



CITY OF SHERMAN, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2012

Prepared by:

Department of Finance

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

CITY OF SHERMAN, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2012

Prepared by:

Department of Finance

Robby Hefton, Assistant City Manager, CFO

Mary Lawrence, Controller

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF SHERMAN, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2012

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

(continued)

CITY OF SHERMAN, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2012**

	<u>Page Number</u>
FINANCIAL SECTION (Continued)	
Fund Financial Statements (Continued)	
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23
Statement of Fund Net Assets – Proprietary Funds	24 – 25
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds.....	27 – 28
Notes to Financial Statements.....	29 – 63
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	64 – 65
Required Supplementary Information – Texas Municipal Retirement System Schedule of Funding Progress.....	66
Required Supplementary Information – Post-Retirement Health Care Benefit Plan	67

(continued)

CITY OF SHERMAN, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2012**

	<u>Page Number</u>
FINANCIAL SECTION (Continued)	
Combining and Individual Fund Information and Other Supplementary Information	
General Fund	
Budgetary Comparison Schedule – General Fund Revenues and Other Financing Sources	68 – 69
Budgetary Comparison Schedule – General Fund Expenditures and Other Financing Uses	70 – 75
General Improvement Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Improvement Fund	76
Nonmajor Governmental Funds	
Combining Balance Sheet.....	77 – 80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	81 – 84
Schedules of Revenue, Expenditure and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
Hotel-Motel Fund.....	85
Community Development Fund.....	86
PRIDE Program	87
Drug Enforcement Program.....	88
Municipal Airport Fund	89
Emergency 9-1-1 Fund	90
Streets Sales Tax Fund.....	91

(continued)

CITY OF SHERMAN, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2012**

**Page
Number**

FINANCIAL SECTION (Continued)

Combining and Individual Fund Information
and Other Supplementary Information Continued)

Schedules of Revenue, Expenditure and Changes in Fund
Balance – Budget and Actual (Non-GAAP Budgetary Basis): (Continued)

TIF #2 Construction Fund.....	92
TIF #3 Construction Fund.....	93
Auditorium Bonds Sinking Fund.....	94
Certificate Fund	95
TIF #2 Debt Service Fund.....	96
2008 Certificate of Obligation Debt Service Fund	97
2009 Tax Notes Debt Service Fund.....	98
2009 CO Bond Debt Service Fund	99
2009A CO Bond Debt Service Fund	100
Cemetery Fund.....	101

Internal Service Funds

Combining Balance Sheet.....	102
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	103
Combining Statement of Cash Flows	104

(continued)

CITY OF SHERMAN, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2012**

	<u>Table</u>	<u>Page Number</u>
STATISTICAL SECTION		
Net Assets by Component.....	1	105
Changes in Net Assets	2	106 – 109
Fund Balances – Governmental Funds	3	110
Changes in Fund Balances – Governmental Funds	4	111 – 112
Assessed Value and Estimated Actual Value of Taxable Property	5	113
Direct and Overlapping Property Tax Rates	6	114
Principal Property Taxpayers.....	7	115
Property Tax Levies and Collections.....	8	116
Water Sold by Type of Customer	9	117
Water and Sewer Rates	10	118
Top Ten Water Customers.....	11	119
Ratios of Outstanding Debt by Type	12	120
Ratios of Net General Bonded Debt Outstanding.....	13	121
Direct and Overlapping Governmental Activities Debt.....	14	122
Legal Debt Margin Information.....	15	123
Pledged Revenue Coverage	16	124

(continued)

CITY OF SHERMAN, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2012**

	<u>Table</u>	<u>Page Number</u>
STATISTICAL SECTION (Continued)		
Demographic and Economic Statistics	17	125
Principal Employers.....	18	126
Fulltime Equivalent City Government Employees by Function/Program	19	127-128
Operating Indicators by Function/Program	20	129
Capital Asset Statistics by Function/Program.....	21	130

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



February 27, 2013

The Honorable Cary Wacker, Mayor
Members of the City Council, and
Citizens of the City of Sherman, Texas

The Comprehensive Annual Financial Report of the City of Sherman for the fiscal year ended September 30, 2012, is hereby submitted as mandated by the City Charter. This report consists of management's representation concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed financial statements and schedules are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds, account groups, and component units of Sherman, Texas.

The City Charter requires an independent auditor to be appointed by the City Council not less than 90 days prior to the end of the fiscal year. The City's financial statements have been audited by Pattillo, Brown and Hill, L.L.P., a firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2012, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

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

A major hospital is located in Sherman, Texas Health Presbyterian Hospital-WNJ. THPH-WNJ is part of Texas Health Resources and in partnership with LHP Hospital Group, Inc. which allows the hospital to stay current with medical technology and meet the growing health care needs of the community. With 241-beds, and over 150 doctors on staff, the hospital has been serving the region for over 75 years. It has medical affiliations with Sherman and Denison schools, Austin College and Grayson College for the training and advancement of medical and nursing students. Their specialty services include the Center for Women and Children, Cardiology, Imaging, Senior Passport, Sleep Center, Cardiac Rehabilitation, Stroke Care, Emergency Care, Hyperbaric Wound Care and Therapy Services.

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

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

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

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

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

ECONOMIC CONDITION AND OUTLOOK

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

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

The City has been successful in attracting new employers to the area, and our efforts continue. Sherman Economic Development Corporation (SEDCO), with annual funding of approximately \$3 million continues to maintain a high level of dedication to the economic development of this community. In 2012 alone, SEDCO brought two new industries to Sherman and participated in the expansion of three existing industries, resulting in 126 new jobs and \$8.72 million in capital investments. SEDCO has also committed \$600 thousand to enhance the City's Geographic Information System (GIS), an essential technology for City growth. Our impressive industrial base includes manufacturing facilities of major national firms that produce electronic components, food products, pvc products, railroad components, insulation materials, precision valves, and many other products.

Sherman has several new areas of economic growth. A clean gas-fueled electric generation plant began construction in November of 2012 with an estimated completion date of December of 2014 and adding \$300 million to the property tax base. An existing semiconductor manufacturer continues expanding. SEDCO is prepared for additional development opportunities with the

purchase of prime industrial property, the funding of road improvements from Highway 75 to the industrial park, and the funding of additional water and sewer infrastructure in the City's growth areas.

LONG-TERM FINANCIAL PLANNING

Facilities planning is a crucial issue in the next 1-5 years. Several City facilities will require decisions in the near future regarding their use. Additional capital investment will be required and the new use must fit with the long-term direction of City operations. These facilities include the armory, southwest fire station construction, the airport, and the former TxDOT property.

The City is also taking a long-term outlook with succession planning, a work session on the alignment of tourism goals with hotel/motel tax dollars, evaluating water and sewer rates for funding a sustainable system, and continued Comprehensive Master Plan management.

MAJOR INITIATIVES

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

The City continues to strive to make Sherman an attractive living environment. Initiatives include:

- Implementation of the watershed management plan to improve stormwater control and drainage systems
- GIS mapping to aid in planning and managing the future growth of the city
- Downtown streetscape improvements
- Planned reconstruction of Loy Lake Road from Hwy 82 to Pecan Grove
- Remodeled gym for additional recreation opportunities
- Major renovations of the historic Municipal Building

RELEVANT FINANCIAL POLICIES

The City's financial policy authorizes only the City Council, by resolution, to increase appropriations. One amendment was approved by the City Council that increased original budgeted appropriations by a total of \$2.837 million. The amendment provided additional funding in the General Fund to cover personnel costs, insurance premiums, and a legal expenses; in the Water and Sewer Fund for utility improvements; in the Insurance Fund for employee health claims; and in the Computer Services and Equipment Services Funds for repairs.

The City's financial policy also states that sources of revenue that are non-recurring will not be used to support recurring expenditures. Non-recurring revenues were used to fund employee health claims. However, the City does not expect this to happen in the future as the Insurance Fund will be funded at a higher level. The City also experienced an unusually high claims year which contributed to the need to use non-recurring revenues for funding.

FINANCIAL INFORMATION

The General Fund ended the year with total fund balance of \$9.3 million. The unassigned portion of fund balance, \$9.1 million, is approximately equal to 124 days of operating expenditures. This balance provides adequate protection against unforeseen occurrences and significantly reduces the likelihood of the City entering the short-term debt market to pay for current operating expenditures.

The Water and Sewer Utility Fund ended the year with Available Net Assets of \$9.1 million. Available Net Assets are calculated as current assets excluding unbilled accounts receivable and inventories, less current liabilities. Available net assets are approximately equal to 168 days of operating expenses, which is considered to be financially prudent for current operations.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sherman for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2012. This was the 26th consecutive year that the City of Sherman earned this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

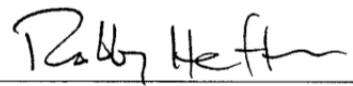
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully Submitted,



George Olson, City Manager



Robby Hefton, Assistant City Manager/Chief Financial Officer

CITY OF SHERMAN, TEXAS

CURRENT CITY OFFICIALS AS OF SEPTEMBER 30, 2012:

Elected Officials

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

Appointed Officials

City Manager	George Olson
City Attorney	Brandon Shelby

Department Directors

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

CITY OF SHERMAN ORGANIZATIONAL CHART

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

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

City Attorney – Provides professional services to the City Council, City Manager, staff and boards and commissions on legal matters. The City Attorney serves as the prosecutor in the City’s Municipal Court.

Law Enforcement – Is responsible for police protection, crime prevention and the administration of the Municipal Court.

Fire Services – Is responsible for fire inspection, suppression, prevention and education, emergency management and ambulance services.

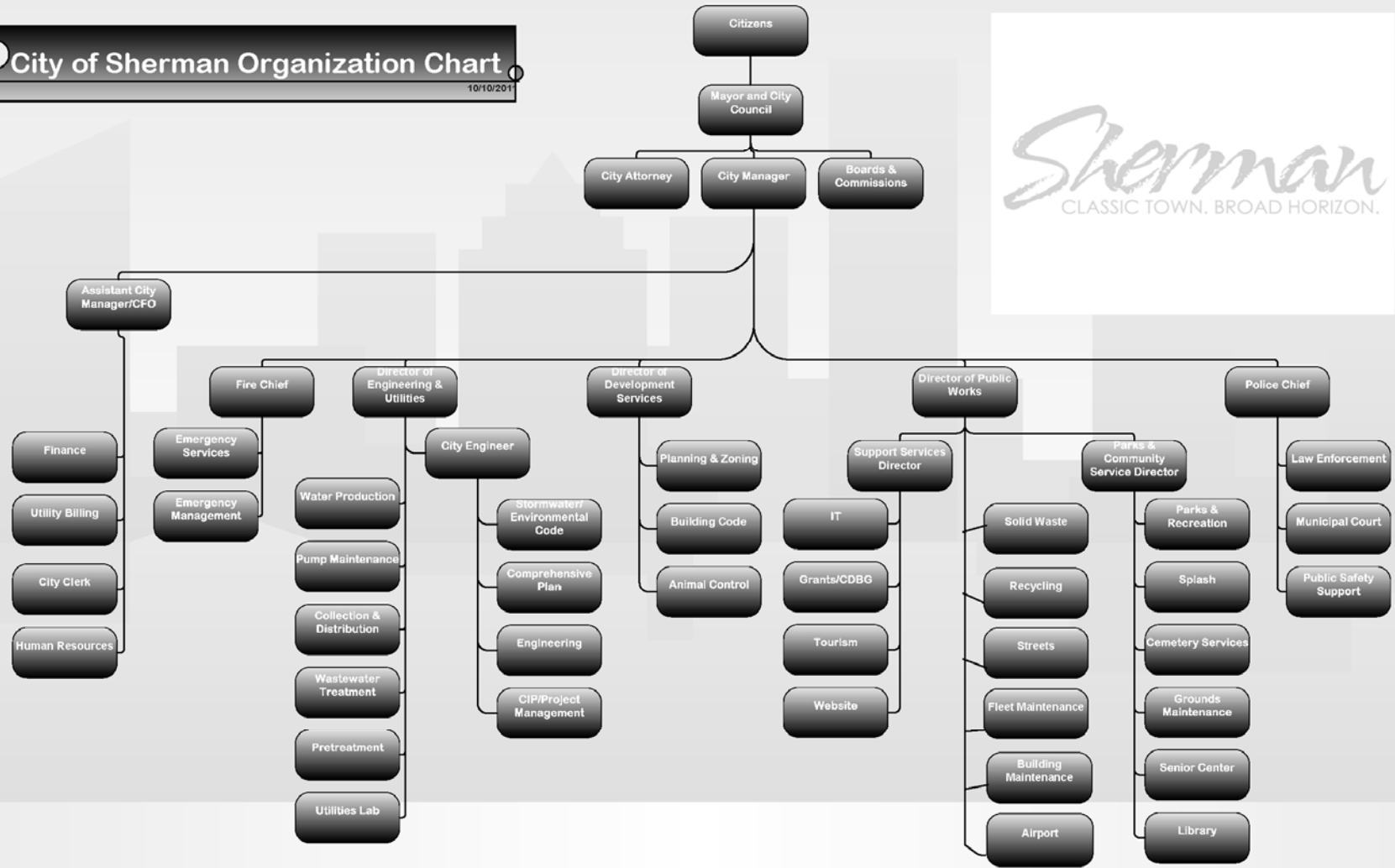
Engineering and Utilities – Is responsible for services relating to water and sewer operations, environmental code, and infrastructure planning and development for all City services.

Development Services – Is responsible for planning and zoning, the enforcement of the City’s building codes and oversight of animal control.

Public Works – Is responsible for solid waste collection and recycling services, public building maintenance, fleet maintenance, information technology and parks and community services.

