendar Year	City's Contribution		Schedule of Contribution Rates As a Percentage of Covered Payroll		
	Annual Required Contribution	Actual Contribution Made	Annual Required Contribution	Actual Contribution Made	Percentage of ARC Contributed
	N/A	N/A	N/A	N/A	N/A
2004					
2005	\$ 1,465	\$ 1,465	0.25%	0.25%	100.0%
2006	1,513	1,513	0.22%	0.22%	100.0%
2007	1,880	1,880	0.26%	0.26%	100.0%
2008	1,281	1,281	0.15%	0.15%	100.0%
2009	1,249	1,249	0.15%	0.15%	100.0%

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE 5 – OTHER INFORMATION (continued)

G. Prior Period Adjustment

Corrections have been made to the governmental activities and business-type activities beginning net assets in the government-wide financial statements and to the fund balance/net assets in the fund financial statements due to an error in classification and recording of financial transactions in the prior period, resulting in an understatement/overstatement of assets, overstatement of liabilities, understatement/overstatement of fund balance/net assets, understatement of revenues, and an overstatement of expenses of the prior year. The change to the beginning fund balance/net assets as of October 1, 2008 is summarized as follows:

	Government-wide	
	Governmental Activities	Business- type Activities
As previously reported, October 1, 2008	\$ (3,460,070)	\$ 8,737,312
Correct understatement of accounts receivable	15,274	27,778
Correct overstatement of capital assets	(149,432)	(6,661,882)
Correct overstatement of accumulated depreciation	223,963	379,813
Correct overstatement of refundable contract	-	26,000
Report the Ovilla 4B Economic Development Corporation as a blended component unit	26,331	-
Restated, October 1, 2008	\$ (3,343,934)	\$ 2,509,021
Effect of restatement on operations for the year ending September 30, 2008	\$ 58,715	\$ 279,448

	Fund Financial Statements		
	General Fund	Other Governmental Funds	Water and Sewer
As previously reported, October 1, 2008	\$ 729,098	\$ 83,937	\$ 8,737,312
Correct understatement of accounts receivable	15,274	-	27,778
Correct overstatement of capital assets	-	-	(6,661,882)
Correct overstatement of accumulated depreciation	-	-	379,813
Correct overstatement of refundable contract	-	-	26,000
Report the Ovilla 4B Economic Development Corporation as a blended component unit	-	26,331	-
Restated, October 1, 2008	\$ 744,372	\$ 110,268	\$ 2,509,021
Effect of restatement on operations for the year ending September 30, 2008	\$ 15,274	\$ 26,331	\$ 279,448

REQUIRED SUPPLEMENTARY INFORMATION

General Fund

This supplementary schedule is included to provide management additional information for financial analysis.

CITY OF OVILLA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (BUDGET BASIS) AND ACTUAL
GENERAL FUND
Year Ended September 30, 2009

