

CITY OF GUNTER, TEXAS

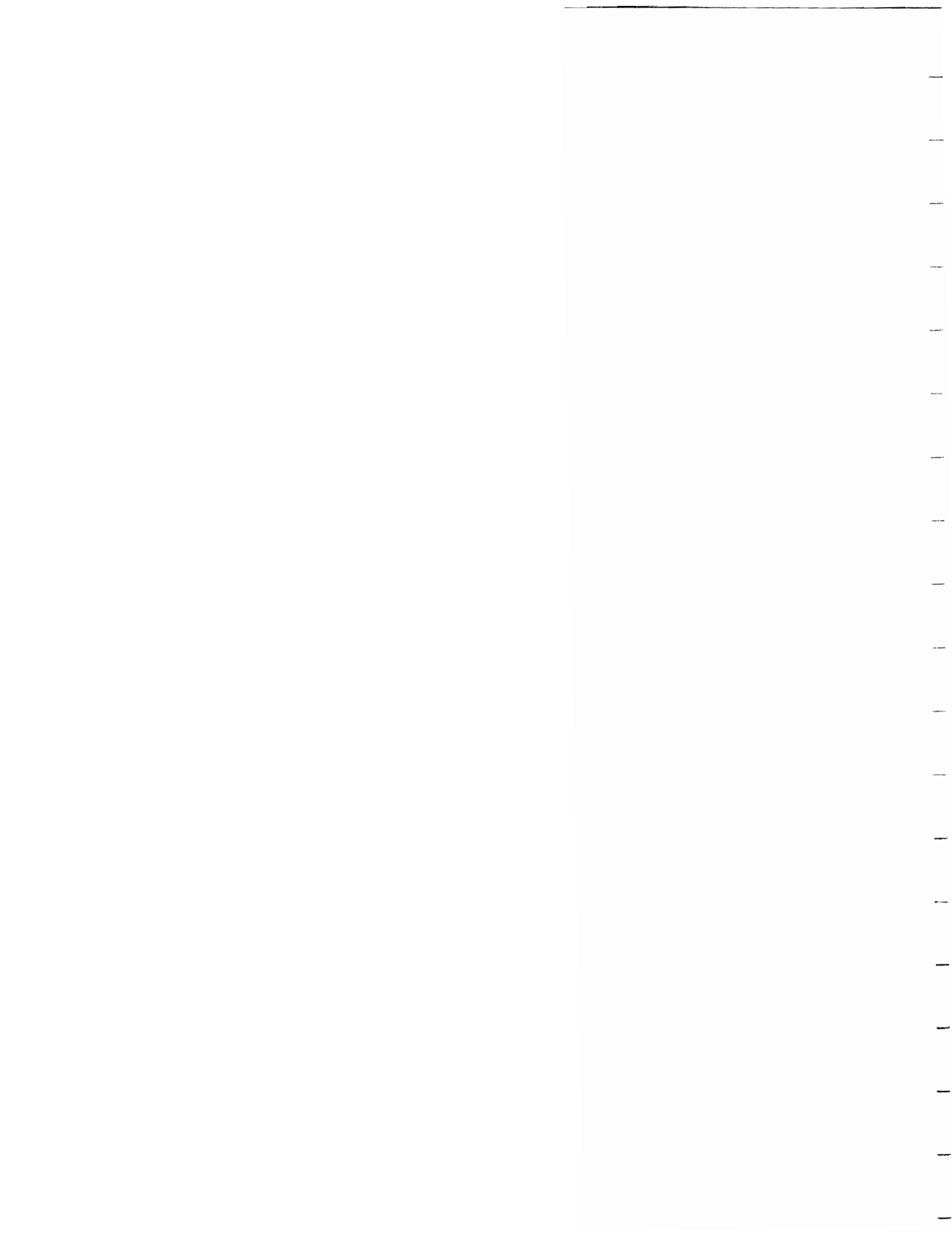
**Financial Statements
(With Auditor's Report Thereon)**

September 30, 2007



CITY OF GUNTER
Annual Financial Report
For the Year Ended September 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of the City Council
City of Gunter
Gunter, Texas 75058

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 the City of Gunter, Texas, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the individual fund statements of the City of Gunter, Texas as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Gunter. Our responsibility is to express an opinion 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 opinion.

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 Gunter, Texas, at September 30, 2007, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the Water and Sewer Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally

Honorable Mayor
and Members of the City Council
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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.

The supplemental schedules 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.

Pinglton, Howard + Company, P.C.
January 10, 2008

Management's Discussion and Analysis

As management of the City of Gunter, we offer readers of the City of Gunter's financial statements this narrative overview and analysis of the financial activities of the City of Gunter for the fiscal year ended September 30, 2007. All amounts, unless otherwise indicated, are expressed in actual dollars.

Financial Highlights

- The assets of the City of Gunter exceeded its liabilities at the close of the most recent fiscal year by \$3,250,943 (net assets). Of this amount, \$301,771, (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$143,101. This increase is attributable to the business-type activities primarily from impact fees.
- As of the close of the current fiscal year, the City of Gunter's governmental funds reported combined ending fund balances of \$439,885, a decrease of \$(54,465) in comparison with the prior year. Most of the decrease is due to attorney fees. Of the fund balance, \$439,885 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$336,895 or 32.6 percent of total general fund expenditures.
- The City of Gunter's long-term debt decreased by \$(111,245) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Gunter's basic financial statements. The City of Gunter's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Gunter that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Gunter include general government, public safety, transportation, and recreation. The business-type activities of the City of Gunter include the water and sewer system.

The government-wide financial statements include only the City of Gunter itself (known as the primary government). The Economic Development Corporation, although legally separate, functions as a special revenue fund of the City of Gunter and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Gunter, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Gunter can be divided into two categories: governmental funds and proprietary funds.

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

The City of Gunter maintains two 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 the economic development fund. The general fund is a major fund.

The City of Gunter adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-20 of this report.

Proprietary funds. The City of Gunter maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Gunter uses an 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 operations, which is considered to be a major fund of the City of Gunter.

The basic proprietary fund financial statements can be found on pages 21-24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-39 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City of Gunter, assets exceed liabilities by \$3,250,943 at the close of the most recent fiscal year.

A portion of the City of Gunter’s net assets (76 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Gunter uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Gunter’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.

An additional portion of the City of Gunter’s net assets (15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$301,771 may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Gunter is able to report positive balances in all three categories of net assets for the government as a whole.