City of Sherman Organization Chart

10/10/2011





Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sherman
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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



Christopher P. Morrell

President

Jeffrey R. Enen

Executive Director

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sherman, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sherman, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sherman, Texas, as of September 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2013, on our consideration of the City of Sherman, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Texas Municipal Retirement System – Schedule of Funding Progress and the Post-Retirement Health Care Benefit Plan – Schedule of Funding Progress on pages 3 through 15 and 64 through 67, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of the financial statements for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sherman, Texas' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

February 27, 2013

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

THIS PAGE LEFT BLANK INTENTIONALLY

Management's Discussion and Analysis

As Management of the City of Sherman, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the City of Sherman exceeded its liabilities at the close of the most recent fiscal year by \$103.9 million (net assets). Of this amount, \$17.4 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors. Net assets decreased \$5.6 million, or 5.1% from last fiscal year's net assets largely due to a decrease in water and sewer revenue, court fines, and franchise tax revenues and an increase in health claims and repairs.
- The assets of the City's component unit exceeded its liabilities at the close of the most recent fiscal year by \$14.8 million (net assets). Of this amount, \$2.5 million (unrestricted net assets) may be used to meet the component unit's ongoing obligations to citizens and creditors. Net assets increased by \$0.3 million, or 2.1% from last fiscal year's net assets.
- As of the close of the current fiscal year, the City's governmental funds Balance Sheet reported a combined ending fund balance of \$13.4 million. Approximately 68.1% of this total amount, \$9.1 million, is unassigned fund balance.
- As of the close of the current fiscal year, the City's proprietary funds, excluding internal service funds, reported combined ending net assets of \$45.4 million. Approximately 24.1% of this total amount, \$10.9 million, is in unrestricted net assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

- **Governmental funds** – are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of resources that can be spent, as well as on balances of resources that can be spent and are available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

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

The City maintains 2 major and 17 nonmajor governmental funds. Information for the major funds is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the General Improvement Fund, which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

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

Required supplementary information begins on page 64 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on page 77.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$103.9 million at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (80.2%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

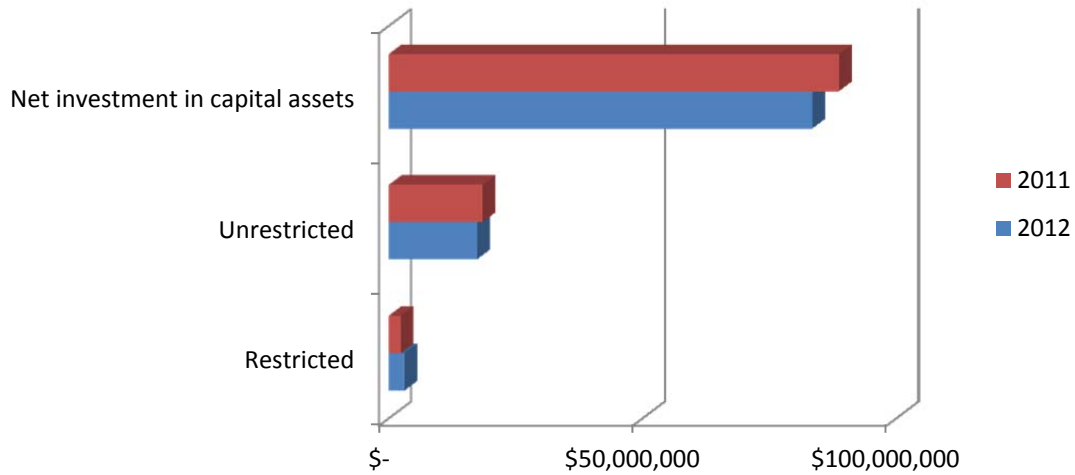
CITY OF SHERMAN'S NET ASSETS (in Millions)

	Governmental Activities		Business-type Activities		Totals	
	In Millions		In Millions		In Millions	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 16.7	\$ 16.9	\$ 13.1	\$ 14.5	\$ 29.8	\$ 31.4
Capital Assets	65.6	69.1	38.1	40.8	103.7	109.9
Total assets	82.3	86.0	51.2	55.3	133.5	141.3
Long-term liabilities	19.5	20.4	3.6	4.0	23.1	24.4
Other liabilities	4.2	5.1	2.1	2.2	6.3	7.3
Total liabilities	23.7	25.5	5.7	6.2	29.4	31.7
Net assets:						
Invested in capital assets, net of related debt	49.0	52.0	34.4	36.7	83.4	88.7
Restricted	3.2	2.4	-	-	3.2	2.4
Unrestricted	6.4	6.1	10.9	12.4	17.3	18.5
	\$ 58.6	\$ 60.5	\$ 45.3	\$ 49.1	\$ 103.9	\$ 109.6

A portion of the City's net assets, \$3.2 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$17.3 million or 16.7%) may be used to meet the City's ongoing obligations to citizens and creditors.

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

City of Sherman Net Assets September 30, 2011 and 2012



The overall net assets of the City of Sherman decreased by \$5.7 million, or 5.2% from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

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

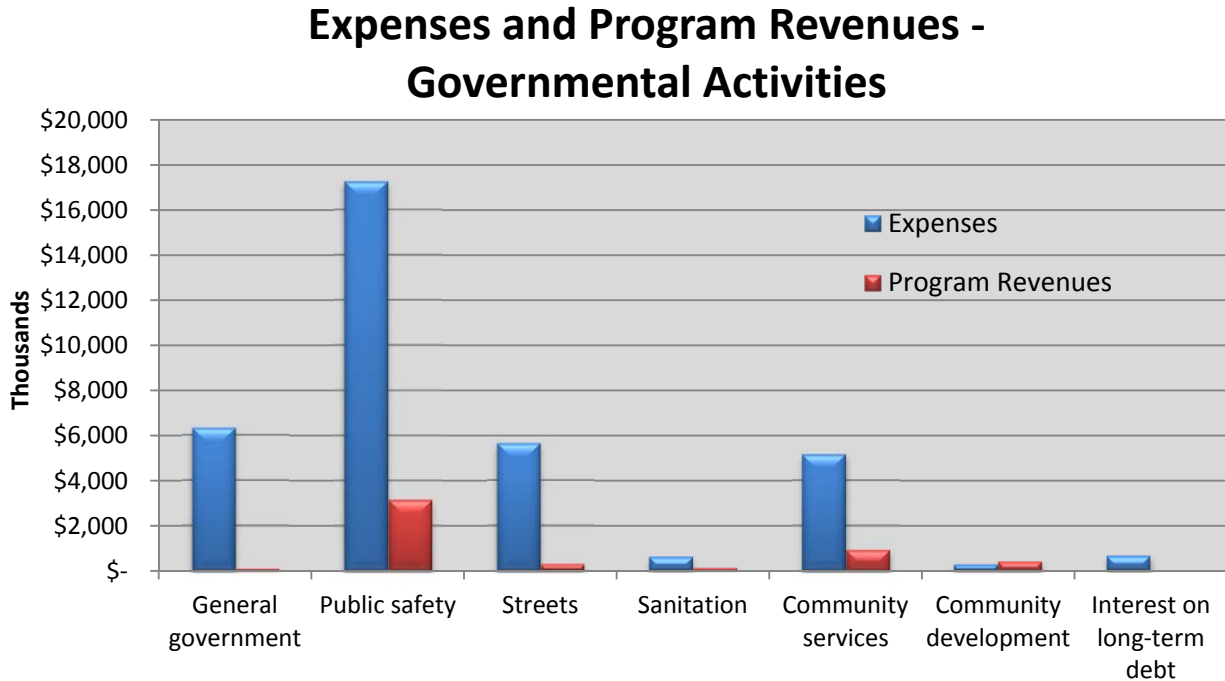
CITY OF SHERMAN'S CHANGES IN NET ASSETS
(in Millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	In Millions		In Millions		In Millions	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4.4	\$ 4.9	\$ 25.2	\$ 26.2	\$ 29.6	\$ 31.1
Operating grants and contributions	0.1	1.7	-	-	0.1	1.7
Capital grants and contributions	0.6	1.2	-	-	0.6	1.2
General revenues:						
Property taxes	7.1	7.1	-	-	7.1	7.1
Sales taxes	13.2	12.9	-	-	13.2	12.9
Other taxes	3.4	4.0	-	-	3.4	4.0
Other	<u>0.3</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>	<u>0.4</u>	<u>0.3</u>
Total revenues	<u>29.1</u>	<u>32.0</u>	<u>25.3</u>	<u>26.3</u>	<u>54.4</u>	<u>58.3</u>
Expenses:						
General government	6.2	5.9	-	-	6.2	5.9
Public safety	17.3	18.1	-	-	17.3	18.1
Streets	5.7	6.9	-	-	5.7	6.9
Sanitation	0.6	0.6	-	-	0.6	0.6
Community services	5.2	5.2	-	-	5.2	5.2
Community development	0.3	0.4	-	-	0.3	0.4
Interest on long-term debt	0.7	0.7	-	-	0.7	0.7
Water and sewer service	-	-	19.9	19.4	19.9	19.4
Solid waste service	<u>-</u>	<u>-</u>	<u>4.2</u>	<u>4.3</u>	<u>4.2</u>	<u>4.3</u>
Total expenses	<u>36.0</u>	<u>37.8</u>	<u>24.1</u>	<u>23.7</u>	<u>60.1</u>	<u>61.5</u>
Increases in net assets before special items and transfers	(6.9)	(5.8)	1.2	2.6	(5.7)	(3.2)
Transfers	<u>5.0</u>	<u>2.5</u>	<u>(5.0)</u>	<u>(2.5)</u>	<u>-</u>	<u>-</u>
Change in net assets	(1.9)	(3.3)	(3.8)	0.1	(5.7)	(3.2)
Net assets, beginning	<u>60.5</u>	<u>63.8</u>	<u>49.1</u>	<u>49.0</u>	<u>109.6</u>	<u>112.8</u>
Net assets, ending	<u>\$ 58.6</u>	<u>\$ 60.5</u>	<u>\$ 45.3</u>	<u>\$ 49.1</u>	<u>\$ 103.9</u>	<u>\$ 109.6</u>

Governmental Activities

Governmental activities decreased the City's net assets by \$2.0 million, or 1.7%, due to a high claim year in the Employee Health Fund, a decrease in revenue from court fines and gas franchise revenue, and higher than usual repair and maintenance expenses.

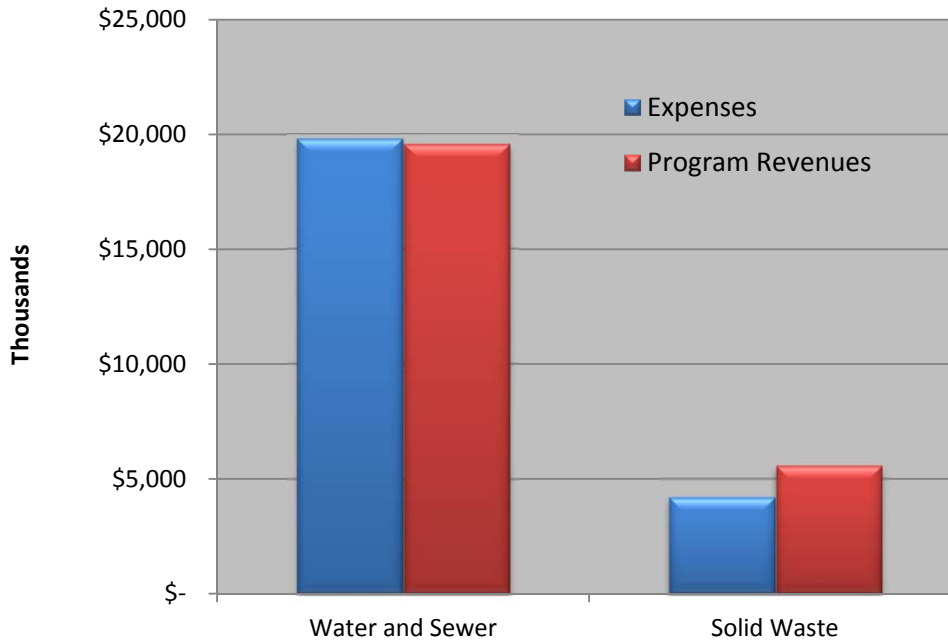
The City's governmental activities expenses and program revenues are presented below.



Business-type Activities

Business-type activities decreased the City's net assets by \$3.7 million, or a change of 7.6% from last fiscal year's total net assets largely due to decreased water and sewer revenue from industries, major repairs to the water treatment plant and transfers out to the General Fund, the Fleet Replacement Fund, and the Employee Health Fund.

Expenses and Program Revenues - Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

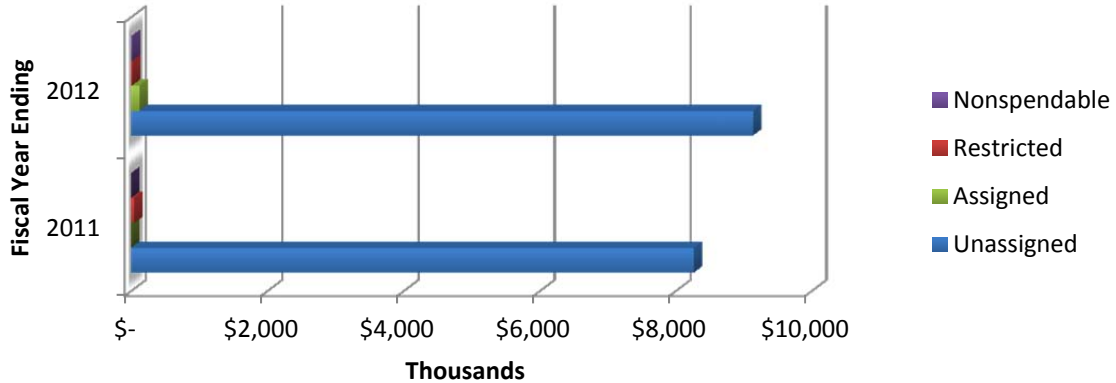
As noted earlier, the City of Sherman uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City’s governmental funds is to provide information on near-term inflows and balances of resources that may be spent. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Sherman itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

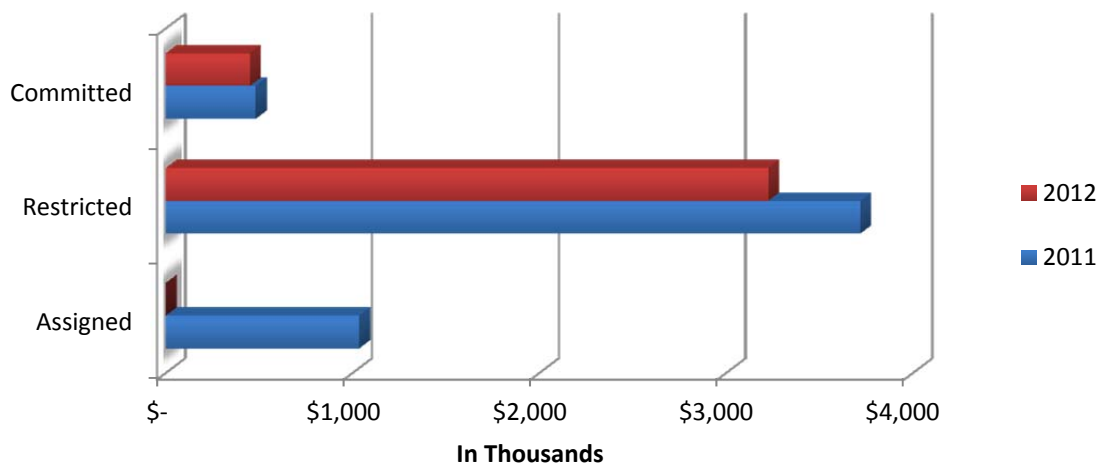
At September 30, 2012, the City’s governmental funds reported combined fund balances of \$13.4 million, which is essentially unchanged in comparison with the prior year. Approximately 68.1% of this amount, or \$9.1 million, constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in nonspendable form (\$13 thousand), 2) committed for particular purposes (\$450 thousand), 3) restricted for particular purposes (\$3.2 million), or 4) assigned for particular purposes (\$576 thousand).