	Budget Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget - Over (Under) Budget
	Original	Final				
REVENUES						
Taxes:						
Property	\$ 1,307,350	\$ 1,312,350	\$ 1,311,894	\$ 1,512	\$ 1,310,382	\$ (1,968)
Sales	141,000	146,000	138,808	(851)	139,659	(6,341)
Franchise	135,000	135,000	139,006	(669)	139,675	4,675
Licenses and permits	54,200	26,850	19,543	-	19,543	(7,307)
Fines and forfeitures	75,700	78,900	71,929	(7,881)	79,810	910
Charges for current services	192,625	184,625	188,057	4,336	183,721	(904)
Revenues from use of money and property	22,000	14,000	13,709	2,693	11,016	(2,984)
Other	68,650	78,795	89,075	20,320	68,755	(10,040)
Intergovernmental	-	-	16,832	13,200	3,632	3,632
Total revenues	<u>1,996,525</u>	<u>1,976,520</u>	<u>1,988,853</u>	<u>32,660</u>	<u>1,956,193</u>	<u>(20,327)</u>
EXPENDITURES						
Current:						
General government:	538,761	521,105	494,602	52,867	441,735	(79,370)
Public safety:						
Fire protection	389,511	389,947	357,843	(590)	358,433	(31,514)
Police protection	574,443	586,612	533,281	(14,796)	548,077	(38,535)
Municipal court	77,424	78,624	70,662	(1,401)	72,063	(6,561)
Code enforcement	64,460	50,960	47,775	(211)	47,986	(2,974)
Total public safety	<u>1,105,838</u>	<u>1,106,143</u>	<u>1,009,561</u>	<u>(16,998)</u>	<u>1,026,559</u>	<u>(79,584)</u>
Streets	463,026	453,526	245,173	134	245,039	(208,487)
Cultural and recreational:	20,400	27,246	22,701	1,255	21,446	(5,800)
Solid waste	175,500	175,500	182,647	-	182,647	7,147
Debt service:						
Principal retirement	-	-	19,077	19,077	-	-
Interest and fiscal charges	-	-	2,338	2,338	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>21,415</u>	<u>21,415</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,303,525</u>	<u>2,283,520</u>	<u>1,976,099</u>	<u>58,673</u>	<u>1,917,426</u>	<u>(366,094)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(307,000)</u>	<u>(307,000)</u>	<u>12,754</u>	<u>(26,013)</u>	<u>38,767</u>	<u>345,767</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	22,000	22,000	22,000	-	22,000	-
Total other financing sources and uses	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>	<u>-</u>
Net change in fund balance	(285,000)	(285,000)	34,754	(26,013)	60,767	345,767
Fund balance at beginning of year	285,000	285,000	744,372	-	744,372	459,372
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 779,126</u>	<u>\$ (26,013)</u>	<u>\$ 805,139</u>	<u>\$ 805,139</u>

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to be used for specified purposes.

Fire Department Auxiliary - This fund is used to account for donations to the Fire Department which in turn are spent on education, firefighter awards banquet and community services such as National Night Out and Heritage Day.

Fire Safety and Emergency Medical Services - This fund is used to account for funds received from the Ellis County Emergency Services District #2 and #4 for the development and improvement of the Ovilla Fire Department.

Municipal Court - This fund is used to account for revenues that are to be used for technological enhancements to the municipal court and security services for buildings housing a municipal court.

Park Impact Fees - This fund is used to account for funds received from an impact fee assessed through new building permits and is used to purchase new park equipment and make improvements to our parks.

Police Department Special - This fund is used to account for donations to the Police Department which in turn are spent on education, protective equipment, police awards and community services such as National Night Out and Heritage Day.

Ovilla 4B Economic Development Corporation - This fund is used to account for the Ovilla 4B Economic Development Corporation created under Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended. The Ovilla 4B Economic Development Corporation initiative is to promote economic development in Ovilla and is currently accumulating funds to spend on future projects.

CITY OF OVILLA, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2009

	Fire Department Auxiliary	Fire Safety and Emergency Medical Services	Municipal Court	Park Impact Fees	Police Department Special	Ovilla 4B Economic Development Corporation	Total Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 3,807	\$ 94,688	\$ 2,993	\$ 21,392	\$ 3,686	\$ 67,061	\$ 193,627
Due from other funds	-	3,145	-	-	-	11,073	14,218
Total assets	<u>\$ 3,807</u>	<u>\$ 97,833</u>	<u>\$ 2,993</u>	<u>\$ 21,392</u>	<u>\$ 3,686</u>	<u>\$ 78,134</u>	<u>\$ 207,845</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ 25,787	\$ -	\$ -	\$ -	\$ -	\$ 25,787
Accrued payroll payable	-	2,028	-	-	-	-	2,028
Due to other funds	-	-	5,503	-	-	-	5,503
Total liabilities	<u>-</u>	<u>27,815</u>	<u>5,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,318</u>
Fund balances:							
Unreserved, undesignated	<u>3,807</u>	<u>70,018</u>	<u>(2,510)</u>	<u>21,392</u>	<u>3,686</u>	<u>78,134</u>	<u>174,527</u>
Total liabilities and fund balances	<u>\$ 3,807</u>	<u>\$ 97,833</u>	<u>\$ 2,993</u>	<u>\$ 21,392</u>	<u>\$ 3,686</u>	<u>\$ 78,134</u>	<u>\$ 207,845</u>