CITY OF GUNTER - Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 473,421	517,943	561,368	637,576	1,034,789	1,155,519
Capital assets	673,245	688,725	3,367,481	3,194,899	4,040,726	3,883,624
Total assets	1,146,666	1,206,668	3,928,849	3,832,475	5,075,515	5,039,143
Long-term liabilities	630,871	628,667	1,162,000	1,275,449	1,792,871	1,904,116
Other liabilities	6,454	3,173	25,247	24,012	31,701	27,185
Total liabilities	637,325	631,840	1,187,247	1,299,461	1,824,572	1,931,301
Net assets:						
Invested in capital assets, net of						
related debt	253,265	331,666	2,205,481	1,919,450	2,458,746	2,251,116
Restricted	102,990	100,601	387,436	392,005	490,426	492,606
Unrestricted	153,086	142,561	148,685	221,559	301,771	364,120
Total net assets	\$ 509,341	574,828	2,741,602	2,533,014	3,250,943	3,107,842

CITY OF GUNTER - Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 321,218	252,720	376,197	405,934	697,415	658,654
Operating grants and Contributions	148,590	88,028		20,800	148,590	108,828
Capital grants and Contributions			286,858	724,000	286,858	724,000
General revenues:						
Property taxes	294,047	250,973			294,047	250,973
Other taxes	171,793	158,995			171,793	158,995
Other	20,567	15,667	25,782	12,316	46,349	27,983
Total revenues	956,215	766,383	688,837	1,163,050	1,645,052	1,929,433
Expenses:						
General government	543,099	298,947			543,099	298,947
Public Safety	315,511	327,432			315,511	327,432
Transportation	63,510	1,347			63,510	1,347
Sanitation	90,864	89,285			90,864	89,285
Interest on long-term debt	36,344	26,611			36,344	26,611
Water & Sewer			452,623	436,455	452,623	436,455
Total expenses	1,049,328	743,622	452,623	436,455	1,501,951	1,180,077
Increase/(decrease) in net						
assets before transfers	(93,113)	22,761	236,214	726,595	143,101	749,356
Transfers	27,626	(128,078)	(27,626)	128,078		
Increase(decrease) in net assets	(65,487)	105,317	208,588	854,673	143,101	749,356
Net assets - 10/01/06	574,828	680,145	2,533,014	1,678,341	3,107,842	2,358,486
Net Assets - 09/30/07	\$ 509,341	574,828	2,741,602	2,533,014	3,250,943	3,107,842

The following key elements influenced the changes in net assets from the prior year:

Governmental Activities:

- Property tax increased by \$43,074 (17 percent) during the year.
- Sales tax increased by \$13,917 (14 percent) during the year.
- Licenses and permits increased by \$88,931 (115 percent) during the year. Most of this increase is due to planned development zoning fees.
- City administration expenses increased \$244,152 (82 percent) due to an increase in attorney fees and a planning grant.
- Street expenses increased \$62,163.

Business-type Activities

Business-type activities increased the City of Gunter's net assets by \$208,588.

- Water and sewer charges decreased by \$(10,557). Impact fees of \$286,858 accounts for most of the increase.
- Operating expenses increased by \$5,092 over the previous year, with the largest increase being in utilities.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Gunter'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 of Gunter's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available at the end of the fiscal year.

As the end of the current fiscal year, the City of Gunter's governmental funds reported combined ending fund balance of \$439,885, a decrease of \$(54,465) from the prior year. Most of the decrease is due to attorney fees. Of the current combined ending fund balance, \$336,895 is unreserved and not designated, and \$102,990 is reserved for economic development.

The general fund is the chief operating fund of the City of Gunter. At the end of the current fiscal year, unreserved fund balance of the general fund was \$336,895. Total unreserved fund balance represents 32.6% of total general fund expenditures.

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

Unrestricted net assets of the Enterprise Funds at the end of the year amounted to \$148,685. The total increase in net assets of the Enterprise Funds was \$208,588. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Gunter's business type activities.

General Fund Budgetary Highlights

During the year, revenues exceeded budgetary estimates and expenditures exceeded budgetary estimates. The budget had called for a \$18,247 increase in fund balance. Actual results decreased the fund balance from \$393,749 to \$336,895.

Capital Asset and Debt Administration

Capital assets. The City of Gunter's investment in capital assets for its governmental and business-type activities as of September 30, 2007, amounts to \$4,040,726 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and equipment.

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

- A Ford truck for the fire department (\$32,587) was the addition to governmental activity capital assets.
- Purchase of CCN of \$286,858 was the addition to the business-type activities capital assets.

Additional information on the City of Gunter's capital assets can be found in note 3.C. on page 33 of this report.

Long-term debt. At the end of the current fiscal year, the City of Gunter had bonded debt outstanding of \$1,697,000. Of this amount \$1,162,000 comprises debt secured solely by specified revenue sources (i.e., revenue bonds).

The City of Gunter's long-term debt decreased by \$111,245 (6 percent) during the current fiscal year.

The City of Gunter has a bond rating of Baa1.

Additional information on the City of Gunter's long-term debt can be found in note 3.E. on pages 34-37 of this report.

Economic Factors and Next Year's Budgets and Rates

Next year the City of Gunter will start annexing several Municipal Utility Districts increasing the size of the city.

The City will also begin construction on a drainage project to install a concrete flume from SH 289 west along the Hickory Street right-of-way to the railroad tracks. \$125,000 will be available in grant funds and the City will be responsible for approximately \$250,000 matching funds.

All these factors were considered in preparing the City of Gunter's budget for the 2008 fiscal year.

Continuing its conservative budget practice of keeping revenue forecast at least as low as the prior year, and then spending any increases the next fiscal year, the City of Gunter has budgeted to increase the net assets by \$37,786 in the 2008 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the City of Gunter'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 Mayor, P. O. Box 349, Gunter, Texas 75058.

BASIC FINANCIAL STATEMENTS

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CITY OF GUNTER
Statement of Net Assets
September 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 420,503	76,574	497,077
Restricted cash and cash equivalents		412,456	412,456
Receivables (net of allowance for uncollectibles):			
Utility bills		72,338	72,338
Delinquent property taxes	27,082		27,082
Note	25,836		25,836
Capital assets (net of accumulated depreciation):			
Land	51,248	438,800	490,048
Buildings and systems	380,404	2,329,732	2,710,136
Equipment	241,593	20,163	261,756
Service area		<u>578,786</u>	<u>578,786</u>
Total assets	<u>1,146,666</u>	<u>3,928,849</u>	<u>5,075,515</u>
LIABILITIES			
Accounts payable	6,454	227	6,681
Deposits		25,020	25,020
Noncurrent liabilities:			
Due within one year	40,303	120,000	160,303
Due in more than one year	<u>590,568</u>	<u>1,042,000</u>	<u>1,632,568</u>
Total liabilities	<u>637,325</u>	<u>1,187,247</u>	<u>1,824,572</u>
NET ASSETS			
Invested in capital assets, net of related debt	253,265	2,205,481	2,458,746
Restricted for:			
Debt service		88,919	88,919
Capital assets		298,517	298,517
Economic development	102,990		102,990
Unrestricted	<u>153,086</u>	<u>148,685</u>	<u>301,771</u>
Total net assets	<u>\$ 509,341</u>	<u>2,741,602</u>	<u>3,250,943</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GUNTER
Statement of Activities
For the Fiscal Year Ended September 30, 2007

Functions/Programs	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 543,099	131,607	107,303	
Public safety	315,511	83,460	41,287	
Streets	63,510			
Sanitation	90,864	106,151		
Interest on long-term debt	<u>36,344</u>			
Total governmental activities	<u>1,049,328</u>	<u>321,218</u>	<u>148,590</u>	
Business-type activities:				
Water and sewer	<u>452,623</u>	<u>376,197</u>		<u>286,858</u>
Total business-type activities	<u>452,623</u>	<u>376,197</u>		<u>286,858</u>
Total primary government	\$ <u>1,501,951</u>	<u>697,415</u>	<u>148,590</u>	<u>286,858</u>

General revenues:

Property taxes
Sales taxes
Franchise taxes
Unrestricted investment earnings
Miscellaneous revenue
Transfers
Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
(304,189)		(304,189)
(190,764)		(190,764)
(63,510)		(63,510)
15,287		15,287
<u>(36,344)</u>		<u>(36,344)</u>
<u>(579,520)</u>		<u>(579,520)</u>
	<u>210,432</u>	<u>210,432</u>
	<u>210,432</u>	<u>210,432</u>
<u>(579,520)</u>	<u>210,432</u>	<u>(369,088)</u>
294,047		294,047
116,284		116,284
55,509		55,509
17,769	25,782	43,551
2,798		2,798
<u>27,626</u>	<u>(27,626)</u>	
<u>514,033</u>	<u>(1,844)</u>	<u>512,189</u>
(65,487)	208,588	143,101
<u>574,828</u>	<u>2,533,014</u>	<u>3,107,842</u>
<u>\$ 509,341</u>	<u>2,741,602</u>	<u>3,250,943</u>

CITY OF GUNTER

Balance Sheet
Governmental Fund
September 30, 2007

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 343,349	77,154	420,503
Receivables (net of allowance for uncollectibles):			
Delinquent taxes	27,082		27,082
Note	<u> </u>	<u>25,836</u>	<u>25,836</u>
Total assets	<u>\$ 370,431</u>	<u>102,990</u>	<u>473,421</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,454		6,454
Deferred revenue	<u>27,082</u>		<u>27,082</u>
Total liabilities	<u>33,536</u>		<u>33,536</u>
Fund balances:			
Unreserved and undesignated:			
Reported in the general fund	336,895		336,895
Reported in the special revenue fund	<u> </u>	<u>102,990</u>	<u>102,990</u>
Total fund balances	<u>336,895</u>	<u>102,990</u>	<u>439,885</u>
Total liabilities and fund balances	<u>\$ 370,431</u>	<u>102,990</u>	<u>473,421</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GUNTER
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2007

Total Fund Balances - Governmental Funds	\$ 439,885
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$887,120 and the accumulated depreciation was \$(198,395). The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net assets.	688,725
Current year capital outlays of \$32,587 are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the current year capital outlays is to increase net assets.	32,587
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(48,067)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$27,082 of deferred revenue as revenue, and capital leases payable of \$(95,871) and bonds payable of \$(535,000) as long-term debt. The net effect of these reclassifications is to decrease net assets.	<u>(603,789)</u>
Net Assets of Governmental Activities	\$ <u>509,341</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GUNTER
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2007

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Property	\$ 287,385		287,385
Sales	87,213	29,071	116,284
Franchise	55,509		55,509
License and permits	130,267		130,267
Charges for services	110,651		110,651
Grants	148,590		148,590
Investment income	13,760	4,009	17,769
Fines, warrants and seizures	73,935		73,935
Fire department	5,025		5,025
Snap rent	1,340		1,340
Miscellaneous	<u>2,798</u>		<u>2,798</u>
Total revenues	<u>916,473</u>	<u>33,080</u>	<u>949,553</u>
EXPENDITURES			
Current:			
General government	477,133	30,691	507,824
Inspection/code enforcement	34,294		34,294
Police department	213,056		213,056
Fire department	56,153		56,153
Street repairs/parks	62,726		62,726
Trash collection	90,864		90,864
Capital outlay	32,587		32,587
Debt service:			
Principal	30,384		30,384
Interest	<u>36,343</u>		<u>36,343</u>
Total expenditures	<u>1,033,540</u>	<u>30,691</u>	<u>1,064,231</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(117,067)</u>	<u>2,389</u>	<u>(114,678)</u>
OTHER FINANCING SOURCES (USES)			
Capital leases	32,587		32,587
Transfers out	<u>27,626</u>		<u>27,626</u>
Total other financing sources (uses)	<u>60,213</u>		<u>60,213</u>
Net change in fund balances	(56,854)	2,389	(54,465)
Fund balances, beginning	<u>393,749</u>	<u>100,601</u>	<u>494,350</u>
Fund balances, ending	\$ <u>336,895</u>	<u>102,990</u>	<u>439,885</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GUNTER
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
September 30, 2007

Total Net Change in Fund Balances - Governmental Funds	\$ (54,465)
Current year capital outlays of \$32,587 and long-term debt principal payments of \$30,383 are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the current year capital outlays is to increase net assets.	62,970
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's depreciation is to decrease net assets.	(48,067)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue of \$6,662 as revenue, and capital lease proceeds of \$(32,587) as an increase in long-term debt. The net effect of these reclassifications is to decrease net assets.	<u>(25,925)</u>
Change in Net Assets of Governmental Activities	\$ <u>(65,487)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GUNTER
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2007

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (<u>Negative</u>)
REVENUES			
Taxes:			
Property	\$ 281,163	287,385	6,222
Sales	78,000	87,213	9,213
Franchise	45,000	55,509	10,509
License and permits:			
Building permits	13,520	8,483	(5,037)
Inspection fees	6,000	3,640	(2,360)
PD Zoning fee		118,144	118,144
Charges for services:			
Ambulance	6,500	4,500	(2,000)
Trash collections	99,000	106,151	7,151
Grants:			
Fire department	2,500	31,990	29,490
Library		2,000	2,000
Planning		105,303	105,303
Police	1,746	9,297	7,551
Investment income	6,100	13,760	7,660
Fines, warrants and seizures	96,000	73,935	(22,065)
Fire department	8,385	5,025	(3,360)
Snap rent	2,000	1,340	(660)
Miscellaneous		2,798	2,798
Total revenues	<u>645,914</u>	<u>916,473</u>	<u>270,559</u>
EXPENDITURES			
General Government:			
Salaries	67,722	84,055	(16,333)
Payroll taxes	5,062	4,958	104
Employee retirement	2,515	1,804	711
Supplies & postage	10,000	14,876	(4,876)
Utilities	14,000	20,140	(6,140)
Health insurance	16,563	6,053	10,510
Property insurance	12,885	22,900	(10,015)
Telephone	4,000	5,215	(1,215)
Appraisal district	3,700	4,286	(586)
Repairs and maintenance	2,000	4,684	(2,684)
Permits/fees/dues	5,062	6,053	(991)
Travel and auto expense	200	1,288	(1,088)
Street lights	17,530	16,781	749
Ambulance retainer	25,000	25,000	
Inspections	6,192	4,536	1,656
Accounting	4,500	5,100	(600)
Auditing	10,500	11,500	(1,000)
Attorney	2,000	61,491	(59,491)
Engineering	2,600	14,481	(11,881)
Bank charges	400	951	(551)
Copier lease	\$ 2,400	1,892	508

CITY OF GUNTER
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2007
-continued-