General Fund Components of Fund Balance September 30, 2011 and 2012



The General Fund is the chief operating fund of the City of Sherman. At the end of the fiscal year, unassigned fund balance of the General Fund was \$9.1 million, with total fund balance about \$140 thousand higher. Unassigned fund balance represents approximately 34.0% of total General Fund expenditures, which is about the same percentage as total fund balance to expenditures. The total fund balance of the General Fund increased by \$955 thousand during the fiscal year. This increase was due to transfers into the General Fund from other non-governmental funds.

Other Governmental Funds Components of Fund Balance September 30, 2011 and 2012



The General Improvements Fund, a major fund, had a \$579 thousand decrease during the fiscal year ending the year at a fund balance of \$457 thousand. The decrease was due to capital project expenses in several projects including the watershed management plan and the Washington Street project.

The remaining governmental funds ended the year with a fund balance of \$3.7 million, a decrease of about \$525 thousand largely due to capital expenses in the Downtown Tax Increment Financing (TIF) Zone .

Proprietary Funds

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

Net assets of the Water and Sewer Fund decreased by \$2.5 million or 5.6% and ended the year with net assets of \$42.6. The decrease was largely due to transfers out to the Employee Health Fund to fund a large claims year.

Net assets of the Solid Waste Fund decreased by \$1.2 million to end the year at \$2.8 million. The decrease was due to transfers to the General and Water and Sewer Funds for their operations and to the fleet replacement fund to help restore its fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget

The original budget was amended by the City Council during the year to appropriate \$245 thousand in additional funds in the General Fund for personnel costs, professional services, street light utilities, and insurance costs. Several insignificant adjustments between accounts within their respective departments were also made.

Final budget compared to actual results.

The most significant difference between budgeted revenues and actual revenues were as follows:

Revenue Source	Budgeted Revenues	Actual Revenues	Difference
Sales Tax	\$ 11,727,000	\$ 12,060,814	\$ 333,814
Court Fines	940,000	738,555	(201,445)
Gas Franchise	602,000	435,924	(166,076)

An improvement in the local economy boosted sales tax over the budgeted amount by about 6%. The decline in the price of natural gas reduced the revenue from the gas franchise tax and a decrease in the number of citations issued decreased court revenue.

A review of actual expenditures compared to the appropriations in the final budget yields no significant variances. A few noted exceptions are as follows:

Expenditure	Budgeted Expenditure	Actual Expenditure	Budget Carried over to Subsequent Year	Difference
Emergency Management	\$ 61,800	\$ 77,185	\$ 19,141	\$ (34,526)
Street Department Vehicle Usage	274,277	302,810	-	(28,533)
Animal Control Personnel	409,377	429,841	-	(20,464)

The variance in emergency management is due to grant expenditures for grants that had not been awarded when the budget was prepared. The street department required several critical major repairs on their fleet and Animal Control was under budgeted for on-call officers needed for public health and safety.

CAPITAL ASSETS

The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$103.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, and machinery and equipment. The total City’s investments in net capital assets decreased in the current fiscal year by \$6.3 million or approximately 5.7% due to depreciation expense.

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

- Construction in progress increase of approximately \$1.1 million dollars due to the downtown streetscape project and the watershed management plan.
- Depreciation of \$5.4 million for governmental activities and \$2.8 million for business-type activities.

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

	Governmental Activities		Business-type Activities		Totals	
	In Millions		In Millions		In Millions	
	2012	2011	2012	2011	2012	2011
Land	\$ 2.9	\$ 2.9	\$ 0.3	\$ 0.3	\$ 3.2	\$ 3.2
Building and system improvements	2.8	2.9	1.7	1.8	4.5	4.7
Other improvements	50.6	54.6	27.1	29.3	77.7	83.9
Machinery and equipment	4.9	5.1	2.3	2.8	7.2	7.9
Other assets	0.5	0.4	6.4	6.4	6.9	6.8
Construction in progress	3.8	3.1	0.2	0.2	4.0	3.3
	<u>\$ 65.5</u>	<u>\$ 69.0</u>	<u>\$ 38.0</u>	<u>\$ 40.8</u>	<u>\$ 103.5</u>	<u>\$ 109.8</u>

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

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total contractually obligated long-term debt of \$20.2 million. The governmental bonds payable are to be repaid from the revenues received from Hotel/Motel taxes. \$11.2 million of the governmental certificates of obligation is to fund capital projects in the City and is to be repaid from general tax revenues of the General Fund. The remainder of the certificates of obligation are to be repaid from the increased property tax associated with commercial and retail development in the Tax Increment Financing Zones. Property taxes and a limited pledge of the net revenues of the water and sewer system secure the certificates of obligation even though repayment is expected to be made solely from general tax revenues.

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

	Governmental Activities		Business-type Activities		Totals	
	In Millions		In Millions		In Millions	
	2012	2011	2012	2011	2012	2011
Bonds	\$ 1.4	\$ 1.5	\$ -	\$ -	\$ 1.4	\$ 1.5
Capital leases	1.1	1.3	0.5	0.9	1.6	2.2
Certificates of obligation	14.1	14.8	-	-	14.1	14.8
Tax notes	-	0.8	-	-	-	0.8
Other long-term payables	-	-	3.1	3.2	3.1	3.2
	<u>\$ 16.6</u>	<u>\$ 18.4</u>	<u>\$ 3.6</u>	<u>\$ 4.1</u>	<u>\$ 20.2</u>	<u>\$ 22.5</u>

Long-term debt for the City decreased by \$2.3 million, or 10.2%. This decrease was due to payments on outstanding debt with no additional debt issued.

The City of Sherman maintains a “AA” rating from Standard & Poor’s for general obligation debt.

As a part of the budget process, City staff compares the debt limit allowed under the City charter to debt outstanding. At the beginning of the fiscal year, the City had only 20% of allowable bonded debt outstanding, and 52% of allowable certificates of obligation outstanding.

Additional information on the City’s long-term debt can be found in the notes on pages 45 through 49 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Following are factors that existed as of the report date, and were considered in developing the 2012-2013 fiscal year budget.

- Budgeted sales taxes are higher due to the following: 1) Twelve months of street sales tax revenues are now budgeted in the General Fund increasing General Fund sales tax by about \$700 thousand. In prior years, these revenues were recorded in a Capital Projects Fund or Debt Service Fund; and 2) 2.5% projected increase in sales tax revenue based conservatively on recent trends.
- Property taxes are expected to remain flat but the General Fund will receive less of the revenue as these taxes will be used for debt service. The City's other primary revenue sources in the General Fund, franchise tax revenues and charges for services are expected to increase slightly, based on improving economic conditions.
- Water and Sewer rates were increased by about 4%, the last planned yearly increase in a 3-year plan to adjust rates to help offset losses due to industry closings and in their conservation improvements.
- The employee health fund will receive funding at a higher level due to the increase in the amount of average yearly claims.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

THIS PAGE LEFT BLANK INTENTIONALLY

**BASIC
FINANCIAL STATEMENTS**

CITY OF SHERMAN, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
ASSETS				
Current assets:				
Cash	\$ 5,383,731	\$ 4,267,928	\$ 9,651,659	\$ 5,953,635
Pooled and temporary investments	7,146,650	5,245,575	12,392,225	3,230,336
Receivables, net	3,988,521	3,283,330	7,271,851	505,198
Inventories, at cost	93,965	275,680	369,645	-
Prepays	<u>12,780</u>	<u>27,076</u>	<u>39,856</u>	<u>1,891</u>
Total current assets	<u>16,625,647</u>	<u>13,099,589</u>	<u>29,725,236</u>	<u>9,691,060</u>
Noncurrent assets:				
Deferred charges	88,228	-	88,228	-
Capital assets:				
Non-depreciable assets	6,671,621	6,967,412	13,639,033	5,113,309
Other capital assets, net	<u>58,900,033</u>	<u>31,083,897</u>	<u>89,983,930</u>	<u>4,260</u>
Total noncurrent assets	<u>65,659,882</u>	<u>38,051,309</u>	<u>103,711,191</u>	<u>5,117,569</u>
Total assets	<u>82,285,529</u>	<u>51,150,898</u>	<u>133,436,427</u>	<u>14,808,629</u>
LIABILITIES				
Current liabilities:				
Accounts payable	815,490	854,685	1,670,175	5,888
Accrued expenses payable	733,153	94,504	827,657	-
Landfill closure costs	-	39,468	39,468	-
Customers' deposits payable	379,739	487,522	867,261	-
Current portion of bonds, capital leases, certificates of obligation and other long-term payables	<u>2,325,790</u>	<u>664,486</u>	<u>2,990,276</u>	<u>-</u>
Total current liabilities	<u>4,254,172</u>	<u>2,140,665</u>	<u>6,394,837</u>	<u>5,888</u>

(continued)

CITY OF SHERMAN, TEXAS

**STATEMENT OF NET ASSETS
(Continued)
SEPTEMBER 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
LIABILITIES (Continued)				
Long-term liabilities:				
Accrued compensated absences	\$ 1,786,225	\$ -	\$ 1,786,225	\$ -
Capital lease obligations payable	772,362	161,029	933,391	-
General obligation bonds	1,385,000	-	1,385,000	-
Certificates of obligation	13,445,000	-	13,445,000	-
Net pension obligation	862,275	236,042	1,098,317	-
Net OPEB obligation	793,383	214,509	1,007,892	-
Other long-term payables	440,847	3,019,077	3,459,924	-
Total long-term liabilities	<u>19,485,092</u>	<u>3,630,657</u>	<u>23,115,749</u>	<u>-</u>
 Total liabilities	 <u>23,739,264</u>	 <u>5,771,322</u>	 <u>29,510,586</u>	 <u>5,888</u>
NET ASSETS				
Invested in capital assets, net of related debt	48,962,718	34,441,826	83,404,544	5,117,569
Restricted for:				
General obligation debt service	453,867	-	453,867	-
Cemetery maintenance (nonexpendable)	1,313,221	-	1,313,221	-
Café plan	53	-	53	-
Infrastructure improvements	783,139	-	783,139	-
Law enforcement support	230,159	-	230,159	-
Airport and tourism	299,204	-	299,204	-
Community development block grant	77,592	-	77,592	-
Economic development	-	-	-	7,189,188
Unrestricted	<u>6,426,312</u>	<u>10,937,750</u>	<u>17,364,062</u>	<u>2,495,984</u>
 Total net assets	 <u>\$ 58,546,265</u>	 <u>\$ 45,379,576</u>	 <u>\$ 103,925,841</u>	 <u>\$ 14,802,741</u>

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

CITY OF SHERMAN, TEXAS

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 6,346,723	\$ 115,654	\$ -	\$ -
Public safety	17,285,195	3,093,511	26,469	66,133
Streets	5,669,504	103,497	-	224,918
Sanitation	627,421	132,072	-	-
Community services	5,182,561	949,962	2,232	-
Community development	306,400	7,949	103,548	326,710
Interest on long-term debt	<u>675,793</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>36,093,597</u>	<u>4,402,645</u>	<u>132,249</u>	<u>617,761</u>
Business-type activities:				
Water and sewer service	19,822,280	19,584,166	-	-
Solid waste service	<u>4,228,389</u>	<u>5,599,564</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>24,050,669</u>	<u>25,183,730</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 60,144,266</u>	<u>\$ 29,586,375</u>	<u>\$ 132,249</u>	<u>\$ 617,761</u>
Component unit:				
Economic development	\$ 1,743,000	\$ -	\$ -	\$ -
Administration	<u>1,092,660</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component unit	<u>\$ 2,835,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes				
General property				
City sales				
Franchise and nonproperty				
Investment income				
Miscellaneous				
Transfers - internal activity				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning				
Net assets, ending				

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

Net (Expense Revenue and Change in Net Assets)

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (6,231,069)	\$ -	\$ (6,231,069)	\$ -
(14,099,082)	-	(14,099,082)	-
(5,341,089)	-	(5,341,089)	-
(495,349)	-	(495,349)	-
(4,230,367)	-	(4,230,367)	-
131,807	-	131,807	-
<u>(675,793)</u>	<u>-</u>	<u>(675,793)</u>	<u>-</u>
<u>(30,940,942)</u>	<u>-</u>	<u>(30,940,942)</u>	<u>-</u>
-	(238,114)	(238,114)	-
<u>-</u>	<u>1,371,175</u>	<u>1,371,175</u>	<u>-</u>
<u>-</u>	<u>1,133,061</u>	<u>1,133,061</u>	<u>-</u>
<u>(30,940,942)</u>	<u>1,133,061</u>	<u>(29,807,881)</u>	<u>-</u>
-	-	-	(1,743,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,092,660)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,835,660)</u>
7,072,478	-	7,072,478	-
13,203,175	-	13,203,175	3,001,673
3,448,716	-	3,448,716	-
189,530	47,687	237,217	21,616
150,235	48,758	198,993	112,380
<u>4,968,767</u>	<u>(4,968,767)</u>	<u>-</u>	<u>-</u>
<u>29,032,901</u>	<u>(4,872,322)</u>	<u>24,160,579</u>	<u>3,135,669</u>
(1,908,041)	(3,739,261)	(5,647,302)	300,009
<u>60,454,306</u>	<u>49,118,837</u>	<u>109,573,143</u>	<u>14,502,732</u>
<u>\$ 58,546,265</u>	<u>\$ 45,379,576</u>	<u>\$ 103,925,841</u>	<u>\$ 14,802,741</u>