CITY OF OVILLA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2009

	Fire Department Auxiliary	Fire Safety and Emergency Medical Services	Municipal Court	Park Impact Fees	Police Department Special	Ovilla 4B Economic Development Corporation	Total Nonmajor Governmental Funds
REVENUES							
Sales tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,438	\$ 54,438
Fines and forfeitures	-	-	2,634	-	-	-	2,634
Charges for current services	-	142,961	-	-	-	-	142,961
Interest	-	399	45	616	-	192	1,252
Other	-	-	-	334	573	-	907
Intergovernmental	-	-	-	-	2,003	-	2,003
Contributions and donations	2,968	-	-	-	7,143	-	10,111
Total revenues	<u>2,968</u>	<u>143,360</u>	<u>2,679</u>	<u>950</u>	<u>9,719</u>	<u>54,630</u>	<u>214,306</u>
EXPENDITURES							
Current:							
Public safety	7,268	124,352	1,388	-	8,288	-	141,296
Cultural and recreational	-	-	-	5,924	-	-	5,924
Economic development	-	-	-	-	-	2,827	2,827
Total expenditures	<u>7,268</u>	<u>124,352</u>	<u>1,388</u>	<u>5,924</u>	<u>8,288</u>	<u>2,827</u>	<u>150,047</u>
Net change in fund balances	(4,300)	19,008	1,291	(4,974)	1,431	51,803	64,259
Fund balances - beginning	<u>8,107</u>	<u>51,010</u>	<u>(3,801)</u>	<u>26,366</u>	<u>2,255</u>	<u>26,331</u>	<u>110,268</u>
Fund balances - ending	<u>\$ 3,807</u>	<u>\$ 70,018</u>	<u>\$ (2,510)</u>	<u>\$ 21,392</u>	<u>\$ 3,686</u>	<u>\$ 78,134</u>	<u>\$ 174,527</u>

Debt Service Fund

DEBT SERVICE FUND

The debt service fund is used to account for the accumulation of resources for the payment of principal and interest on general long-term debt.

CITY OF OVILLA, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 DEBT SERVICE FUND

For the Year Ended September 30, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Over (Under) Budget
Revenues:			
Property tax	\$ 494,572	\$ 514,253	\$ 19,681
Interest	10,000	5,087	(4,913)
Total revenues	<u>504,572</u>	<u>519,340</u>	<u>14,768</u>
Expenditures:			
Principal on bonds	211,500	211,500	-
Interest and fiscal charges	297,092	297,092	-
Total expenditures	<u>508,592</u>	<u>508,592</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(4,020)</u>	<u>10,748</u>	<u>14,768</u>
Other financing sources (uses):			
Transfers out	-	(47,039)	(47,039)
Total other financing sources (uses)	<u>-</u>	<u>(47,039)</u>	<u>(47,039)</u>
Net change in fund balance	(4,020)	(36,291)	(32,271)
Fund balance - beginning	<u>4,020</u>	<u>77,284</u>	<u>73,264</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 40,993</u>	<u>\$ 40,993</u>

Proprietary Fund

ENTERPRISE FUND

The City's water and sewer utility operations are accounted for in this fund.