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
EXPENDITURES (continued):			
Miscellaneous	\$ 2,000	3,620	(1,620)
Equipment purchases	3,000	20,973	(17,973)
Library	3,500	977	2,523
Planning consultant/grant	8,000	127,204	(119,204)
Pest control	3,000	2,080	920
Cleaning	<u>3,005</u>	<u>4,235</u>	<u>(1,230)</u>
Total - general government	<u>237,336</u>	<u>477,133</u>	<u>(239,797)</u>
Inspection/code enforcement department:			
Salaries		26,000	(26,000)
Payroll taxes		1,989	(1,989)
Employee retirement		836	(836)
Health insurance		1,389	(1,389)
Engineering		3,721	(3,721)
Telephone		248	(248)
Miscellaneous		<u>111</u>	<u>(111)</u>
Total - inspection/code enforcement department		<u>34,294</u>	<u>(34,294)</u>
Fire department:			
Volunteer department		25,000	(25,000)
FEMA grant	8,000	8,000	
Supplies	1,500	1,521	(21)
Telephone	728	584	144
Repairs and maintenance	2,500	8,210	(5,710)
Vehicle fuel	4,000	5,863	(1,863)
Equipment purchases	400	2,327	(1,927)
Pager rental	<u>3,000</u>	<u>4,648</u>	<u>(1,648)</u>
Total - fire department	<u>20,128</u>	<u>56,153</u>	<u>(36,025)</u>
Police department:			
Salaries	115,450	112,608	2,842
Payroll taxes	8,436	11,119	(2,683)
Employee retirement	4,190	5,122	(932)
Education	600	485	115
Supplies	2,000	3,131	(1,131)
Telephone	2,400	2,114	286
Repairs and maintenance	3,500	3,484	16
Equipment purchases	10,000	10,301	(301)
Vehicle fuel	14,000	10,991	3,009
Health insurance	16,563	19,907	(3,344)
Permits/fees/dues	250	438	(188)
Community policing	<u>\$ 1,500</u>	<u>1,957</u>	<u>(457)</u>

CITY OF GUNTER
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2007
-continued-

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive <u>(Negative)</u>
EXPENDITURES (continued):			
Police department: (continued)			
State share - police fines	\$ 30,323	31,078	(755)
Miscellaneous	<u>400</u>	<u>321</u>	<u>79</u>
Total - police department	<u>209,612</u>	<u>213,056</u>	<u>(3,444)</u>
Street repairs/parks	<u>30,000</u>	<u>62,726</u>	<u>(32,726)</u>
Trash collections	<u>88,034</u>	<u>90,864</u>	<u>(2,830)</u>
Capital outlay		<u>32,587</u>	<u>(32,587)</u>
Debt service:			
Principal retirement	30,384	30,384	
Interest	<u>12,173</u>	<u>36,343</u>	<u>(24,170)</u>
Total - debt service	<u>42,557</u>	<u>66,727</u>	<u>(24,170)</u>
Total expenditures	<u>627,667</u>	<u>1,033,540</u>	<u>(405,873)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,247</u>	<u>(117,067)</u>	<u>(135,314)</u>
OTHER FINANCING SOURCES (USES)			
Capital leases		32,587	32,587
Transfers in		<u>27,626</u>	<u>27,626</u>
Total other financing sources (uses)		<u>60,213</u>	<u>60,213</u>
Net change in fund balances	18,247	(56,854)	(75,101)
Fund balances, beginning	<u>393,749</u>	<u>393,749</u>	<u>_____</u>
Fund balances, ending	\$ <u>411,996</u>	<u>336,895</u>	<u>(75,101)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GUNTER
Statement of Net Assets
Proprietary Fund
September 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 76,574
Restricted cash and cash equivalents	412,456
Receivables (net of allowance of uncollectibles):	
Utility bills	<u>72,338</u>
Total current assets	<u>561,368</u>

Noncurrent assets:

Capital assets:

Land	438,800
Buildings and systems	3,715,038
Equipment	146,213
Service area	626,858
Less: accumulated depreciation	<u>(1,559,428)</u>
Total capital assets (net of accumulated depreciation)	<u>3,367,481</u>
Total noncurrent assets	<u>3,367,481</u>

Total assets	<u>3,928,849</u>
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LIABILITIES

Current liabilities:

Accounts payable	227
Deposits	25,020
Current portion of revenue bonds payable	<u>120,000</u>
Total current liabilities	<u>145,247</u>

Noncurrent liabilities:

Revenue bonds payable	<u>1,042,000</u>
Total noncurrent liabilities	<u>1,042,000</u>

Total liabilities	<u>1,187,247</u>
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NET ASSETS

Invested in capital assets, net of related debt	2,205,481
Restricted for debt service	88,919
Restricted for capital assets	298,517
Unrestricted	<u>148,685</u>
Total net assets	<u>\$ 2,741,602</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GUNTER
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended September 30, 2007

OPERATING REVENUES

Water sales	\$ 194,334
Sewer charges	180,293
Tap fees	1,500
Miscellaneous	<u>70</u>
Total operating revenues	<u>376,197</u>

OPERATING EXPENSES

Water production	168,632
Sewer services	103,875
Depreciation	<u>114,276</u>
Total operating expenses	<u>386,783</u>
Operating income	<u>(10,586)</u>

NONOPERATING REVENUES (EXPENSES)

Transfers out	(27,626)
Impact fees	286,858
Interest income	25,782
Interest expense	<u>(65,840)</u>
Total nonoperating revenues (expenses)	<u>219,174</u>

Change in net assets	208,588
Net assets, beginning	<u>2,533,014</u>
Net assets, ending	<u>\$ 2,741,602</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GUNTER
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2007

Cash flows from operating activities:	
Cash received from customers	\$ 357,717
Cash paid to suppliers	(195,691)
Cash paid to employees	<u>(77,631)</u>
Net cash provided (used) by operating activities	<u>84,395</u>
Cash flows from noncapital financing activities:	
Transfers to from general fund	<u>(27,626)</u>
Net cash provided (used) by noncapital financing activities	<u>(27,626)</u>
Cash flows from capital and related financing activities:	
Impact fees	286,858
Purchase of capital assets	(286,858)
Principal payments - long-term debt	(110,000)
Principal payments - leases	(3,449)
Interest paid	<u>(65,840)</u>
Net cash provided (used) by capital and related financing activities	<u>(179,289)</u>
Cash flows from investing activities:	
Interest received	<u>25,782</u>
Net cash provided (used) by investing activities	<u>25,782</u>
Net increase (decrease) in cash and restricted cash	(96,738)
Cash and restricted cash, beginning	<u>585,768</u>
Cash and restricted cash, ending	\$ <u>489,030</u>

CITY OF GUNTER
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2007
-continued-

Reconciliation of Net Income to Net Cash Provided (Used)
by Operating Activities

Operating income (loss)	\$ <u>(10,586)</u>
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation expense	114,276
(Increase) decrease in accounts receivable	(20,530)
Increase (decrease) in accounts payable	(815)
Increase (decrease) in meter deposits	<u>2,050</u>
Total adjustments	<u>94,981</u>
Net cash provided (used) by operating activities	\$ <u>84,395</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GUNTER
Notes to the Financial Statements
September 30, 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

City of Gunter Development Corporation

The City of Gunter Economic Development Corporation financial statements are included in the financial statements of the government as a Special Revenue Fund Type. The government exercises oversight responsibility for the corporation in the areas of finance, governance, management, and operations. The City Council appoints the corporation's directors and may remove them for cause. The City of Gunter Economic Development Corporation does not prepare separate financial statements.

B. Government-wide and Fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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

CITY OF GUNTER
Notes to the Financial Statements
September 30, 2007
-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund financial statements (continued)

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.

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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *general fund* is the government'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 government reports the following nonmajor governmental fund:

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditure for economic development.