CITY OF SHERMAN, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	<u>General</u>	<u>General Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
ASSETS				
Cash	\$ 2,757,654	\$ 180,481	\$ 1,676,627	\$ 4,614,762
Pooled and temporary investments	4,754,903	328,526	2,032,535	7,115,964
Receivables (net of allowances for uncollectibles):				
Interest	11,736	-	-	11,736
Intergovernmental	8,085	-	295,890	303,975
Accounts	1,046,320	-	134,773	1,181,093
Taxes	2,403,638	-	7,777	2,411,415
Due from other funds	-	-	135,628	135,628
Prepaid items	<u>12,780</u>	<u>-</u>	<u>-</u>	<u>12,780</u>
Total assets	<u>\$ 10,995,116</u>	<u>\$ 509,007</u>	<u>\$ 4,283,230</u>	<u>\$ 15,787,353</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 524,999	\$ 52,012	\$ 82,828	\$ 659,839
Accrued wages payable	138,268	-	2,179	140,447
Deferred revenue	1,053,794	-	6,269	1,060,063
Customer deposits	-	-	379,739	379,739
Due to other funds	<u>-</u>	<u>-</u>	<u>135,628</u>	<u>135,628</u>
Total liabilities	<u>1,717,061</u>	<u>52,012</u>	<u>606,643</u>	<u>2,375,716</u>
Fund balances:				
Nonspendable:				
Prepaid items	12,780	-	-	12,780
Committed to:				
New street development	-	-	450,096	450,096
Restricted for:				
Café plan	53	-	-	53
Law enforcement support	8,085	-	222,074	230,159
Airport and tourism	-	-	299,204	299,204
Infrastructure improvement	-	-	783,139	783,139
Community development block grant	-	-	77,592	77,592
Debt service	-	-	531,261	531,261
Cemetery endowment	-	-	1,313,221	1,313,221
Assigned for:				
Streets and park improvements	68,934	456,995	-	525,929
Public charities	50,293	-	-	50,293
Unassigned	<u>9,137,910</u>	<u>-</u>	<u>-</u>	<u>9,137,910</u>
Total fund balance	<u>9,278,055</u>	<u>456,995</u>	<u>3,676,587</u>	<u>13,411,637</u>
Total liabilities and fund balance	<u>\$ 10,995,116</u>	<u>\$ 509,007</u>	<u>\$ 4,283,230</u>	<u>\$ 15,787,353</u>

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

CITY OF SHERMAN, TEXAS

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

SEPTEMBER 30, 2012

Total fund balances - governmental funds	\$ 13,411,637
Amounts reported for governmental activities in the statement of net assets are different because:	
The City uses Internal Service Funds to charge the costs of certain activities such as fleet maintenance, computer services and insurance to individual funds. Assets and liabilities of the Internal Service Funds are included in governmental activities.	1,639,081
Capital assets used in governmental activities are not reported in the funds.	63,166,847
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.	1,060,063
Bond interest is not payable within 60 days and is therefore not accrued at the fund level.	(83,663)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of:	
Bonds payable	(1,445,000)
Certificates of obligation	(14,135,000)
Capital leases	(66,604)
Other long-term debt	(636,771)
Compensated balances	(2,867,509)
Net pension obligation	(825,202)
Net OPEB obligation	(759,844)
Deferred charges recognized on Statement of Net Assets, not recognized in governmental balance sheet: Deferred bond issue costs	<u>88,230</u>
Net assets of governmental activities	<u>\$ 58,546,265</u>

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

CITY OF SHERMAN, TEXAS

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

GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2012

	<u>General</u>	<u>General Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
REVENUES				
Taxes:				
General property	\$ 6,028,695	\$ -	\$ 1,044,043	\$ 7,072,738
City sales	12,174,892	-	832,359	13,007,251
Franchise and nonproperty	3,011,395	-	437,321	3,448,716
Licenses and permits	171,158	-	-	171,158
Intergovernmental	44,489	115,500	539,676	699,665
Charges for services	2,330,663	-	793,823	3,124,486
Fines and forfeitures	849,072	-	92,699	941,771
Investment income (loss)	64,078	1,007	124,069	189,154
Donations	2,357	-	25,084	27,441
Miscellaneous	137,982	-	37,347	175,329
Total revenues	<u>24,814,781</u>	<u>116,507</u>	<u>3,926,421</u>	<u>28,857,709</u>
EXPENDITURES				
Current:				
General government	4,401,353	-	-	4,401,353
Public safety	16,116,441	-	377,096	16,493,537
Streets	2,310,344	-	32,261	2,342,605
Sanitation	601,406	-	-	601,406
Community services	3,230,864	-	956,714	4,187,578
Community development	-	-	306,400	306,400
Capital outlay	129,683	695,905	371,554	1,197,142
Debt service:				
Principal	63,782	-	1,475,000	1,538,782
Interest and fees	5,480	-	637,849	643,329
Total expenditures	<u>26,859,353</u>	<u>695,905</u>	<u>4,156,874</u>	<u>31,712,132</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,044,572)</u>	<u>(579,398)</u>	<u>(230,453)</u>	<u>(2,854,423)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	5,520	-	-	5,520
Transfers in	3,563,626	-	655,893	4,219,519
Transfers out	<u>(569,711)</u>	<u>-</u>	<u>(950,656)</u>	<u>(1,520,367)</u>
Total other financing sources (uses)	<u>2,999,435</u>	<u>-</u>	<u>(294,763)</u>	<u>2,704,672</u>
NET CHANGE IN FUND BALANCE	954,863	<u>(579,398)</u>	<u>(525,216)</u>	<u>(149,751)</u>
FUND BALANCE, BEGINNING	<u>8,323,192</u>	<u>1,036,393</u>	<u>4,201,803</u>	<u>13,561,388</u>
FUND BALANCE, ENDING	<u>\$ 9,278,055</u>	<u>\$ 456,995</u>	<u>\$ 3,676,587</u>	<u>\$ 13,411,637</u>

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

CITY OF SHERMAN, TEXAS

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

YEAR ENDED SEPTEMBER 30, 2012

Total net change in fund balance - governmental funds	\$(149,751)
Amounts reported for governmental activities in the statement of activities are different because:	
The City uses Internal Service Funds to charge the costs of certain activities such as fleet maintenance, computer services and insurance to individual funds. The net income of the Internal Service Funds is reported with governmental activities.	511,261
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount of capital assets recorded in the current period.	1,201,210
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(4,999,680)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Repayment of principal of long-term debt	1,734,706
Amortization of bond issuance cost	(14,615)
Net pension obligation	(51,524)
Net OPEB obligation	(42,251)
Interest accrued at the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period.	5,064
Current year changes in long-term liability do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.	
Compensated balances liability	(225,725)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>123,264</u>
Change in net assets of governmental activities	<u>\$(1,908,041)</u>

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

CITY OF SHERMAN, TEXAS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds			Governmental
	Water	Solid Waste	Total	Activities
	and Sewer			Internal
	<u> </u>	<u> </u>	<u> </u>	<u>Service</u>
ASSETS				
Current assets:				
Cash	\$ 3,946,149	\$ 321,779	\$ 4,267,928	\$ 768,969
Pooled and temporary investments	5,032,129	213,446	5,245,575	30,686
Receivables (net of allowances for uncollectibles)				
Interest	34,448	-	34,448	-
Accounts	1,842,369	623,669	2,466,038	80,302
Unbilled accounts	615,974	166,870	782,844	-
Inventories, at cost	275,680	-	275,680	93,965
Prepaid items	<u>27,076</u>	<u>-</u>	<u>27,076</u>	<u>-</u>
Total current assets	<u>11,773,825</u>	<u>1,325,764</u>	<u>13,099,589</u>	<u>973,922</u>
Noncurrent assets:				
Capital assets				
Non-depreciable assets	6,964,412	3,000	6,967,412	55,250
Other capital assets, net	<u>29,162,962</u>	<u>1,920,935</u>	<u>31,083,897</u>	<u>2,349,557</u>
Total noncurrent assets	<u>36,127,374</u>	<u>1,923,935</u>	<u>38,051,309</u>	<u>2,404,807</u>
 Total assets	 <u>\$ 47,901,199</u>	 <u>\$ 3,249,699</u>	 <u>\$ 51,150,898</u>	 <u>\$ 3,378,729</u>

(continued)

CITY OF SHERMAN, TEXAS

STATEMENT OF FUND NET ASSETS

PROPRIETARY FUNDS

(Continued)

SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Solid Waste	Total	Internal Service
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 739,830	\$ 114,855	\$ 854,685	\$ 155,653
Accrued expenses payable				
Accrued wages payable	71,699	22,805	94,504	12,669
Landfill closure and postclosure care costs	-	39,468	39,468	-
Claims payable	-	-	-	496,374
Current portion of long-term liabilities				
Capital lease obligations	314,839	34,490	349,329	189,923
Accrued compensated absences	169,277	65,832	235,109	42,008
Other long-term payables	80,048	-	80,048	-
Payable from restricted assets				
Customers' deposits payable	<u>443,033</u>	<u>44,489</u>	<u>487,522</u>	<u>-</u>
Total current liabilities	<u>1,818,726</u>	<u>321,939</u>	<u>2,140,665</u>	<u>896,627</u>
Long-term liabilities (net of current portion):				
Capital lease obligations payable	161,029	-	161,029	772,409
Net pension obligation	180,106	55,936	236,042	37,073
Net OPEB obligation	162,888	51,621	214,509	33,539
Other long-term payables	<u>3,019,077</u>	<u>-</u>	<u>3,019,077</u>	<u>-</u>
Total long-term liabilities	<u>3,523,100</u>	<u>107,557</u>	<u>3,630,657</u>	<u>843,021</u>
 Total liabilities	 <u>5,341,826</u>	 <u>429,496</u>	 <u>5,771,322</u>	 <u>1,739,648</u>
NET ASSETS				
Invested in capital assets, net of related debt	32,552,381	1,889,445	34,441,826	1,442,475
Unrestricted	<u>10,006,992</u>	<u>930,758</u>	<u>10,937,750</u>	<u>196,606</u>
 Total net assets	 <u>\$ 42,559,373</u>	 <u>\$ 2,820,203</u>	 <u>\$ 45,379,576</u>	 <u>\$ 1,639,081</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF SHERMAN, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Solid Waste	Total	Internal Service
OPERATING REVENUES				
Water sales	\$ 11,375,889	\$ -	\$ 11,375,889	\$ -
Sewer sales	6,951,060	-	6,951,060	-
Solid waste service	-	5,599,564	5,599,564	-
Laboratory fees	120,927	-	120,927	-
Service connections and penalties	514,188	-	514,188	-
Utility tap fees	11,411	-	11,411	-
Charges for services	157,244	-	157,244	6,845,654
Miscellaneous	40,884	7,874	48,758	2,681
Total operating revenues	<u>19,171,603</u>	<u>5,607,438</u>	<u>24,779,041</u>	<u>6,848,335</u>
OPERATING EXPENSES				
Personnel services	4,417,642	1,431,857	5,849,499	915,736
Contractual services	9,921,064	1,422,309	11,343,373	5,491,406
Supplies	1,014,462	73,705	1,088,167	1,048,726
Maintenance and repair	1,584,919	23,278	1,608,197	770,466
Vehicle usage	279,575	906,570	1,186,145	-
Depreciation	2,455,177	370,153	2,825,330	382,719
Total operating expenses	<u>19,672,839</u>	<u>4,227,872</u>	<u>23,900,711</u>	<u>8,609,053</u>
OPERATING INCOME	<u>(501,236)</u>	<u>1,379,566</u>	<u>878,330</u>	<u>(1,760,718)</u>
NONOPERATING REVENUES (EXPENSES)				
Gain (loss) on sale of asset	1,155	2,300	3,455	-
Investment income	40,659	7,028	47,687	376
Interest expense	(150,596)	(2,817)	(153,413)	(37,528)
Intergovernmental	453,447	-	453,447	-
Total nonoperating revenues (expenses)	<u>344,665</u>	<u>6,511</u>	<u>351,176</u>	<u>(37,152)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(156,571)</u>	<u>1,386,077</u>	<u>1,229,506</u>	<u>(1,797,870)</u>
CONTRIBUTIONS AND TRANSFERS				
Capital contributions	-	-	-	39,516
Transfers in	567,500	-	567,500	2,269,615
Transfers out	(2,953,700)	(2,582,567)	(5,536,267)	-
Total transfers	<u>(2,386,200)</u>	<u>(2,582,567)</u>	<u>(4,968,767)</u>	<u>2,309,131</u>
CHANGE IN NET ASSETS	<u>(2,542,771)</u>	<u>(1,196,490)</u>	<u>(3,739,261)</u>	<u>511,261</u>
NET ASSETS, BEGINNING	<u>45,102,144</u>	<u>4,016,693</u>	<u>49,118,837</u>	<u>1,127,820</u>
NET ASSETS, ENDING	<u>\$ 42,559,373</u>	<u>\$ 2,820,203</u>	<u>\$ 45,379,576</u>	<u>\$ 1,639,081</u>

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

CITY OF SHERMAN, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Solid Waste	Total	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 19,539,094	\$ 5,464,340	\$ 25,003,434	\$ -
Cash received for interfund services	-	-	-	6,826,196
Cash paid for supplies and materials	(12,801,097)	(2,472,663)	(15,273,760)	(2,056,283)
Cash paid for premiums, claims and administrative	-	-	-	(5,282,956)
Cash paid for personnel services	(4,390,431)	(1,414,503)	(5,804,934)	(915,074)
Net cash provided (used) by operating activities	<u>2,347,566</u>	<u>1,577,174</u>	<u>3,924,740</u>	<u>(1,428,117)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash received from other governments	453,447	-	453,447	-
Cash received from other funds	567,500	-	567,500	2,269,615
Cash paid to other funds	(2,953,700)	(2,582,567)	(5,536,267)	-
Net cash provided (used) by noncapital financing activities	<u>(1,932,753)</u>	<u>(2,582,567)</u>	<u>(4,515,320)</u>	<u>2,269,615</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(92,439)	(2,801)	(95,240)	(713,168)
Principal retirement of long-term debt	(385,502)	(55,682)	(441,184)	(230,316)
Interest paid on long-term debt	(150,596)	(2,817)	(153,413)	(37,528)
Capital contributions	-	-	-	39,516
Net cash used by capital and related financing activities	<u>(628,537)</u>	<u>(61,300)</u>	<u>(689,837)</u>	<u>(941,496)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and investment income received	10,908	7,299	18,207	376
Proceeds from sale of investments	627,275	(242)	627,033	-
Net cash provided by investing activities	<u>638,183</u>	<u>7,057</u>	<u>645,240</u>	<u>341</u>
NET INCREASE (DECREASE) IN CASH	424,459	(1,059,636)	(635,177)	(99,657)
CASH, BEGINNING	<u>3,521,690</u>	<u>1,381,415</u>	<u>4,903,105</u>	<u>868,626</u>
CASH, ENDING	<u>\$ 3,946,149</u>	<u>\$ 321,779</u>	<u>\$ 4,267,928</u>	<u>\$ 768,969</u>

(continued)

CITY OF SHERMAN, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(Continued)

YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Solid Waste	Total	Internal Service
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income	\$ (501,236)	\$ 1,379,566	\$ 878,330	\$(1,760,718)
Depreciation and amortization	2,455,177	370,153	2,825,330	382,719
(Increase) decrease in operating assets:				
Accounts receivable (net)	(1,564,772)	(577,121)	(2,141,893)	(15,773)
Unbilled receivables	1,914,160	435,958	2,350,118	-
Inventories	38,760	-	38,760	(4,604)
Increase (decrease) in operating liabilities:				
Accounts payable	(39,837)	(46,801)	(86,638)	8,892
Accrued wages payable	4,016	1,312	5,328	(597)
Estimated liability for claims	-	-	-	(39,295)
Accrued compensated absences	(1,479)	11,604	10,125	2,079
Net pension obligation	13,608	2,209	15,817	(418)
Net OPEB obligation	11,066	2,229	13,295	(402)
Customer deposits	<u>18,103</u>	<u>(1,935)</u>	<u>16,168</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 2,347,566</u>	<u>\$ 1,577,174</u>	<u>\$ 3,924,740</u>	<u>\$(1,428,117)</u>

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

CITY OF SHERMAN, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

B. Financial Reporting Entity

The City's financial reporting entity comprises the following:

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

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

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Financial Reporting Entity (Continued)

Discretely Presented Component Units

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

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

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

Blended Component Units

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

Related Organizations

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Financial Reporting Entity (Continued)

Related Organizations (Continued)

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

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

C. Government-wide and Fund Financial Statements

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

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

E. Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

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

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

Proprietary Funds

The City reports the following major Enterprise Funds:

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

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

Additionally, the City reports the following fund type:

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash of all funds, including restricted cash, is pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month-end. An individual fund’s pooled cash and cash investments are available upon demand and are considered to be “cash equivalents” when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of 90 days or less are also considered to be “cash equivalents.”