CITY OF OVILLA, TEXAS
SCHEDULE OF OPERATING REVENUES AND EXPENSES -
BUDGET (BUDGET BASIS) AND ACTUAL
ENTERPRISE FUND - WATER AND SEWER
Year Ended September 30, 2009

	Budget Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under) Budget
	Original	Final				
WATER OPERATING REVENUES						
Water sales	\$ 875,000	\$ 865,851	\$ 815,252	\$ 19,578	\$ 795,674	\$ (70,177)
Sewer service charge	146,000	146,000	166,117	(495)	166,612	20,612
Impact fees	1,000	1,000	84	-	84	(916)
Infrastructure improvement fees	48,000	52,000	52,289	(10,000)	62,289	10,289
Miscellaneous	26,000	26,100	24,174	-	24,174	(1,926)
TOTAL OPERATING REVENUES	\$1,096,000	\$1,090,951	\$1,057,916	\$ 9,083	\$1,048,833	\$ (42,118)
OPERATING EXPENSES						
Water administration	\$ 180,638	\$ 177,289	\$ 133,083	\$ (3,777)	\$ 136,860	\$ (40,429)
Water expenses	730,869	762,769	454,166	(22,050)	476,216	(286,553)
Sewer expenses	136,775	138,275	87,296	(5,994)	93,290	(44,985)
Depreciation	-	-	177,772	177,772	-	-
TOTAL OPERATING EXPENSES	\$1,048,282	\$1,078,333	\$ 852,317	\$ 145,951	\$ 706,366	\$ (371,967)

Supplementary Financial Data

CITY OF OVILLA, TEXAS
MISCELLANEOUS STATISTICAL FACTS
September 30, 2009

Estimated gallons billed (in thousands)	159,705
Estimated gallons purchased (in thousands)	168,558
Percent billed to purchased	94.75%

CONTINUING FINANCIAL DISCLOSURE TABLES (Unaudited)

The Continuing Financial Disclosure Tables portion of the Statistical section presents various financial data originally distributed in a debt official statement. The City is required to update financial tables originally distributed in a debt official statement within six months after the end of each fiscal year. The financial tables that follow are updated through September 30, 2009, from the last debt issues that were sold in 2005. This financial information is also sent to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the Securities and Exchange Commission ("SEC").

CITY OF OVILLA, TEXAS

VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

TABLE 1

2009 Actual Market Value of Taxable Property		\$ 280,560,586
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	\$ 12,753,894	
Disabled and Deceased Veterans' Exemptions	1,565,647	
Productivity Loss	12,160,445	
Homestead Cap Loss	242,731	
Historical/Minimal Value and Other	11,101,250	37,823,967
2009 Net Taxable Assessed Valuation (100% of Actual)		<u>\$242,736,619</u>
General Obligation Debt Payable from Ad Valorem Taxes		\$ 7,871,000
LESS: Self-Supporting Debt (1)		1,620,500
Net General Obligation Tax Debt to Taxable Assessed Valuation		<u>\$ 6,250,500</u>
Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation		2.58%
	2009 Estimated Population	3,850
	Per Capita Taxable Assessed Valuation	\$ 63,048
	Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes	\$ 1,624

(1) General obligation debt in the amounts shown for which repayment is provided from revenues of the City's enterprise funds. The amount of self-supporting debt is based on the percentages of revenue support as shown in "Table 9 - Computation of self-supporting Debt". It is the City's current policy to provide these payments from enterprise fund revenues; this policy is subject to change in the future.

CITY OF OVILLA, TEXAS

TAXABLE ASSESSED VALUATIONS BY CATEGORY

TABLE 2

Category	Tax Year					
	2009		2008		2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 242,607,922	86.47%	\$ 261,416,406	86.24%	\$ 235,077,610	86.09%
Real, Vacant Lots/Tracts	2,159,805	0.77%	2,755,420	0.79%	2,670,090	0.83%
Real, Acreage (Land Only)	13,828,312	4.93%	15,049,328	4.25%	15,301,598	4.47%
Real, Farm and Ranch Improvements	2,319,257	0.83%	3,146,960	1.36%	3,036,760	1.42%
Real, Commercial	2,692,790	0.96%	2,353,080	0.62%	2,258,350	0.64%
Real and Tangible Personal, Utilities	2,442,180	0.87%	2,861,830	1.03%	2,841,880	1.10%
Tangible Personal, Commercial	796,750	0.28%	848,540	0.31%	816,360	0.49%
Intangible	1,780	0.00%	2,450	0.00%	2,470	0.00%
Real Property, Inventory	2,610,540	0.93%	3,011,640	1.15%	1,784,290	1.47%
Constitutional Exempt	11,101,250	3.96%	11,384,160	4.24%	11,022,330	3.48%
Total Appraised Value Before Exemptions	\$ 280,560,586	100.00%	\$ 302,829,814	100.00%	\$ 274,811,738	100.00%
Less: Total Exemptions/Reductions	37,823,967		56,324,840		37,358,210	
Taxable Assessed Value	<u>\$ 242,736,619</u>		<u>\$ 246,504,974</u>		<u>\$ 237,453,528</u>	