CITY OF GUNTER
Notes to the Financial Statements
September 30, 2007
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The government reports the following major proprietary fund:

The *Enterprise fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The government's enterprise fund is for water and sewer operations.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. 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 enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds 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 the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and Investments

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments. Investments are stated at cost.

CITY OF GUNTER
Notes to Financial Statements
September 30, 2007
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

3. Restricted Assets

Certain resources are classified as restricted assets on the balance sheet because their use is limited.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
System infrastructure	40
Equipment	5-10
Vehicles	5

5. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the

CITY OF GUNTER
Notes to Financial Statements
September 30, 2007
-continued-

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Compensated Absences (continued)

statement of net assets. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. No material vested or accumulated amounts were present as of September 30, 2007.

6. 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.

7. 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.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund and water and sewer fund. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

CITY OF GUNTER
Notes to Financial Statements
September 30, 2007
-continued-

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information (continued)

1. Prior to September 1, the City Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year to which it applies, which can be amended by the Council.
4. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund. No supplemental appropriations were made during the fiscal year.
5. The budget approved for the Water and Sewer Fund follows similar approval procedures but departs from general accepted accounting principles by not including depreciation in the approved budget. These amounts are reported at year end as part of the "actual" column. No supplemental appropriations were made during the fiscal year.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. At year end, encumbrances are canceled or reappropriated as part of the following year budget.

B. Budget/GAAP Reconciliation

The following schedule reconciles the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Assets - Budget and Actual - Water and Sewer Fund to the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds:

	<u>Water and Sewer Fund</u>
Net assets (budget)	\$ 2,855,878
Depreciation	<u>(114,276)</u>
Net assets (GAAP)	\$ <u>2,741,602</u>

C. Excess of Expenditures/Expenses Over Appropriations

For the year ended September 30, 2007, expenditures exceeded appropriations in the General Fund (the legal level of budgetary control) by \$(405,873). These over expenditures were funded by greater than anticipated revenues, other financing sources, and available fund balance.

For the year ended September 30, 2007, expenses exceeded appropriations in the Water and Sewer Fund by \$(31,847). This over expense was funded by available net assets.

CITY OF GUNTER
Notes to Financial Statements
September 30, 2007
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2007, the City's carrying amount of deposits was \$760,569 and the bank balance was \$800,486. Of the bank balance, \$100,000 was covered by federal depository insurance and \$700,486 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

In compliance with the Public Funds Investment Act, the government has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk - Deposits:** In the case of deposits this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC) and pledged securities. The government is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.
- b. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government's investments are with the Texas Local Government Investment Pool ("TexPool"). The pool is a public funds investment pool created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. The government is not exposed to custodial credit risk for its investments.
- c. **Credit Risk -** This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the government's policy to limit its investments to those investments rated at least AAAM. The credit quality rating for TexPool at year end was AAAM by Standard & Poor's.
- d. **Interest Rate Risk -** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the Government's investment in external investment pools is less than 60 days.

CITY OF GUNTER
Notes to Financial Statements
September 30, 2007
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The government is not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the government's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. It is the government's policy to not allow for a concentration of credit risk. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The government is not exposed to concentration of credit risk.

At year end, the government's investments were as follows:

	<u>Fair Value</u>
State Treasurer's investment pool (Tex Pool)	\$ <u>148,964</u>
Total investments	\$ <u>148,964</u>

B. Receivables

Receivables at September 30, 2007 consisted of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Water and Sewer</u>
Note	\$	25,836	
Taxes	27,082		
Accounts			<u>72,338</u>
Net receivables	<u>\$ 27,082</u>	<u>25,836</u>	<u>72,338</u>

Property taxes are based on the appraised values provided by the Grayson County Central Appraisal District. Taxes are levied by October 1 of each year. Unpaid property taxes become delinquent on February 1 of the following year. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City. The City's current policy is to write-off uncollectible personal property taxes after four years.

Property taxes are due in full on October 1 and there are no discounts granted. The assessed value as of January 1, 2006, upon which the 2006/2007 levy was based, was approximately \$53,021,081. The tax rate for fiscal year 2006/2007 was \$0.55 per \$100 of assessed valuation.

CITY OF GUNTER
Notes to Financial Statements
September 30, 2007
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables (continued)

On January 10, 2007, the special revenue fund loaned a business in town \$28,000 to assist the business in opening. The note bears interest at 4.26%, and is to be repaid in monthly payments of \$518.95 through February 15, 2012.

C. Capital Assets

Capital asset activity for the year ended September 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 51,248			51,248
Building	432,503			432,503
Equipment	<u>403,369</u>	<u>32,587</u>		<u>435,956</u>
Totals at historical cost	887,120	32,587		919,707
Less accumulated depreciation	<u>(198,395)</u>	<u>(48,067)</u>		<u>(246,462)</u>
Governmental activities capital assets, net	<u>\$ 688,725</u>	<u>(15,480)</u>		<u>673,245</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities:				
Land	\$ 438,800			438,800
Building and system	3,715,038			3,715,038
Equipment	146,213			146,213
Service area	<u>340,000</u>	<u>286,858</u>		<u>626,858</u>
Totals at historical cost	4,640,051	286,858		4,926,909
Less accumulated depreciation	<u>(1,445,152)</u>	<u>(114,276)</u>		<u>(1,559,428)</u>
Business-type activities capital assets, net	<u>\$ 3,194,899</u>	<u>172,582</u>		<u>3,367,481</u>

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

Government activities:	
Administration	\$ 981
Police	9,063
Fire	37,239
Streets	<u>784</u>
Total depreciation expense - government activities	<u>\$ 48,067</u>
Business-type activities:	
Water and sewer	\$ <u>114,276</u>
Total depreciation expense - business-type activities	<u>\$ 114,276</u>

CITY OF GUNTER
Notes to Financial Statements
September 30, 2007
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

D. Capital Leases

The City has entered into certain capital lease agreements for equipment and vehicles. As of September 30, 2007, the equipment and vehicles leased under capital leases had a carrying value of \$285,177 which is included in the governmental activities on the Statement of Net Assets. Capital lease expenditures for 2007 were \$23,665, of which \$4,832 represented interest. Effective interest rates range from 3.28% to 7.35%. Pursuant to the terms of the capital lease agreements, the City will be required to make future minimum payments as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2008	\$ 28,986
2009	23,427
2010	16,862
2011	15,579
2012	6,695
Thereafter	<u>20,085</u>
Future minimum lease payments	111,634
Less: amount representing interest	<u>(15,763)</u>
Present value of future minimum lease payments	<u>\$ 95,871</u>

E. Long-term Debt

Long-term liability activity for the year ended September 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 78,667	32,587	(15,383)	95,871	25,303
Bonds payable	<u>550,000</u>		<u>(15,000)</u>	<u>535,000</u>	<u>15,000</u>
Totals	<u>\$ 628,667</u>	<u>32,587</u>	<u>(30,383)</u>	<u>630,871</u>	<u>40,303</u>

Bonds payable at September 30, 2007 are comprised of the following issue for governmental activities:

2006 Certificates of Obligation issued July 25, 2006 due in annual installments through August 15, 2026, bearing interest at 5.75% payable February 15 and August 15.