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 60-day period after the close of the City’s fiscal year.

Taxable property includes real property and certain personal property situated in the City. Certain properties of religious, educational and charitable organizations, including the federal government and the State of Texas, are exempt from taxation. Additionally, there are other exemptions as noted below in arriving at the total assessed valuation of taxable property. The valuations are subject to countywide revaluation every five years. The effective tax rate is based upon the previous year’s total assessed valuation.

	2011 <u>Tax Roll</u>	2010 <u>Tax Roll</u>
Total assessed value	\$ 2,751,575,928	\$ 2,765,015,731
Less exemptions for:		
Productivity valuations of open land space	77,742,629	79,475,996
Homestead and individuals over 65	83,662,876	84,750,362
Disabled veterans	9,039,368	8,467,012
Freeport exemptions	73,268,006	72,369,663
Property redevelopment and Tax Abatement Act	<u>317,955,892</u>	<u>307,060,864</u>
Net assessed value	<u>\$ 2,189,907,157</u>	<u>\$ 2,212,891,834</u>
Tax rate (per \$100 valuation)	<u>\$ 0.3200</u>	<u>\$ 0.3200</u>

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Inventories

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

Interfund Receivables and Payables

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

Transactions Between Funds

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

Capital Assets

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

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

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences

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

Long-term Obligations

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

Fund Balances

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

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

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

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by an ordinance of the City Council – the government's most binding form of commitment. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balances (Continued)

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

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

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

Net Assets

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

Estimates

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budget Policy and Practice

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

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

Budget Policy and Practice

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

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

Budget Basis of Accounting

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

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investments

The following schedule summarizes the City's investments as of September 30, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Primary government		
U. S. Government Agency Securities	\$ 8,098,770	602
TexStar	1,439,986	49
TexPool	1,556,591	41
Common trust funds (corporate)	1,296,878	1,947
Component unit		
TexPool	<u>3,230,336</u>	41
 Total investments	 <u>\$ 15,622,561</u>	

Portfolio weighted average maturity (days)

The City has investments with the following public funds investment pools as of September 30, 2012:

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

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

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

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments (Continued)

In 1956, the City established a trust fund with the purpose to hold investments to provide income for the perpetual upkeep of the City's cemetery. The investments of the trust fund are administered by the trust company affiliated with a non-depository bank. The City's investments in the trust fund at September 30, 2012, are comprised of money market funds, exchange-traded funds and corporate equity and bond mutual funds. The investments are insured and held by the trustee in the City's name. The City has not imposed any restrictions on the investments selected by the trustee. These investments are carried at fair value as determined by market quotes.

Credit Risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. Investing is performed in accordance with the City's investment policy adopted by the City Council complying with state law and the City charter. City funds may be invested in: 1) fully insured time deposits; 2) obligations of the United States Treasury; 3) obligations of Agencies of Instrumentalities of the United States; 4) investment pools with a continuous rating no lower than AAA; and 5) repurchase agreements. Under the City policy, the City may not invest in collateralized mortgage obligations, mutual funds, commercial paper and investment pools rated lower than AAA or who invest in prohibited investments under the City policy. As of September 30, 2012, the City's investment in TexPool and TexStar was rated AAAM by Standard & Poor's.

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

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. For direct investments, the City policy provides that investments and investment collateral is held by a third party custodian with whom the City has a current custodial agreement in the City's name.

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

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments (Continued)

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

Foreign Currency Risk is the risk that an investment denominated in the currency of a foreign country could reduce its U. S. dollar value as a result of changes in foreign currency exchange fees. At September 30, 2012, the City was not exposed to foreign currency risk.

Deposits

Custodial Credit Risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2012, the City's deposit balance of \$8,046,279 and the Sherman Economic Development Corporation, a discretely presented component unit, balance of \$5,986,315 were both collateralized by FDIC insurance and with letters of credit issued by the Federal Home Loan Bank in the name of the respective entity.

B. Receivables

Amounts recorded as receivable as of September 30, 2012, for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	Solid Waste	Internal Service	Nonmajor	Total	Component Unit
Receivables:							
Interest	\$ 11,736	\$ 34,448	\$ -	\$ -	\$ -	\$ -	\$ 603
Intergovernmental	8,085	-	-	-	295,890	303,975	-
Accounts	3,051,875	2,558,367	831,642	80,302	134,777	6,656,963	-
Taxes	<u>2,620,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,554</u>	<u>2,636,248</u>	<u>504,595</u>
Gross receivables	5,692,390	2,592,815	831,642	80,302	446,221	9,643,370	505,198
Less: allowance for uncollectibles	(2,222,611)	(100,024)	(41,103)	-	(7,781)	(2,371,519)	-
Net total receivables	\$ <u>3,469,779</u>	\$ <u>2,492,791</u>	\$ <u>790,539</u>	\$ <u>80,302</u>	\$ <u>438,440</u>	\$ <u>7,271,851</u>	\$ <u>505,198</u>

The Water and Sewer Fund and the Solid Waste Fund accounts receivable include unbilled charges for services rendered at September 30, 2012.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

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

	<u>Unavailable</u>
Delinquent property taxes receivable	\$ 206,890
Court fines	540,144
Ambulance fees	<u>313,029</u>
Total governmental funds	<u>\$ 1,060,063</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications/ Transfers</u>	<u>Ending Balance</u>
Governmental activities, excluding internal service funds:					
Capital assets, not being depreciated:					
Land	\$ 2,861,296	\$ -	\$ -	\$ -	\$ 2,861,296
Construction in progress	<u>3,098,473</u>	<u>1,066,190</u>	<u>(409,588)</u>	<u>-</u>	<u>3,755,075</u>
Total assets not being depreciated	<u>5,959,769</u>	<u>1,066,190</u>	<u>(409,588)</u>	<u>-</u>	<u>6,616,371</u>
Capital assets, being depreciated:					
Buildings	6,948,107	-	-	-	6,948,107
Improvements other than buildings	78,188,655	144,586	-	-	78,333,241
Machinery and equipment	10,695,844	161,273	(167,031)	18,264	10,708,350
Other assets	<u>469,651</u>	<u>238,749</u>	<u>-</u>	<u>-</u>	<u>708,400</u>
Total capital assets being depreciated	<u>96,302,257</u>	<u>544,608</u>	<u>(167,031)</u>	<u>18,264</u>	<u>96,698,098</u>
Less accumulated depreciation:					
Buildings	4,010,930	153,409	-	-	4,164,339
Improvements other than buildings	23,585,730	4,136,169	-	-	27,721,899
Machinery and equipment	7,581,023	659,156	(167,031)	18,264	8,091,412
Other assets	<u>119,026</u>	<u>50,946</u>	<u>-</u>	<u>-</u>	<u>169,972</u>
Total accumulated depreciation	<u>35,296,709</u>	<u>4,999,680</u>	<u>(167,031)</u>	<u>18,264</u>	<u>40,147,622</u>
Total capital assets being depreciated, net	<u>61,005,548</u>	<u>(4,455,072)</u>	<u>-</u>	<u>-</u>	<u>56,550,476</u>
Governmental activities, excluding internal service funds, capital assets, net	<u>\$ 66,965,317</u>	<u>\$(3,388,882)</u>	<u>\$(409,588)</u>	<u>\$ -</u>	<u>\$ 63,166,847</u>

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Reclassifications/ Transfers	Ending Balance
Internal Service Funds:					
Capital assets, not being depreciated:					
Land	\$ 55,250	\$ -	\$ -	\$ -	\$ 55,250
Total assets not being depreciated	<u>55,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,250</u>
Capital assets, being depreciated:					
Buildings	124,974	-	-	-	124,974
Improvements other than buildings	970	-	-	-	970
Machinery and equipment	3,152,260	713,168	-	-	3,865,428
Total capital assets being depreciated	<u>3,278,204</u>	<u>713,168</u>	<u>-</u>	<u>-</u>	<u>3,991,372</u>
Less accumulated depreciation:					
Buildings	112,473	704	-	-	113,177
Improvements other than buildings	865	24	-	-	889
Machinery and equipment	1,145,758	381,991	-	-	1,527,749
Total accumulated depreciation	<u>1,259,096</u>	<u>382,719</u>	<u>-</u>	<u>-</u>	<u>1,641,815</u>
Total capital assets being depreciated, net	<u>2,019,108</u>	<u>330,449</u>	<u>-</u>	<u>-</u>	<u>2,349,557</u>
Internal service funds capital assets, net	<u>\$ 2,074,358</u>	<u>\$ 330,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,404,807</u>
Governmental activities capital assets, net	<u>\$ 69,039,675</u>	<u>\$ (3,058,433)</u>	<u>\$ (409,588)</u>	<u>\$ -</u>	<u>\$ 65,571,654</u>

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Reclassifications/ Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 348,142	\$ 18,541	\$ -	\$ -	\$ 366,683
Water rights	6,400,892	-	-	-	6,400,892
Construction in progress	227,425	193,229	(220,817)	-	199,837
Total assets not being depreciated	<u>6,976,459</u>	<u>211,770</u>	<u>(220,817)</u>	<u>-</u>	<u>6,967,412</u>
Capital assets, being depreciated:					
Buildings	3,680,970	-	-	-	3,680,970
Improvements other than buildings	51,531,024	85,742	-	-	51,616,766
Machinery and equipment	9,364,122	13,085	(66,414)	(18,264)	9,292,529
Other assets	-	8,913	-	-	8,913
Total capital assets being depreciated	<u>64,576,116</u>	<u>107,740</u>	<u>(66,414)</u>	<u>(18,264)</u>	<u>64,599,178</u>
Less accumulated depreciation:					
Buildings	1,951,713	81,634	-	-	2,033,347
Improvements other than buildings	22,272,579	2,212,348	-	-	24,484,927
Machinery and equipment	6,550,339	529,712	(66,414)	(18,264)	6,995,373
Other assets	-	1,634	-	-	1,634
Total accumulated depreciation	<u>30,774,631</u>	<u>2,825,328</u>	<u>(66,414)</u>	<u>(18,264)</u>	<u>33,515,281</u>
Total capital assets being depreciated, net	<u>33,801,485</u>	<u>(2,717,588)</u>	<u>-</u>	<u>-</u>	<u>31,083,897</u>
Business-type activities capital assets, net	<u>\$ 40,777,944</u>	<u>\$(2,505,818)</u>	<u>\$(220,817)</u>	<u>\$ -</u>	<u>\$ 38,051,309</u>
Total primary government	<u>\$ 109,817,619</u>	<u>\$(5,564,250)</u>	<u>\$(630,405)</u>	<u>\$ -</u>	<u>\$ 103,622,963</u>
Component unit					
Capital assets, not being depreciated:					
Land and improvements	\$ 5,259,190	\$ -	\$(145,881)	\$ -	\$ 5,113,309
Total assets not being depreciated	<u>5,259,190</u>	<u>-</u>	<u>(145,881)</u>	<u>-</u>	<u>5,113,309</u>
Capital assets, being depreciated:					
Equipment	23,019	-	-	-	23,019
Accumulated depreciation	(15,324)	(3,435)	-	-	(18,759)
Total capital assets being depreciated	<u>7,695</u>	<u>(3,435)</u>	<u>-</u>	<u>-</u>	<u>4,260</u>
Total component unit	<u>\$ 5,266,885</u>	<u>\$(3,435)</u>	<u>\$(145,881)</u>	<u>\$ -</u>	<u>\$ 5,117,569</u>

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 115,500
Public safety		568,336
Streets		3,321,635
Sanitation		24,064
Community services		970,145
Internal service funds		<u>382,719</u>
	Total depreciation expense - governmental activities	<u>\$ 5,382,399</u>
Business-type activities:		
Water and sewer		\$ 2,455,176
Solid waste		<u>370,152</u>
	Total depreciation expense - business-type activities	<u>\$ 2,825,328</u>

D. Long-term Debt

The following schedule summarizes the changes in long-term debt during the year ended September 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable	\$ 1,500,000	\$ -	\$ 55,000	\$ 1,445,000	\$ 60,000
Capital leases payable	1,323,034	-	294,098	1,028,936	256,574
Certificates of obligation	14,795,000	-	660,000	14,135,000	690,000
Tax notes	760,000	-	760,000	-	-
Sales tax repayment	832,695	-	195,924	636,771	195,924
Compensated absences	2,681,713	1,463,463	1,235,659	2,909,517	1,123,292
Net pension obligation	811,169	51,106	-	862,275	-
Net OPEB obligation	<u>751,534</u>	<u>41,849</u>	<u>-</u>	<u>793,383</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 23,455,145</u>	<u>\$ 1,556,418</u>	<u>\$ 3,200,681</u>	<u>\$ 21,810,882</u>	<u>\$ 2,325,790</u>
Business-type activities					
Capital leases payable	\$ 871,494	\$ -	\$ 361,135	\$ 510,359	\$ 349,330
Other long-term debt	3,179,173	-	80,048	3,099,125	80,048
Compensated absences	224,984	230,489	220,366	235,107	235,108
Net pension obligation	220,225	15,817	-	236,042	-
Net OPEB obligation	<u>201,214</u>	<u>13,296</u>	<u>-</u>	<u>214,510</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 4,697,090</u>	<u>\$ 259,602</u>	<u>\$ 661,549</u>	<u>\$ 4,295,143</u>	<u>\$ 664,486</u>