Category	Tax Year			
	2006		2005	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 225,624,816	84.52%	\$ 221,510,360	85.85%
Real, Vacant Lots/Tracts	3,661,740	1.37%	2,017,620	1.06%
Real, Acreage (Land Only)	14,207,229	5.32%	10,923,000	4.14%
Real, Farm and Ranch Improvements	3,422,130	1.28%	3,486,250	1.81%
Real, Commercial	2,136,280	0.80%	1,602,900	0.58%
Real and Tangible Personal, Utilities	2,742,800	1.03%	2,651,030	1.27%
Tangible Personal, Commercial	947,530	0.35%	805,510	0.89%
Intangible	2,400	0.00%	2,490	3.04%
Real Property, Inventory	3,174,340	1.19%	2,949,000	1.35%
Constitutional Exempt	11,044,320	4.14%	10,899,530	0.00%
Total Appraised Value Before Exemptions	\$ 266,963,585	100.00%	\$ 256,847,690	100.00%
Less: Total Exemptions/Reductions	36,226,987		31,584,541	
Taxable Assessed Value	<u>\$ 230,736,598</u>		<u>\$ 225,263,149</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Ellis Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

CITY OF OVILLA, TEXAS

VALUATION AND GENERAL OBLIGATION DEBT HISTORY

TABLE 3

Tax Year	Estimated City Population	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt	Per Capita G.O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation
2005	3,600	\$ 225,263,149	\$ 62,573	\$8,233,000	\$ 2,287	3.65%
2006	3,700	230,736,598	62,361	8,680,000	2,346	3.76%
2007	3,700	237,453,528	64,177	8,450,000	2,284	3.56%
2008	3,700	246,504,974	66,623	8,233,000	2,225	3.34%
2009	3,850	242,736,619	63,048	7,871,000 ¹	2,044	3.24%

¹ Assumes debt paid as scheduled.

TAX RATE, LEVY AND COLLECTION HISTORY

TABLE 4

Tax Year	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2005-06	\$ 0.6825	\$ 0.4569	\$ 0.2256	\$1,537,421	97.94%	97.83%
2006-07	0.6825	0.4631	0.2194	1,574,777	97.42%	97.69%
2007-08	0.6680	0.4708	0.1972	1,586,182	98.33%	97.73%
2008-09	0.6680	0.4802	0.1878	1,646,646	98.20%	99.97%
2009-10	0.6679	0.4771	0.1908	1,621,238	n/a	n/a

TEN LARGEST TAXPAYERS

TABLE 5

Name of Taxpayer	Nature of Property	2009 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Oncor Electric Delivery Company	Business	\$1,558,810	20.35%
Triumph Development Co. Inc.	Business	750,960	9.80%
Jon R. and Vanessa L. Jensen	Individual	739,690	9.66%
Gene and Les Lee Johnston	Individual	723,820	9.45%
James N and Jodi L Godwin	Individual	719,010	9.39%
Christopher M Fayson	Individual	670,760	8.76%
Herman B Moody	Individual	657,940	8.59%
Barbara and Todd Matthews	Individual	633,000	8.26%
Paul D. and Mary K. Vinton	Individual	608,110	7.94%
Karen L Preston Beason	Individual	598,800	7.82%
		<u>\$7,660,900</u>	<u>100.00%</u>