\$ 535,000

CITY OF GUNTER
Notes to Financial Statements
September 30, 2007
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

E. Long-term Debt (continued)

The annual requirements to amortize the bonded debt outstanding for the governmental activities as of September 30, 2007 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 15,000	30,763	45,763
2009	15,000	29,900	44,900
2010	20,000	29,037	49,037
2011	20,000	27,888	47,888
2012	20,000	26,737	46,737
2013	20,000	25,588	45,588
2014	25,000	24,437	49,437
2015	25,000	23,000	48,000
2016	25,000	21,563	46,563
2017	25,000	20,125	45,125
2018	30,000	18,687	48,687
2019	30,000	16,963	46,963
2020	30,000	15,238	45,238
2021	35,000	13,512	48,512
2022	35,000	11,500	46,500
2023	40,000	9,488	49,488
2024	40,000	7,187	47,187
2025	40,000	4,888	44,888
2026	<u>45,000</u>	<u>2,587</u>	<u>47,587</u>
Totals	<u>\$ 535,000</u>	<u>359,088</u>	<u>894,088</u>

During the year ended September 30, 2007, the following changes occurred in long-term liabilities reported in the Water and Sewer Fund:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Capital leases	\$ 3,449		(3,449)		
Bonds payable	<u>1,272,000</u>		<u>(110,000)</u>	<u>1,162,000</u>	<u>120,000</u>
Totals	<u>\$ 1,275,449</u>		<u>(113,449)</u>	<u>1,162,000</u>	<u>120,000</u>

CITY OF GUNTER
Notes to Financial Statements
September 30, 2007
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

E. Long-term Debt (continued)

Bonds payable at September 30, 2007 are comprised of the following individual issues for the Water and Sewer Fund:

1978 Revenue Bonds issued April 30, 1978 due in annual installments through January 1, 2010, bearing interest at 5%.	\$ 32,000
1990 Revenue Bonds issued April 1, 1990 due in annual installments through April 1, 2011 bearing interest at rates ranging from 5.5% to 7.2%.	335,000
1994 Revenue Bonds issued April 1, 1994 due in annual installments through October 1, 2015 bearing interest at rates ranging from 4.5% to 5.9%.	90,000
1996 Revenue Bonds issued July 16, 1996 due in annual installments through April 1, 2018 bearing interest at rates ranging from 4.75% to 6.5%	120,000
1999 Revenue Bonds issued May 27, 1999 due in annual installments through April 1, 2020 bearing interest at rates ranging from 4.79% to 5.74%.	75,000
2001 Revenue Bonds issued July 11, 2001 due in annual installments through April 1, 2021 bearing interest at rates ranging from 2.5% to 4.75%.	120,000
2004 Revenue Bonds issued October 26, 2004 due in annual installments through April 1, 2025 bearing interest at rates ranging from 2.79% to 5.64%.	<u>390,000</u>
Combined Debt	<u>\$ 1,162,000</u>

The annual requirements to amortize the bonded debt outstanding for the Water and Sewer Fund as of September 30, 2007, are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 120,000	59,612	179,612
2009	126,000	53,004	179,004
2010	126,000	46,203	172,203
2011	135,000	39,096	174,096
2012	\$ 40,000	34,325	74,325

CITY OF GUNTER
Notes to Financial Statements
September 30, 2007
-continued-

NOTE 3. DETAILED NOTES ON ALL FUNDS (continued)

E. Long-term Debt (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 45,000	32,055	77,055
2014	50,000	29,643	79,643
2015	50,000	26,905	76,905
2016	35,000	24,142	59,142
2017	55,000	21,702	76,702
2018	55,000	18,700	73,700
2019	60,000	15,650	75,650
2020	60,000	12,563	72,563
2021	65,000	9,368	74,368
2022	35,000	6,778	41,778
2023	35,000	4,874	39,874
2024	35,000	2,943	37,943
2025	35,000	987	35,987
Totals	\$ <u>1,162,000</u>	<u>438,550</u>	<u>1,600,550</u>

Restrictions of Bonded Debt

There are a number of limitations and restrictions contained in the various bond ordinances. The City is in compliance with all significant limitations and restrictions.

F. Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

Customer deposits	\$ 25,020
Revenue bond reserve requirements	88,919
Capital assets	<u>298,517</u>
Total restricted assets	\$ <u>412,456</u>

NOTE 4. OTHER INFORMATION

A. Risk Management

The government 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 government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of 1,821 individual governmental units located with Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There were no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

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CITY OF GUNTER
Notes to Financial Statements
September 30, 2007
-continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 821 municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2006 valuations are contained in the 2006 TMRS Comprehensive Annual Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

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

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions

The contribution rate for the employees is 5%, and the City matching ratio is currently 1 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year - open period - amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2006, valuation is effective for rates beginning January 2008).

CITY OF GUNTER
Notes to Financial Statements
September 30, 2007
-continued-

NOTE 4. OTHER INFORMATION (continued)

B. Retirement System (continued)

Annual Pension Cost

For the year ended September 30, 2007, the City's annual pension cost of \$10,077 for TMRS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return, (b) no projected salary increases, and (c) no cost-of-living adjustments. A 3.5% inflation amount was used to computing (a) and (b). The actuarial value of TMRS assets was determined using amortized cost.

Three Year Trend Information for TMRS

Fiscal Year Ended	Annual Pension Cost (APC)	Contributions Made	Net Pension Obligation
09/30/05	\$ 7,710	7,710	0
09/30/06	\$ 9,014	9,014	0
09/30/07	\$ 10,077	10,077	0

Schedule of Funding Progress for TMRS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	U.A.A.L. as a Percentage of Covered Payroll [(b)-(a)/(c)]
12/31/04	\$ 57,879	60,614	2,735	95.5%	\$ 116,184	2.4%
12/31/05	\$ 77,090	78,931	1,841	97.7%	\$ 176,607	1.0%
12/31/06	\$ 100,681	104,181	3,500	96.6%	\$ 195,910	1.8%

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INDIVIDUAL FUND STATEMENTS

CITY OF GUNTER
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Budget and Actual - Water and Sewer Fund
For the Fiscal Year Ended September 30, 2007

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
OPERATING REVENUES			
Collections:			
Water	\$ 213,000	194,334	(18,666)
Sewer	191,000	180,293	(10,707)
Tap fees	16,800	1,500	(15,300)
Miscellaneous		70	70
Total operating revenues	<u>420,800</u>	<u>376,197</u>	<u>(44,603)</u>
OPERATING EXPENSES			
Water production:			
Attorney fees	12,000	9,296	2,704
Bank charges	600	1,321	(721)
Health insurance	5,521	5,556	(35)
Miscellaneous expense	1,000	128	872
Payroll taxes	2,506	2,532	(26)
Permits/fees	1,000	663	337
Salary/bonuses	33,374	30,806	2,568
Employee retirement	1,245	1,202	43
Supplies	3,000	1,902	1,098
Samples	2,000	2,762	(762)
Electricity	53,000	57,084	(4,084)
Gas and butane	1,200		1,200
Telephone	450	657	(207)
Repairs	8,000	22,891	(14,891)
Vehicle fuel	4,000	4,074	(74)
Chemicals	3,000	1,979	1,021
Water purchases	2,000	111	1,889
GTUA - Operator	12,000	11,503	497
Administration		<u>14,165</u>	<u>(14,165)</u>
Total water production	<u>145,896</u>	<u>168,632</u>	<u>(22,736)</u>
Sewer services:			
Bank charges		851	(851)
Engineering	3,000	5,450	(2,450)
Health insurance	5,521	5,556	(35)
Miscellaneous expense	100	87	13
Payroll taxes	2,303	2,363	(60)
Permit/dues	1,000	3,858	(2,858)
Salary/bonuses	30,696	28,492	2,204
Employee retirement	1,144	1,126	18
Samples	4,000	2,936	1,064
Supplies	1,000	3,005	(2,005)
Electricity	32,000	33,720	(1,720)
Repairs	8,000	10,420	(2,420)
Chemicals	2,000	786	1,214
Administration		956	(956)
GTUA - Operator	4,000	4,269	(269)
Total sewer services	<u>\$ 94,764</u>	<u>103,875</u>	<u>(9,111)</u>