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

Bonds payable at September 30, 2012, is comprised of the following issues:

Governmental Activities

\$1,605,000 General Obligation Refunding Bonds, Series 2006, due in annual installments of \$10,000 to \$115,000 through 2030; interest at 3.5% \$ 1,445,000

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

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Totals
2013	\$ 60,000	\$ 57,438	\$ 117,438
2014	55,000	55,425	110,425
2015	60,000	53,338	113,338
2016	60,000	51,088	111,088
2017	65,000	48,744	113,744
2018-2022	375,000	202,113	577,113
2023-2027	450,000	119,088	569,088
2028-2030	<u>320,000</u>	<u>21,656</u>	<u>341,656</u>
Total	<u>\$ 1,445,000</u>	<u>\$ 608,890</u>	<u>\$ 2,053,890</u>

Certificates of Obligation

Governmental activities

\$2,840,000 Combination Tax and Tax Increment Revenue Certificates of Obligation, Series 2004, due in annual installments of \$75,000 to \$240,000 through 2023, interest at 4.44%, to pay contractual obligations incurred for public works projects in the Sherman Tax Increment Financing Reinvestment Zone Number One. \$ 2,085,000

\$5,000,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2008, due in annual installments of \$175,000 to \$375,000 through 2028, interest at 3.62%, to pay contractual obligations for public works projects. 4,450,000

\$5,000,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2009, due in annual installments of \$135,000 to \$370,000 through 2029, interest at 3.0% to 4.3%, to pay contractual obligations for general purpose public works projects and other public works projects in the Sherman Tax Increment Reinvestment Zones Number One and Number Two. 4,450,000

\$3,500,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2009A, due in annual installments of \$115,000 to \$260,000 through 2029, interest at 3.0% to 4.25%, to pay contractual obligations for public works projects. 3,150,000

Total governmental activities \$ 14,135,000

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

Certificates of Obligation (Continued)

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

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Totals
2013	\$ 690,000	\$ 540,356	\$ 1,230,356
2014	715,000	516,075	1,231,075
2015	735,000	491,001	1,226,001
2016	770,000	465,133	1,235,133
2017	800,000	436,859	1,236,859
2018-2022	4,540,000	1,697,908	6,237,908
2023-2027	4,485,000	775,528	5,260,528
2028-2030	<u>1,400,000</u>	<u>80,118</u>	<u>1,480,118</u>
Total	<u>\$ 14,135,000</u>	<u>\$ 5,002,978</u>	<u>\$ 19,137,978</u>

Capital Leases Payable

Capital leases payable at September 30, 2012, is comprised of the following issues:

Governmental activities

\$1,372,140 Capital Lease for the purchase of an aerial ladder fire truck, a street sweeper and to refinance a balloon on an existing lease related to a fire truck, due in quarterly installments of \$55,057 through 2017, interest at 3.351%.	\$ 962,333
\$65,957 Capital Lease Obligation (allocated from Solid Waste Fund) attributed to the General Fund for the purchase of police cars.	6,827
\$356,097 capital lease for the purchase of a fire truck due in yearly principal and interest payments of \$62,176 through August 19, 2013, at 4.18%.	<u>59,776</u>
Total governmental activities	<u>\$ 1,028,936</u>

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

Capital leases payable at September 30, 2012, is comprised of the following issues:

Business-type activities

\$2,800,000 Capital Lease Obligation for the purchase of automated meter reading system, due in monthly principal and interest payments of \$27,076 through April 16, 2014 at 3.0%.	\$ 475,868
\$285,000 Capital Lease Obligation for the purchase of two solid waste vehicles, due in monthly principal and interest payments of \$3,881 through March 30, 2013 at 3.89%.	23,005
\$176,922 Capital Lease Obligation for purchase of solid waste equipment, due in semi-annual principal and interest payments of \$21,486 through July 18, 2009, then semi-annual principal and interest payments of \$9,504 through July 18, 2013, at 5.04%; a portion of this obligation is allocated to the General Fund.	<u>11,486</u>
Total business-type activities	<u>\$ 510,359</u>
Total capital lease obligations	<u>\$ 1,539,295</u>

The future minimum lease obligations and the net present value of those minimum lease payments as of September 30, 2012, were as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities	Totals
2013	\$ 289,490	\$ 363,627	\$ 653,117
2014	220,229	162,455	382,684
2015	220,228	-	220,228
2016	220,228	-	220,228
2017	<u>165,174</u>	<u>-</u>	<u>165,174</u>
Total minimum leases payable	1,115,349	526,082	1,641,431
Less: amounts representing interest	<u>86,413</u>	<u>15,723</u>	<u>102,136</u>
Present value of minimum lease payments	<u>\$ 1,028,936</u>	<u>\$ 510,359</u>	<u>\$ 1,539,295</u>

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Machinery and equipment	\$ 1,467,733	\$ 4,780,020
Less: accumulated depreciation	<u>(733,754)</u>	<u>(1,371,515)</u>
Total	<u>\$ 733,979</u>	<u>\$ 3,408,505</u>

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

Other Long-term Payable

During the year ended September 30, 2006, the City contracted with the U. S. Army Corp of Engineers for the remaining 11,600 acre-feet of water supply storage allocated to the City of Sherman in Lake Texoma. Annual payments of \$233,927 are due with interest rates being adjusted at five-year intervals. The balance outstanding at September 30, 2012, is \$3,099,125.

Debt service requirements at September 30, 2012, for the long-term payable through maturity are as follows:

Year Ending September 30,	Business-type Activities Texoma Water Rights Series 2007		
	Principal	Interest	Totals
2013	\$ 80,048	\$ 127,839	\$ 207,887
2014	86,652	124,401	211,053
2015	90,227	120,821	211,048
2016	93,948	117,093	211,041
2017	97,824	113,365	211,189
2018-2022	553,080	502,864	1,055,944
2023-2027	676,960	378,984	1,055,944
2028-2032	828,587	227,357	1,055,944
2033-2035	591,799	49,803	641,602
Total	\$ 3,099,125	\$ 1,762,527	\$ 4,861,652

Sales Tax Repayment

In 2006, the Texas Comptroller of Public Accounts notified the City of local tax paid in error to the City of Sherman over the prior 10 years. The City is required to pay the amount in error back to the State of Texas. Due to the size of the amount to be repaid, the state agreed to monthly payments of \$16,327 that began on January 2007. The total amount due at September 30, 2012, is \$636,771.

Accrued Compensated Absences

Accrued compensated absences (vested sick and vacation leave) are payable from the fund responsible for the employee's compensation. Of the liability attributed to governmental activities at September 30, 2012, significantly all is payable from the General Fund.

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

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

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Transfers and Balances (Continued)

Interfund Transfers

Transfers out	Transfers in				Totals
	General	Nonmajor Governmental	Water and Sewer	Internal Service	
General fund	\$ -	\$ 75,563	\$ -	\$ 494,148	\$ 569,711
General improvement	-	-	-	-	-
Nonmajor governmental	370,326	580,330	-	-	950,656
Water and sewer	1,544,000	-	-	1,409,700	2,953,700
Solid waste	<u>1,649,300</u>	<u>-</u>	<u>567,500</u>	<u>365,767</u>	<u>2,582,567</u>
Total	<u>\$ 3,563,626</u>	<u>\$ 655,893</u>	<u>\$ 567,500</u>	<u>\$ 2,269,615</u>	<u>\$ 7,056,634</u>

Transfers were used to 1) move hotel/motel taxes to the Auditorium Debt Service Fund for bond payments; 2) allocate funds from the Water and Sewer Fund, the Solid Waste Fund and the Hotel Tax Fund for general, administrative and franchise costs; 3) moves excess reserves from the Solid Waste Fund to the General Fund, the Fleet Replacement Fund and the Water and Sewer Fund for operations; 4) fund fleet purchases from the General Fund, the Water and Sewer Fund and the Solid Waste Fund with transfers to the Fleet Replacement Fund; 5) close the Tax Notes Debt Service Fund to the General Fund; 6) move TIF property tax revenue from the TIF Debt Service Fund to the Construction Fund and to the CO Bond Debt Service Fund.

IV. OTHER INFORMATION

A. Risk Management

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

Workers' Compensation, Liability and Property Insurance

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

The City has a workers' compensation deductible of \$5,000 per occurrence, with an annual aggregate retention of \$375,000. During 2012, the City contributed \$200,274 to the General Fund for workers' compensation.

The City has a deductible of \$5,000 per occurrence for property and liability except for machinery and mobile equipment which have a deductible of \$2,500 and \$500, respectively. During the year, the City contributed \$147,360 to the General Fund for property and general liability.

B. Health Insurance

The City contracts with an insurance carrier to administer a self-insured health and dental insurance plan. This plan is funded by charges to other funds and charges to employees for extended benefits at their option. For the year ended September 30, 2012, total City and employee contributions to the plan were \$3,820,618. Benefit payments, insurance premiums and administrative fees aggregated \$5,241,534. The cumulative fund deficit was (\$247,366) at September 30, 2012.

(continued)

IV. OTHER INFORMATION (Continued)

B. Health Insurance (Continued)

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

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

The following presentation shows the changes in claims liabilities for the years ended September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Amount of claims liability - October 1	\$ 535,669	\$ 323,444
Incurred claims	4,629,528	4,513,872
Payments on claims	<u>(4,668,823)</u>	<u>(4,301,647)</u>
Amount of claims liability - September 30 (due within one year)	<u>\$ 496,374</u>	<u>\$ 535,669</u>

C. Landfill Closure and Postclosure Care Costs

The Cities of Sherman and Denison contracted with the Greater Texoma Utility Authority (GTUA) for use of the Dripping Springs landfill. The City owns the permitted area but GTUA is responsible for the operation and maintenance. This landfill was considered full at September 30, 1993, for financial reporting purposes and a liability was recognized by GTUA based on the future landfill closure and postclosure care cost estimates. The City is financially obligated for a portion of these costs related to gas and ground water monitoring. The actual postclosure care costs to date have amounted to \$1,560,408 in total. To date, the City has paid \$1,000,997. These costs are expected to significantly decline in the near future and long-term costs cannot be reasonably estimated.

(continued)

IV. OTHER INFORMATION (Continued)

D. Commitments

Greater Texoma Utility Authority

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

During the year ended September 30, 2012, the City paid \$5,301,703 to the Authority in accordance with these contracts. Future payments under these contracts average approximately \$2,356,679 per year for the next 20 years.

A summary of the remaining debt service as of September 30, 2012, is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 2,705,800	\$ 1,173,913	\$ 3,879,713
2014	2,780,300	1,112,444	3,892,744
2015	2,875,700	1,034,857	3,910,557
2016	2,445,920	953,211	3,399,131
2017	2,515,420	886,161	3,401,581
2018-2022	11,220,440	3,239,410	14,459,850
2023-2027	7,965,200	1,665,892	9,631,092
2028-2032	<u>4,162,340</u>	<u>396,579</u>	<u>4,558,919</u>
Total	<u>\$ 36,671,120</u>	<u>\$ 10,462,467</u>	<u>\$ 47,133,587</u>

Following is an excerpt from the audited financial statements of the Authority, reflecting the balances as of and for the year ended September 30, 2012. These assets, liabilities, and net assets are not that of the City of Sherman but do reflect an allocation of the respective amounts among the Authority's members. The deficit of net assets reflects a quicker rate of depreciation of capital assets than the rate of repayment on the related long-term debt used to finance those assets. Also presented is a comparative statement of revenues and expenses for the sum of the contractual arrangements between the City and Authority.

(continued)

IV. OTHER INFORMATION (Continued)

D. Commitments (Continued)

Greater Texoma Utility Authority (Continued)

SCHEDULE OF NET ASSETS

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,265,177	\$ 1,358,132
Temporary investments	493,142	285,385
Other current assets	<u>222,043</u>	<u>357,333</u>
Total current assets	<u>1,980,362</u>	<u>2,000,850</u>
Restricted assets:		
Cash and cash equivalents	11,036,688	9,391,972
Temporary investments	2,037,777	1,313,128
Other restricted assets	<u>5,727</u>	<u>6,817</u>
Total restricted assets	<u>13,080,192</u>	<u>10,711,917</u>
Bond issuance costs (net)	785,140	912,646
Capital assets (net)	<u>21,995,274</u>	<u>20,917,749</u>
Total assets	<u><u>37,840,968</u></u>	<u><u>34,543,162</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	79,788	590,030
Due to other funds	242,341	-
Retainage payable	-	107,343
Accrued interest payable	603,217	683,596
Revenue bonds payable	<u>3,900,000</u>	<u>3,935,000</u>
Total current liabilities	<u>4,825,346</u>	<u>5,315,969</u>
Long-term liabilities:		
Revenue bonds payable	32,480,000	31,105,000
Premium on bond issuance	614,330	838,245
Less: deferred loss on early retirement of debt	<u>(263,307)</u>	<u>(662,249)</u>
Total long-term liabilities	<u>32,831,023</u>	<u>31,280,996</u>
NET ASSETS		
Invested in capital assets, net of related debt	(8,022,376)	(11,069,487)
Restricted - debt service	6,034,839	6,291,388
Unrestricted	<u>2,172,136</u>	<u>2,724,296</u>
Total net assets	<u>\$ 184,599</u>	<u>\$(2,053,803)</u>

(continued)

IV. OTHER INFORMATION (Continued)

D. Commitments (Continued)

Greater Texoma Utility Authority (Continued)

COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	\$ 5,050,178	\$ 5,191,314
Total operating revenues	<u>5,050,178</u>	<u>5,191,314</u>
OPERATING EXPENSES		
General and administrative	237,770	240,422
Depreciation	<u>1,526,518</u>	<u>1,511,215</u>
Total operating expenses	<u>1,764,288</u>	<u>1,751,637</u>
OPERATING INCOME (LOSS)	3,285,890	3,439,677
NONOPERATING REVENUE (EXPENSES)	(1,047,488)	(1,016,366)
CHANGE IN NET ASSETS	<u>\$ 2,238,402</u>	<u>\$ 2,423,311</u>

Grant Programs

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

Litigation

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

Encumbrances

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

(continued)

IV. OTHER INFORMATION (Continued)

D. Commitments (Continued)

Encumbrances (Continued)

The City had the following encumbrances at September 30, 2012:

	<u>General</u>	<u>Nonmajor</u>
General government	\$ 3,803	\$ -
Public safety	31,046	-
Streets	33,937	-
Community services	10,747	-
Community development	<u>-</u>	<u>6,758</u>
	<u>\$ 79,533</u>	<u>\$ 6,758</u>

Land Sale Agreement

On April 9, 2011, the City's component unit, Sherman Economic Development Corporation (SEDCO) entered into an Option Agreement and Contract for Purchase and Sale for SEDCO-owned property to a Company planning to locate in Sherman. One yearly installment payment was received by SEDCO in fiscal year 2011 and the remaining purchase price was paid to SEDCO in fiscal year 2012.