CITY OF OVILLA, TEXAS

ESTIMATED OVERLAPPING DEBT

TABLE 6

Taxing Entity	Based on TMR Dated	Net Debt Principal	% Overlapping	Amount Overlapping	Authorized But Unissued Debt As Of As of 09/30/09
Cedar Hill ISD	06/30/09	\$ 98,916,141	0.15%	\$ 148,374	\$ -
DeSoto ISD	01/31/10	149,063,090 *	2.08%	3,100,512	-
Midlothian ISD	06/30/09	162,304,953	2.61%	4,236,159	-
Red Oak ISD	06/30/09	113,847,696	10.69%	12,170,319	-
Dallas County	01/31/10	138,531,552 *	0.01%	13,853	-
Dallas County CCD	08/31/08	397,628,369	0.15%	596,443	-
Dallas County Hospital District	09/30/09	2,737,000	0.15%	4,106	-
Ellis County	01/31/10	65,586,262 *	2.50%	1,639,657	-
Total Gross Overlapping Debt Principal				\$21,909,422	\$ -
City of Ovilla		7,871,000	100.00%	7,871,000	-
Total Direct and Overlapping Debt Principal				<u>\$ 21,909,422</u>	<u>\$ -</u>
Ratio of Total Direct and Overlapping Debt Principal to 2009 Net Taxable Assessed Valuation					9.03%
Per Capita Direct and Overlapping Debt Principal					\$ 5,691

* Gross Debt

CITY OF OVILLA, TEXAS

PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 7

Fiscal Year Ended 9/30	General Obligation Debt			LESS: Self-Supporting Debt Service	NET Total Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total			
2010	\$ 323,000	\$ 358,632	\$ 681,632	\$ 171,993	\$ 509,640	
2011	331,000	345,740	676,740	166,920	509,820	
2012	344,000	332,428	676,428	166,788	509,640	
2013	353,000	318,677	671,677	162,577	509,100	
2014	310,000	305,574	615,574	107,374	508,200	21%
2015	325,000	292,991	617,991	111,052	506,940	
2016	340,000	279,533	619,533	110,045	509,488	
2017	350,000	265,068	615,068	108,437	506,630	
2018	370,000	249,670	619,670	112,140	507,530	
2019	385,000	233,090	618,090	110,627	507,463	44%
2020	405,000	215,398	620,398	109,504	510,894	
2021	415,000	196,503	611,503	107,260	504,243	
2022	430,000	176,840	606,840	109,842	496,998	
2023	460,000	156,400	616,400	109,250	507,150	
2024	485,000	133,680	618,680	107,930	510,750	71%
2025	510,000	109,603	619,603	110,878	508,725	
2026	535,000	84,418	619,418	109,118	510,300	
2027	560,000	57,875	617,875	111,625	506,250	
2028	590,000	30,225	620,225	109,925	510,300	
2029	50,000	1,075	51,075	51,075	-	100%
	<u>\$ 7,871,000</u>	<u>\$ 4,143,417</u>	<u>\$ 12,014,417</u>	<u>\$ 2,364,358</u>	<u>\$ 9,650,059</u>	

CITY OF OVILLA, TEXAS

INTEREST AND SINKING FUND BUDGET PROJECTION TABLE 8

Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/09		\$509,640
Interest and Sinking Fund, 9/30/09	\$ 38,940	
Budgeted Interest and Sinking Fund Tax Levy	513,448	
Estimated Investment Income and Transfer Revenue	8,000	\$560,388
Estimated balance, 9/30/09		\$ 50,748

COMPUTATION OF SELF-SUPPORTING DEBT, FISCAL YEAR ENDED 9-30-09 TABLE 9

Budgeted Net Waterworks and Sewer System Revenue Available		\$ 171,993
Less: Requirements for Revenue Bonds		-
Balance Available for Other Purposes		\$ 171,993
Requirements for System Tax Bonds		\$ 171,993
Percentage of System General Obligation Debt Self-Supporting		100%

OTHER OBLIGATIONS TABLE 10

The City has entered into an interlocal agreement with a remaining payable of \$67,000 due in an annual installment on June 1, 2010.