-continued-

CITY OF GUNTER
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Budget and Actual - Water and Sewer Fund
For the Fiscal Year Ended September 30, 2007
-continued-

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING EXPENSES (continued)			
Total operating expenses	\$ <u>240,660</u>	<u>272,507</u>	<u>(31,847)</u>
Operating income	<u>180,140</u>	<u>103,690</u>	<u>(76,450)</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers out		(27,626)	(27,626)
Impact fees		286,858	286,858
Interest income	1,000	25,782	24,782
Interest expense	<u>(176,657)</u>	<u>(65,840)</u>	<u>110,817</u>
Total nonoperating revenues (expenses)	<u>(175,657)</u>	<u>219,174</u>	<u>394,831</u>
Change in net assets	4,483	322,864	318,381
Net assets, beginning	<u>2,533,014</u>	<u>2,533,014</u>	_____
Net assets, ending	\$ <u>2,537,497</u>	<u>2,855,878</u>	<u>318,381</u>

The notes to the financial statements are an integral part of this statement.

SUPPLEMENTAL SCHEDULES

CITY OF GUNTER
 Revenue Bond Schedules
 September 30, 2007

Waterworks System 5% Revenue Bonds, Series 1978 - Original Amount: \$ 141,000

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 10,000	1,350	11,350
2009	11,000	825	11,825
2010	<u>11,000</u>	<u>275</u>	<u>11,275</u>
	<u>\$ 32,000</u>	<u>2,450</u>	<u>34,450</u>

Contract Revenue Bonds, Series 1990, 5.5 - 7.2% -Original Amount: \$920,000

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 75,000	16,362	91,362
2009	80,000	12,100	92,100
2010	80,000	7,700	87,700
2011	<u>100,000</u>	<u>2,750</u>	<u>102,750</u>
	<u>\$ 335,000</u>	<u>38,912</u>	<u>373,912</u>

Contract Revenue Bonds, Series 1994, 4.5 - 5.9% - Original Amount: \$150,000

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 10,000	5,295	15,295
2009	10,000	4,710	14,710
2010	10,000	4,125	14,125
2011	10,000	3,540	13,540
2012	10,000	2,950	12,950
2013	10,000	2,360	12,360
2014	15,000	1,770	16,770
2015	<u>15,000</u>	<u>885</u>	<u>15,885</u>
	<u>\$ 90,000</u>	<u>25,635</u>	<u>115,635</u>

CITY OF GUNTER
 Revenue Bond Schedules
 September 30, 2007
 -continued-

Contract Revenue Bonds, Series 1996, 4.75% - 6.5% - Original Amount: \$170,000

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 10,000	7,300	17,300
2009	10,000	6,695	16,695
2010	10,000	6,080	16,080
2011	10,000	5,457	15,457
2012	10,000	4,830	14,830
2013	10,000	4,198	14,198
2014	10,000	3,560	13,560
2015	10,000	2,917	12,917
2016	10,000	2,273	12,273
2017	15,000	1,462	16,462
2018	<u>15,000</u>	<u>488</u>	<u>15,488</u>
	<u>\$ 120,000</u>	<u>45,260</u>	<u>165,260</u>

Contract Revenue Bonds, Series 1999, 4.79% - 5.74% - Original Amount: \$105,000

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 5,000	4,058	9,058
2009	5,000	3,797	8,797
2010	5,000	3,533	8,533
2011	5,000	3,263	8,263
2012	5,000	2,988	7,988
2013	5,000	2,710	7,710
2014	5,000	2,429	7,429
2015	5,000	2,146	7,146
2016	5,000	1,862	6,862
2017	5,000	1,577	6,577
2018	5,000	1,292	6,292
2019	10,000	861	10,861
2020	<u>10,000</u>	<u>287</u>	<u>10,287</u>
	<u>\$ 75,000</u>	<u>30,803</u>	<u>105,803</u>

CITY OF GUNTER
Revenue Bond Schedules
September 30, 2007
-continued-

Contract Revenue Bonds, Series 2001, 2.50% - 4.75% - Original Amount: \$150,000

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 5,000	5,304	10,304
2009	5,000	5,118	10,118
2010	5,000	4,925	9,925
2011	5,000	4,727	9,727
2012	5,000	4,524	9,524
2013	5,000	4,314	9,314
2014	5,000	4,099	9,099
2015	5,000	3,879	8,879
2016	5,000	3,655	8,655
2017	5,000	3,427	8,427
2018	5,000	3,196	8,196
2019	15,000	2,727	17,727
2020	20,000	1,900	21,900
2021	<u>30,000</u>	<u>712</u>	<u>30,712</u>
	<u>\$ 120,000</u>	<u>52,507</u>	<u>172,507</u>

Contract Revenue Bonds, Series 2004, 2.79% - 5.64%- Original Amount: \$400,000

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 5,000	19,943	24,943
2009	5,000	19,759	24,759
2010	5,000	19,565	24,565
2011	5,000	19,359	24,359
2012	10,000	19,033	29,033
2013	15,000	18,473	33,473
2014	15,000	17,785	32,785
2015	15,000	17,078	32,078
2016	15,000	16,352	31,352
2017	30,000	15,236	45,236
2018	30,000	13,724	43,724
2019	35,000	12,062	47,062
2020	30,000	10,376	40,376
2021	35,000	8,656	43,656
2022	35,000	6,778	41,778
2023	35,000	4,874	39,874
2024	35,000	2,943	37,943
2025	<u>35,000</u>	<u>987</u>	<u>35,987</u>
Total	<u>\$ 390,000</u>	<u>242,983</u>	<u>632,983</u>

CITY OF GUNTER
Supplemental Information
September 30, 2007

Additional information for:

City of Gunter
P. O. Box 349, Gunter, Texas 75058
(903) 433-5185

<u>City Council</u>	<u>Name</u>	<u>Term of Office</u>
Mayor	Mark Millar	May, 2009
Member	Jeff Banks	May, 2009
Member	Leilani Holloway	May, 2008
Member	John Schmitt	May, 2008
Member	Dan Moody	May, 2008
Member	Charles Skeen	May, 2009