Component Unit

SEDCO entered into incentive agreements with various companies in Sherman to promote economic development. Under these agreements, SEDCO has agreed to pay amounts ranging from \$8,000 to \$2,734,400 to each of the individual companies if the companies meet certain requirements by a specified date. Total payments for the fiscal year 2012 under these agreements were \$1,738,000. Potential payments for these agreements in 2013 and 2014 are estimated at \$2,750,176 and \$2,222,153, respectively. The total of the estimated potential liability for years 2013 through 2015 is \$5,341,951.

During the year ended September 30, 2009, SEDCO contracted with the City of Sherman to fund the City's debt service on the construction of water and sewer lines along the west and east sides of Highway 75. During the year ended September 30, 2012, SEDCO paid \$453,447 to the City of Sherman in accordance with this contract. Future payments under this contract average \$244,633 over the next 15 years.

(continued)

IV. OTHER INFORMATION (Continued)

D. Commitments (Continued)

Component Unit (Continued)

A summary of the remaining debt service as of September 30, 2012, is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 348,176	\$ 101,503	\$ 449,679
2014	362,753	90,339	453,092
2015	369,622	77,825	447,447
2016	124,212	65,052	189,264
2017	126,408	61,402	187,810
2018-2022	719,708	242,732	962,440
2023-2027	<u>876,909</u>	<u>103,300</u>	<u>980,209</u>
	<u>\$ 2,927,788</u>	<u>\$ 742,153</u>	<u>\$ 3,669,941</u>

E. Joint Venture

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

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

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

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

(continued)

IV. OTHER INFORMATION (Continued)

F. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all fulltime employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are the property of the beneficiary.

G. Retirement Plan

Plan Description

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

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

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

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	30% of CPI repeating	30% of CPI repeating	30% of CPI repeating

(continued)

IV. OTHER INFORMATION (Continued)

G. Retirement Plan (Continued)

Contributions

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

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

	<u>09/30/10</u>	<u>09/30/11</u>	<u>09/30/12</u>
Annual Required Contribution (ARC)	\$ 3,626,021	\$ 3,755,687	\$ 3,044,295
Interest on Net Pension Obligation	22,008	54,753	73,487
Adjustment to the ARC	<u>(17,917)</u>	<u>(45,384)</u>	<u>(62,061)</u>
Annual Pension Cost	3,630,112	3,765,056	3,055,721
Contributions Made	<u>(3,193,503)</u>	<u>(3,463,703)</u>	<u>(2,988,796)</u>
Increase in Net Pension Obligation	436,609	301,353	66,925
Net Pension Obligation/(Asset), beginning of year	<u>293,431</u>	<u>730,040</u>	<u>1,031,393</u>
Net Pension Obligation/(Asset), ending of year	<u>\$ 730,040</u>	<u>\$ 1,031,393</u>	<u>\$ 1,098,318</u>
Contributions as a percent of the ARC	87.97%	92.00%	97.81%

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial cost method	Projected 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	28 years - closed	27 years - closed	26 years - closed
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions:			
Investment rate of return	7.5%	7.0	7.0%
Projected salary increases	varies by age and service	varies by age and service	varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	.9%	.9%	.9%

(continued)

IV. OTHER INFORMATION (Continued)

G. Retirement Plan (Continued)

Funded Status and Funding Progress

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Actuarial accrued liability (AAL)	\$ 104,631,583
Actuarial value of plan assets	<u>90,211,167</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 14,420,416</u>
Funded ratio (actuarial value of plan assets/ALL)	86.2%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 19,043,553
UAAL as a percentage of covered payroll	75.7%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events so far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

H. Other Postemployment Benefits

Plan Description

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

(continued)

IV. OTHER INFORMATION (Continued)

H. Other Postemployment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

	<u>09/30/10</u>	<u>09/30/11</u>	<u>09/30/12</u>
Annual Required Contribution (ARC)	\$ 786,156	\$ 533,312	\$ 533,312
Interest on Net OPEB Obligation	15,258	34,320	38,110
Adjustment to the ARC	<u>-</u>	<u>(49,624)</u>	<u>(49,623)</u>
Annual OPEB Cost	801,414	518,008	521,799
Employer Contributions with Interest	<u>(282,469)</u>	<u>(423,264)</u>	<u>(466,654)</u>
Increase (Decrease) in Net OPEB Obligation	518,945	94,744	55,145
Net OPEB Obligation/(Asset), beginning of year	<u>339,059</u>	<u>858,004</u>	<u>952,748</u>
Net OPEB Obligation/(Asset), ending of year	<u>\$ 858,004</u>	<u>\$ 952,748</u>	<u>\$ 1,007,893</u>
Contributions as a percent of the ARC	35.9%	79.4%	87.5%

In addition to the employer contribution, the retirees paid \$212,965 in the form of premiums which funded current medical claims.

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
09/30/10	\$ 801,414	\$ 282,469	35.2%	\$ 858,004
09/30/11	518,008	423,264	81.7%	952,748
09/30/12	521,799	466,654	89.4%	1,007,893

Funding Status and Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (AAL) (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
01/01/12	\$ -	\$ 8,301,891	\$ 8,301,891	- %	\$ 18,798,819	44.2%

(continued)

IV. OTHER INFORMATION (Continued)

H. Other Postemployment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Valuation Date	01/01/2012	01/01/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level dollar, open	Level dollar, open
Remaining Amortization Period	30 years	30 years
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	4.0%	4.0%
Projected Salary Increases	0.0%	0.0%
Post-retirement benefit increase	0.0%	0.0%
Health Care Inflation Rate	10% initial 5% ultimate	10% initial 5% ultimate

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

I. Supplemental Death Benefits Fund

Plan Description

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

(continued)

IV. OTHER INFORMATION (Continued)

I. Supplemental Death Benefits Fund (Continued)

Benefits

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

Contributions

Schedule of Contribution Rates			
<u>Accounting Year Ending</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
09/30/10	.07%	.07%	100%
09/30/11	.07%	.07%	100%
09/30/12	.07%	.07%	100%

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.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF SHERMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis
	Original	Final		
REVENUES				
Taxes				
General property	\$ 6,041,500	\$ 6,041,500	\$ 6,028,695	\$ -
City sales	11,727,000	11,727,000	12,174,892	(114,078)
Franchise and nonproperty	3,325,000	3,325,000	3,011,395	-
Licenses and permits	227,500	227,500	171,158	-
Intergovernmental	71,700	71,700	44,489	-
Charges for services	2,437,690	2,437,690	2,330,663	-
Fines and forfeitures	1,073,700	1,073,700	849,072	-
Investment income	70,220	70,220	64,078	-
Donations	30,900	30,900	2,357	-
Miscellaneous	96,900	96,900	137,982	-
Total revenues	<u>25,102,110</u>	<u>25,102,110</u>	<u>24,814,781</u>	<u>(114,078)</u>
EXPENDITURES				
Current:				
General government	4,499,667	4,743,834	4,401,353	3,803
Public safety	16,269,361	16,269,361	16,116,441	20,000
Streets	2,391,492	2,392,325	2,310,344	5,712
Sanitation	595,515	595,515	601,406	-
Community services	3,477,925	3,477,925	3,230,864	(213)
Capital outlay	151,068	151,068	129,683	-
Debt service				
Principal	61,169	61,169	63,782	-
Interest and fees	8,094	8,094	5,480	-
Total expenditures	<u>27,454,291</u>	<u>27,699,291</u>	<u>26,859,353</u>	<u>29,302</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	<u>(2,352,181)</u>	<u>(2,597,181)</u>	<u>(2,044,572)</u>	<u>(143,380)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	5,520	-
Transfers in	3,206,500	3,206,500	3,563,626	-
Transfers out	(569,711)	(569,711)	(569,711)	-
Total other financing sources (uses)	<u>2,636,789</u>	<u>2,636,789</u>	<u>2,999,435</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	284,608	39,608	954,863	(143,380)
FUND BALANCE, BEGINNING	<u>8,323,192</u>	<u>8,323,192</u>	<u>8,323,192</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 8,607,800</u>	<u>\$ 8,362,800</u>	<u>\$ 9,278,055</u>	<u>\$ (143,380)</u>

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

Reverse accrual for sales tax for budget basis	\$ 114,078
Encumbrances from prior year not recognized for budget basis	(50,230)
Encumbrances from this year recognized for budget basis	<u>79,532</u>
Total adjustments between GAAP and budget basis	<u>\$ 143,380</u>

<u>Actual Budget Basis</u>	<u>Final Budget Variance</u>
\$ 6,028,695	\$(12,805)
12,060,814	333,814
3,011,395	(313,605)
171,158	(56,342)
44,489	(27,211)
2,330,663	(107,027)
849,072	(224,628)
64,078	(6,142)
2,357	(28,543)
<u>137,982</u>	<u>41,082</u>
<u>24,700,703</u>	<u>(401,407)</u>
4,405,156	338,678
16,136,441	132,920
2,316,056	76,269
601,406	(5,891)
3,230,651	247,274
129,683	21,385
63,782	(2,613)
<u>5,480</u>	<u>2,614</u>
<u>26,888,655</u>	<u>810,636</u>
<u>(2,187,952)</u>	<u>409,229</u>
5,520	5,520
3,563,626	357,126
<u>(569,711)</u>	<u>-</u>
<u>2,999,435</u>	<u>362,646</u>
811,483	771,875
<u>8,323,192</u>	<u>-</u>
<u>\$ 9,134,675</u>	<u>\$ 771,875</u>

CITY OF SHERMAN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

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
01/01/10	\$ 42,232,451	\$ 68,069,485	62.0%	\$ 25,837,034	\$ 18,710,295	138.1%
01/01/11	84,940,639	101,761,833	83.5%	16,821,194	19,171,828	87.7%
01/01/12	90,211,167	104,631,583	86.2%	14,420,416	19,043,553	75.7%

Note: Fiscal years 2010 and 2011 include the impact of Senate Bill 350 enacted by the Texas Legislature in June of 2011. This legislation provided a restructuring of the Texas Municipal Retirement System funds effective December 31, 2010.

CITY OF SHERMAN, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
POST-RETIREMENT HEALTH CARE BENEFIT PLAN**

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded (AAL) (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
01/01/10	\$ -	\$ 10,542,895	- %	\$ 10,542,895	\$ 18,986,374	55.5%
01/01/12	-	8,301,891	- %	8,301,891	18,798,819	44.2%

Note: This is the fourth year of implementation of GASB 45. Accordingly, only two years of funding progress are available as GASB 45 only requires the City to have actuarial evaluations performed every two years. Additional years of funding progress will be presented in future years, as they become available.

THIS PAGE LEFT BLANK INTENTIONALLY

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

THIS PAGE LEFT BLANK INTENTIONALLY

GENERAL FUND

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

CITY OF SHERMAN, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
REVENUES						
Taxes:						
General property taxes:						
Current and delinquent						
taxes revenue	\$ 5,956,000	\$ 5,956,000	\$ 5,956,907	\$ -	\$ 5,956,907	\$ 907
Penalty and interest	85,000	85,000	71,236	-	71,236	(13,764)
Abatement	500	500	552	-	552	52
Total general property taxes	6,041,500	6,041,500	6,028,695	-	6,028,695	(12,805)
City sales tax	11,727,000	11,727,000	12,174,892	(114,078)	12,060,814	333,814
Franchise and nonproperty taxes:						
Electric	1,990,000	1,990,000	1,899,588	-	1,899,588	(90,412)
Telephone	143,000	143,000	151,772	-	151,772	8,772
Gas franchise	602,000	602,000	435,924	-	435,924	(166,076)
Cable television	460,000	460,000	408,789	-	408,789	(51,211)
Other	130,000	130,000	115,322	-	115,322	(14,678)
Total franchise and nonproperty taxes	3,325,000	3,325,000	3,011,395	-	3,011,395	(313,605)
Total taxes	21,093,500	21,093,500	21,214,982	(114,078)	21,100,904	7,404
Licenses and permits:						
Building permit fees	78,800	78,800	49,457	-	49,457	(29,343)
Electrical, heating and air permits	51,100	51,100	30,008	-	30,008	(21,092)
Plumbing permits	45,300	45,300	40,989	-	40,989	(4,311)
Residential and sanitation permits	46,300	46,300	44,744	-	44,744	(1,556)
Garage and other permits	6,000	6,000	5,960	-	5,960	(40)
Total licenses and permits	227,500	227,500	171,158	-	171,158	(56,342)
Intergovernmental:						
Miscellaneous	71,700	71,700	44,489	-	44,489	(27,211)
Total intergovernmental	71,700	71,700	44,489	-	44,489	(27,211)
Charges for services:						
Current services and charges:						
Utility paving cuts	99,000	99,000	103,497	-	103,497	4,497
Ambulance service	1,400,000	1,400,000	1,373,974	-	1,373,974	(26,026)
County fire fighting service	100,440	100,440	105,675	-	105,675	5,235
County ambulance service	108,000	108,000	107,971	-	107,971	(29)
Pound fees and dog licenses	139,900	139,900	132,072	-	132,072	(7,828)
Other	47,000	47,000	40,312	-	40,312	(6,688)
Total current services and charges	1,894,340	1,894,340	1,863,501	-	1,863,501	(30,839)

(continued)

CITY OF SHERMAN, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
(Continued)
YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
REVENUES						
Charges for services: (Continued)						
Recreation:						
Recreation	\$ 7,500	\$ 7,500	\$ 2,452	\$ -	\$ 2,452	\$(5,048)
Swimming pools	150,000	150,000	157,222	-	157,222	7,222
Pool concession sales	25,000	25,000	26,600	-	26,600	1,600
Special programs	100,000	100,000	84,682	-	84,682	(15,318)
Total recreation	282,500	282,500	271,267	-	271,267	(11,233)
Property use:						
Vending machine lease	4,500	4,500	2,553	-	2,553	(1,947)
Rentals	66,150	66,150	58,699	-	58,699	(7,451)
Total property tax	70,650	70,650	61,252	-	61,252	(9,398)
Cemetery sales and services:						
Lot sales	61,200	61,200	36,445	-	36,445	(24,755)
Interments	94,000	94,000	75,365	-	75,365	(18,635)
Other services	35,000	35,000	22,833	-	22,833	(12,167)
Total cemetery sales and services	190,200	190,200	134,643	-	134,643	(55,557)
Total charges for services	2,437,690	2,437,690	2,330,663	-	2,330,663	(107,027)
Fines and forfeitures:						
Corporation court fines	940,000	940,000	738,555	-	738,555	(201,445)
Parking fees	10,000	10,000	10,469	-	10,469	469
Library fees	12,000	12,000	10,894	-	10,894	(1,106)
Fees for collection of state fines	36,000	36,000	30,881	-	30,881	(5,119)
Abandoned vehicles	5,500	5,500	3,650	-	3,650	(1,850)
Other	70,200	70,200	54,623	-	54,623	(15,577)
Total fines and forfeitures	1,073,700	1,073,700	849,072	-	849,072	(224,628)
Interest and miscellaneous:						
Investment income	70,220	70,220	64,078	-	64,078	(6,142)
Donations	30,900	30,900	2,357	-	2,357	(28,543)
Miscellaneous	96,900	96,900	137,982	-	137,982	41,082
Total interest and miscellaneous	198,020	198,020	204,417	-	204,417	6,397
Other financing sources:						
Proceeds from sale of assets	-	-	5,520	-	5,520	5,520
Transfers in	3,206,500	3,206,500	3,563,626	-	3,563,626	357,126
Total other financing sources	3,206,500	3,206,500	3,569,146	-	3,569,146	362,646
Total revenues and other financing sources	\$ 28,308,610	\$ 28,308,610	\$ 28,383,927	\$(114,078)	\$ 28,269,849	\$(38,761)