The City has also entered into a lease purchase in the amount of \$60,354 for vehicles which requires an annual payment in the amount of \$21,415 on April 28, 2010.

CITY OF OVILLA, TEXAS

GENERAL FUND REVENUES AND EXPENDITURE HISTORY

TABLE 11

	Fiscal Year Ended September 30				
	2009	2008	2007	2006	2005
Revenues:					
Property tax	\$ 1,311,894	\$ 1,257,190	\$ 1,132,529	\$ 1,574,239	\$ 1,545,222
Sales tax	138,808	130,118	105,529	81,906	71,951
Franchise tax	139,006	134,900	135,071	158,764	131,426
Licenses and permits	19,543	58,902	76,063	58,242	64,896
Fines and forfeitures	71,929	88,741	72,519	74,124	51,991
Charges for current services	188,057	165,709	8,560	31,723	3,228
Revenues from use of money and property	13,709	34,948	37,384	8,645	7,719
Other	89,075	81,653	100,736	56,802	11,057
Intergovernmental	16,832	2,250	4,674	-	-
Total Revenues	1,988,853	1,954,411	1,673,065	2,044,445	1,887,490
Expenditures:					
General government	494,602	441,594	403,927	361,199	349,601
Public safety	1,009,561	1,057,119	904,722	921,484	858,588
Streets	245,173	363,535	166,034	104,810	168,343
Cultural and recreational	22,701	17,264	19,134	11,848	13,907
Solid waste	182,647	135,539	-	-	-
Debt service	21,415	21,415	-	25,383	35,140
Total Expenditures	1,976,099	2,036,466	1,493,817	1,424,724	1,425,579
Other Sources (Uses):					
Transfer in	22,000	8,000	8,000	16,973	95,247
Transfer out	-	(3,158)	(12,843)	(503,656)	(508,673)
Sale of assets	-	27,500	40,800	-	14,000
Note proceeds	-	67,000	-	-	-
Capital leases	-	60,704	-	30,150	-
Total Other Sources (Uses)	22,000	160,046	35,957	(456,533)	(399,426)
Net change in fund balance	34,754	77,991	215,205	163,188	62,485
Beginning Fund Balance	744,372	666,381	451,176	287,988	225,503
Fund Balance - End of Year	\$ 779,126	\$ 744,372	\$ 666,381	\$ 451,176	\$ 287,988

CITY OF OVILLA, TEXAS

MUNICIPAL SALES TAX HISTORY

TABLE 12

The City has adopted the Municipal Sales and Use Tax Act, VATCS , Tax Code, Chapter 321, which grants the City the power to impose and levy a 1.75% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to payment of general obligation tax debt. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy *	Equivalent of Ad valorem Tax Rate	Per Capita
2005	\$ 71,951	10.44%	\$ 0.0319	\$ 19.99
2006	81,906	5.33%	0.0311	22.14
2007	105,529	6.70%	0.0405	28.52
2008	113,108	7.13%	0.0500	30.57
2009	111,551	6.77%	0.0453	28.97

* Does not include amounts collected for street maintenance/repair or economic/industrial development as noted below.

The sales tax breakdown for the City is as follows:

Street Maintenance/Repair (eff. 4-1-2008)	0.25%
Economic/Industrial Development Section 4B (eff. 4-1-2008)	0.50%
City Sales and Use Tax	1.00%
State Sales and Use Tax	6.25%
Total	<u>8.00%</u>

CURRENT INVESTMENTS

TABLE 13

As of September 30, 2009, the City's investable funds were invested in the following categories:

Type of Investment	% of Portfolio	Purchase Amount	Market Value
Certificate of Deposit	23.88%	\$ 422,438	\$ 422,438
Demand Deposits	37.93%	671,072	671,072
Money Market/Savings	1.76%	31,180	31,180
Local Government Investment Pools	36.42%	644,337	644,337
	<u>100.00%</u>	<u>\$ 1,769,027</u>	<u>\$ 1,769,027</u>