- City Secretary: Carla Jordan
- Name of Operator: Greater Texoma Utility Authority
Class Certification: B
- Date of last chemical analysis of water: July 31, 2007
- Number of Residential/Commercial water users with 3/4 inch meters: 462
- Number of Commercial water users with larger than 3/4 inch meters: 20
- Number of Residential/Commercial sewer users with 3/4 inch meters: 374
- Number of Commercial sewers with larger than 3/4 inch meters: 20
- Number of water users by ethnic group: White 404 Hispanic 78
- Number of sewer users by ethnic group: White 321 Hispanic 73
- Minimum water rate 1,500 gallons for \$ 16.00
- Minimum sewer rate 15.50 + 2.85/1,000 gallons
- Number of gallons of water pumped 43,722,000
- Number of gallons of water sold 42,189,000
- Reserve balance: \$ 88,919
Reserve requirement as set forth in bond ordinance: \$ 88,919
- Insurance certification:

<u>Type</u>	<u>Amount</u>	<u>Exp. Date</u>	<u>Premium Cost</u>
Fidelity Bond	\$ 260,000	10-05-07	\$ 1,300.00
Property Insurance	1,708,968	10-01-07	3,887.00
Vehicle Insurance	1,000,000	10-01-07	5,509.00
General Liability Ins.	1,000,000	10-01-07	1,664.00
Workman's Comp.	193,435	10-01-07	5,583.00
Law Enforcement Liability	1,000,000	10-01-07	1,832.00
Errors & Omissions	\$ 1,000,000	10-01-07	\$ 2,397.00

CITY OF GUNTER
 General Governmental Expenditures by Function (1)
 Last Eight Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Inspection/ Code Enforcement</u>	<u>Police</u>	<u>Fire</u>	<u>Street Repairs</u>	<u>Trash Collection</u>	<u>Capital Outlay</u>	<u>Debt Services</u>	<u>Total</u>
2000	\$ 95,203		75,648	10,627	11,793	54,332		11,399	259,002
2001	105,526		77,620	6,905	19,616	61,524	24,227	6,226	301,644
2002	123,198		81,205	8,220	3,212	62,991		11,926	290,752
2003	175,268		87,518	7,444	32,846	66,374		11,926	381,376
2004	198,996		120,355	9,025	12,227	76,122	39,345	6,226	462,296
2005	239,280		161,358	13,391	6,186	80,701	649,514		1,150,430
2006	297,705		179,820	24,971	1,347	89,285	106,723	291,574	991,425
2007	\$ 507,824	34,294	213,056	56,153	62,726	90,864	32,587	66,727	1,064,231

(1) Includes Special Revenue Fund.

CITY OF GUNTER
General Governmental Revenues by Source (1)
Last Eight Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>License and Permits</u>	<u>Charges for Services</u>	<u>Grants</u>	<u>Invest-ment Income</u>	<u>Fines Warrants & Seizures</u>	<u>Fire Department</u>	<u>Rent</u>	<u>Misc.</u>	<u>Total</u>
2000	\$ 157,854	21,139	63,153	853	1,192	22,001	8,340	675	3,857	279,064
2001	185,317	20,240	70,884	942	2,161	21,149	18,590	750	2,813	322,846
2002	234,075	37,391	78,034	760	1,508	21,698	8,339	700	3,482	385,987
2003	244,261	18,054	85,556	781	1,244	8,897	6,254	425	14,347	379,819
2004	287,541	18,910	93,936	40,019	674	56,018	10,860	425	3,294	511,677
2005	340,258	20,985	101,249	260,332	2,736	96,107	8,525	750	11,316	842,258
2006	407,990	41,336	106,082	88,028	5,795	96,752	7,125	1,425	3,872	758,405
2007	\$ 459,178	130,267	110,651	148,590	17,769	73,935	5,025	1,340	2,798	949,553

(1) Includes Special Revenue Fund.

CITY OF GUNTER
 General Governmental Tax Revenues by Source (1)
 Last Eight Fiscal Years

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales</u>	<u>Franchise</u>	<u>Total</u>
2000	\$ 77,759	45,336	34,759	157,854
2001	86,664	54,276	44,377	185,317
2002	127,200	61,286	45,589	234,075
2003	136,954	55,597	51,710	244,261
2004	164,197	73,917	49,427	287,541
2005	205,560	84,456	50,242	340,258
2006	248,995	102,367	56,628	407,990
2007	\$ 287,385	116,284	55,509	459,178

(1) Includes Special Revenue Fund.

CITY OF GUNTER
Property Tax Levies and Collections
Last Eight Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collection</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>(1) Total Tax Collection</u>	<u>Ratio of Total Tax Collections To Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Delinquent Taxes to Tax Levy</u>
2000	\$ 74,061	73,627	99.41	\$ 595	74,222	100.20%	\$ 3,310	4.47%
2001	86,729	83,532	96.31	1,744	85,276	98.32	4,848	5.59
2002	124,420	117,630	94.54	4,506	122,136	98.16	8,097	6.51
2003	135,134	130,204	96.35	4,165	134,369	99.43	8,623	6.38
2004	168,455	159,419	94.64	2,588	162,007	96.17	18,669	11.08
2005	199,143	187,814	94.31	11,735	199,549	100.20	18,442	9.26
2006	241,084	231,601	96.07	9,647	241,248	100.07	20,420	8.47
2007	\$ 289,226	274,392	94.87%	\$ 7,515	281,907	97.47%	\$ 27,082	9.36%

(1) Excludes penalties and interest.

CITY OF GUNTER
Assessed and Estimated Actual Value of Taxable Property
Last Seven Fiscal Years

<u>Fiscal Year</u>	<u>Tax Rate Per \$100 Assessed Value</u>	<u>Assessed and Estimated Actual Value</u>
2001	.45800	\$ 18,991,394
2002	.46500	27,186,547
2003	.48297	27,975,348
2004	.47241	35,658,679
2005	.49995	39,789,720
2006	.52000	46,362,357
2007	.55000	\$ 53,021,081

CITY OF GUNTER
Revenue Bond Coverage
Enterprise Funds
Last Eight Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>(1) Operating Expenses</u>	<u>Net Available for Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2000	\$ 303,096	191,068	112,028	59,500	58,629	118,129	94.84%
2001	309,943	185,035	124,908	69,500	67,056	136,556	91.47
2002	356,895	177,552	179,343	80,500	70,863	151,363	118.49
2003	332,880	190,233	142,647	83,000	65,174	148,174	96.27
2004	350,422	203,803	146,619	89,000	60,652	149,652	97.97
2005	386,361	223,288	163,073	94,000	55,803	149,803	108.86
2006	426,779	280,615	146,164	99,000	54,542	153,542	95.19
2007	\$ 376,197	272,507	103,690	110,000	65,727	175,727	59.01%

(1) Excludes depreciation and bad debt expense.

CITY OF GUNTER
Texas Municipal Retirement System
Schedule of Funding Progress
Last Seven Fiscal Years

<u>Fiscal Year</u>	<u>Net Assets Available for Benefits</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a % of Covered Payroll</u>
2001	\$ 10,234	18,796	8,562	105,173	8.1%
2002	21,247	30,626	9,379	109,757	8.5
2003	33,914	44,364	10,450	95,174	11.0
2004	48,346	61,495	13,149	128,767	10.2
2005	57,879	60,614	2,735	116,184	2.4
2006	77,090	78,931	1,841	176,607	1.0
2007	\$ 100,681	104,181	3,500	195,910	1.8%