CITY OF SHERMAN, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES AND OTHER FINANCING USES
YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
EXPENDITURES						
General government:						
Mayor and City Council:						
Personnel services	\$ 12,750	\$ 12,750	\$ 9,950	\$ -	\$ 9,950	\$ 2,800
Supplies	8,350	8,350	7,176	-	7,176	1,174
Other services and charges	74,595	74,595	77,557	-	77,557	(2,962)
Total Mayor and City Council	95,695	95,695	94,683	-	94,683	1,012
Management services:						
Personnel services	409,455	409,455	429,671	-	429,671	(20,216)
Supplies	7,679	7,679	4,262	-	4,262	3,417
Other services and charges	46,806	46,806	42,638	-	42,638	4,168
Total management services	463,940	463,940	476,571	-	476,571	(12,631)
Public records:						
Personnel services	124,471	124,471	125,093	-	125,093	(622)
Supplies	15,901	15,901	11,564	2,032	13,596	2,305
Other services and charges	56,691	56,691	37,685	-	37,685	19,006
Total public records	197,063	197,063	174,342	2,032	176,374	20,689
Legal services:						
Personnel services	183,795	183,795	187,117	-	187,117	(3,322)
Supplies	7,425	7,425	5,451	-	5,451	1,974
Other services and charges	78,845	123,845	88,192	-	88,192	35,653
Total legal services	270,065	315,065	280,760	-	280,760	34,305
Financial services						
Personnel services	439,953	395,173	334,615	-	334,615	60,558
Supplies	12,839	12,839	24,251	-	24,251	(11,412)
Other services and charges	78,676	78,676	78,546	-	78,546	130
Total financial services	531,468	486,688	437,412	-	437,412	49,276
Human resources						
Personnel services	211,383	211,383	214,729	-	214,729	(3,346)
Supplies	14,350	14,350	10,335	-	10,335	4,015
Other services and charges	107,625	107,625	107,782	-	107,782	(157)
Total human resources	333,358	333,358	332,846	-	332,846	512
Administrative services						
Personnel services	132,349	132,349	141,374	-	141,374	(9,025)
Supplies	37	37	37	-	37	-
Other services and charges	314	314	314	-	314	-
Total administrative services	132,700	132,700	141,725	-	141,725	(9,025)

(continued)

CITY OF SHERMAN, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES AND OTHER FINANCING USES
(Continued)
YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
EXPENDITURES (Continued)						
General government: (Continued)						
Engineering services:						
Personnel services	\$ 545,379	\$ 532,459	\$ 527,567	\$ -	\$ 527,567	\$ 4,892
Supplies	7,610	7,610	6,013	1,771	7,784	(174)
Other services and charges	79,507	79,507	69,095	-	69,095	10,412
Total engineering services	632,496	619,576	602,675	1,771	604,446	15,130
Public buildings maintenance:						
Personnel services	422,390	422,390	408,512	-	408,512	13,878
Supplies	22,860	22,860	18,307	-	18,307	4,553
Other services and charges	130,359	129,526	122,724	-	122,724	6,802
Total public buildings maintenance	575,609	574,776	549,543	-	549,543	25,233
Nondepartmental:						
Personnel services	413,133	413,133	356,794	-	356,794	56,339
Supplies	11,500	11,500	9,956	-	9,956	1,544
Other services and charges	975,340	1,100,340	944,046	-	944,046	156,294
Total nondepartmental	1,399,973	1,524,973	1,310,796	-	1,310,796	214,177
Total general government	4,499,667	4,743,834	4,401,353	3,803	4,405,156	338,678
Public safety:						
Law enforcement services:						
Personnel services	5,424,828	5,424,828	5,460,561	-	5,460,561	(35,733)
Supplies	113,187	113,187	117,474	(3,341)	114,133	(946)
Other services and charges	825,530	825,530	751,534	(6,886)	744,648	80,882
Capital outlay	85,068	85,068	95,400	-	95,400	(10,332)
Total law enforcement services	6,448,613	6,448,613	6,424,969	(10,227)	6,414,742	33,871
Fire and ambulance services:						
Personnel services	6,407,009	6,407,009	6,313,291	-	6,313,291	93,718
Supplies	431,015	431,015	421,613	11,086	432,699	(1,684)
Other services and charges	897,354	897,354	924,717	-	924,717	(27,363)
Total fire and ambulance services	7,735,378	7,735,378	7,659,621	11,086	7,670,707	64,671

(continued)

CITY OF SHERMAN, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES AND OTHER FINANCING USES
(Continued)
YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
EXPENDITURES (Continued)						
Public safety: (Continued)						
Fire administrative support:						
Personnel services	\$ 54,016	\$ 54,016	\$ 52,044	\$ -	\$ 52,044	\$ 1,972
Total fire administrative support	54,016	54,016	52,044	-	52,044	1,972
Public safety support:						
Personnel services	1,103,990	1,103,990	1,115,109	-	1,115,109	(11,119)
Supplies	78,303	78,303	73,607	-	73,607	4,696
Other services and charges	333,900	333,900	301,043	-	301,043	32,857
Capital outlay	6,000	6,000	5,998	-	5,998	2
Total public safety support	1,522,193	1,522,193	1,495,757	-	1,495,757	26,436
Building and zoning:						
Personnel services	474,579	474,579	478,437	-	478,437	(3,858)
Supplies	11,650	11,650	6,410	-	6,410	5,240
Other services and charges	52,200	52,200	41,060	-	41,060	11,140
Total building and zoning	538,429	538,429	525,907	-	525,907	12,522
Emergency management:						
Supplies	12,600	12,600	12,318	19,141	31,459	(18,859)
Other services and charges	49,200	49,200	47,223	-	47,223	1,977
Capital outlay	-	-	17,646	-	17,646	(17,646)
Total emergency management	61,800	61,800	77,187	19,141	96,328	(34,528)
Total public safety	16,360,429	16,360,429	16,235,485	20,000	16,255,485	104,944
Streets:						
Streets maintenance:						
Personnel services	1,219,737	1,219,737	1,141,236	-	1,141,236	78,501
Supplies	26,126	26,126	21,208	-	21,208	4,918
Other services and charges	952,125	952,958	955,549	5,712	961,261	(8,303)
Total streets maintenance	2,197,988	2,198,821	2,117,993	5,712	2,123,705	75,116

(continued)

CITY OF SHERMAN, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES AND OTHER FINANCING USES
(Continued)
YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
EXPENDITURES (Continued)						
Streets: (Continued)						
Environmental Code services:						
Personnel services	\$ 123,624	\$ 123,624	\$ 124,256	\$ -	\$ 124,256	\$(632)
Supplies	10,040	10,040	9,180	-	9,180	860
Other services and charges	59,840	59,840	58,915	-	58,915	925
Total environmental code services	193,504	193,504	192,351	-	192,351	1,153
Total streets	2,391,492	2,392,325	2,310,344	5,712	2,316,056	76,269
Sanitation:						
Animal control:						
Personnel services	409,377	409,377	429,840	-	429,840	(20,463)
Supplies	48,424	48,424	44,416	-	44,416	4,008
Other services and charges	137,714	137,714	127,150	-	127,150	10,564
Total animal control	595,515	595,515	601,406	-	601,406	(5,891)
Total sanitation	595,515	595,515	601,406	-	601,406	(5,891)
Community services:						
Cemetery services:						
Personnel services	339,636	339,636	302,469	-	302,469	37,167
Supplies	14,655	14,655	16,287	-	16,287	(1,632)
Other services and charges	62,565	62,565	57,391	-	57,391	5,174
Total cemetery services	416,856	416,856	376,147	-	376,147	40,709
Parks and recreation:						
Personnel services	334,570	334,570	322,079	-	322,079	12,491
Supplies	31,035	31,035	16,550	(2,046)	14,504	16,531
Other services and charges	134,636	134,636	96,713	-	96,713	37,923
Capital outlay	50,000	50,000	1,940	-	1,940	48,060
Total parks and recreation	550,241	550,241	437,282	(2,046)	435,236	115,005

(continued)

CITY OF SHERMAN, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES AND OTHER FINANCING USES
(Continued)
YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
EXPENDITURES (Continued)						
Community services: (Continued)						
Parks maintenance:						
Personnel services	\$ 611,031	\$ 611,031	\$ 644,707	\$ -	\$ 644,707	\$(33,676)
Supplies	70,564	70,564	57,722	-	57,722	12,842
Other services and charges	431,650	431,650	359,708	-	359,708	71,942
Capital outlay	10,000	10,000	8,699	-	8,699	1,301
Total parks maintenance	1,123,245	1,123,245	1,070,836	-	1,070,836	52,409
Glennie O. Hamm Center:						
Personnel services	99,502	99,502	97,741	-	97,741	1,761
Supplies	6,564	6,564	1,393	-	1,393	5,171
Other services and charges	19,119	19,119	17,542	-	17,542	1,577
Total Glennie O. Hamm Center	125,185	125,185	116,676	-	116,676	8,509
Swimming pools:						
Personnel services	234,114	234,114	201,863	-	201,863	32,251
Supplies	87,750	87,750	82,602	(7,060)	75,542	12,208
Other services and charges	59,700	59,700	31,318	8,893	40,211	19,489
Total swimming pools	381,564	381,564	315,783	1,833	317,616	63,948
Library services:						
Personnel services	558,192	558,192	559,867	-	559,867	(1,675)
Supplies	90,700	90,700	91,800	-	91,800	(1,100)
Other services and charges	163,725	163,725	156,140	-	156,140	7,585
Total library services	812,617	812,617	807,807	-	807,807	4,810
Neighborhood services:						
Personnel services	6,495	6,495	8,958	-	8,958	(2,463)
Supplies	2,000	2,000	2,027	-	2,027	(27)
Other services and charges	12,556	12,556	12,605	-	12,605	(49)
Total neighborhood services	21,051	21,051	23,590	-	23,590	(2,539)
Senior Citizens Center:						
Personnel services	51,322	51,322	53,209	-	53,209	(1,887)
Supplies	10,819	10,819	4,615	-	4,615	6,204
Other services and charges	45,025	45,025	35,558	-	35,558	9,467
Total Senior Citizens Center	107,166	107,166	93,382	-	93,382	13,784

(continued)

CITY OF SHERMAN, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES AND OTHER FINANCING USES
(Continued)
YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
EXPENDITURES (Continued)						
Community services: (Continued)						
Total community services	\$ 3,537,925	\$ 3,537,925	\$ 3,241,503	\$ (213)	\$ 3,241,290	\$ 296,635
Debt service:						
Principal	61,169	61,169	63,782	-	63,782	(2,613)
Interest	8,094	8,094	5,480	-	5,480	2,614
Total debt service	69,263	69,263	69,262	-	69,262	1
Total expenditures	27,454,291	27,699,291	26,859,353	29,302	26,888,655	810,636
OTHER FINANCING SOURCES (USES)						
Transfers out	569,711	569,711	569,711	-	569,711	-
Total other financing sources (uses)	569,711	569,711	569,711	-	569,711	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ 28,024,002	\$ 28,269,002	\$ 27,429,064	\$ 29,302	\$ 27,458,366	\$ 810,636

GENERAL IMPROVEMENT FUND

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

CITY OF SHERMAN, TEXAS

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

GENERAL IMPROVEMENT FUND

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
REVENUES						
Investment income	\$ 3,000	\$ 3,000	\$ 1,007	\$ -	\$ 1,007	\$(1,993)
Intergovernmental	<u>166,500</u>	<u>166,500</u>	<u>115,500</u>	<u>-</u>	<u>115,500</u>	<u>(51,000)</u>
Total revenues	<u>169,500</u>	<u>169,500</u>	<u>116,507</u>	<u>-</u>	<u>116,507</u>	<u>(52,993)</u>
EXPENDITURES						
Streets	-	1,430,000	-	-	-	1,430,000
Capital outlay:						
Streets and park improvements	<u>490,000</u>	<u>(677,527)</u>	<u>695,905</u>	<u>-</u>	<u>695,905</u>	<u>(1,373,432)</u>
Total expenditures	<u>490,000</u>	<u>752,473</u>	<u>695,905</u>	<u>-</u>	<u>695,905</u>	<u>56,568</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(320,500)	(582,973)	(579,398)	-	(579,398)	3,575
FUND BALANCE, BEGINNING	<u>1,036,393</u>	<u>1,036,393</u>	<u>1,036,393</u>	<u>-</u>	<u>1,036,393</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 715,893</u>	<u>\$ 453,420</u>	<u>\$ 456,995</u>	<u>\$ -</u>	<u>\$ 456,995</u>	<u>\$ 3,575</u>

THIS PAGE LEFT BLANK INTENTIONALLY

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

PRIDE Program – This fund accounts for public donations made through a voluntary one dollar charge on utility bills to the Parks and Recreation Improvement program, Drug Enforcement program and/or the library.

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

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

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

CAPITAL PROJECTS FUND

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

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

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

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

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

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

DEBT SERVICE FUND

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

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

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

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

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

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

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

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

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

PERMANENT FUND

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

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

CITY OF SHERMAN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	Special Revenue					
	Hotel/Motel	Community Development	Pride Program	Drug Enforcement	Municipal Airport	Emergency 9-1-1
ASSETS						
Cash	\$ 1,048	\$ 18,449	\$ 34,233	\$ 50,326	\$ 121,805	\$ 101,944
Pooled and temporary investments	101,023	-	-	-	-	50,613
Receivables (net of allowances for uncollectibles):						
Intergovernmental	-	70,972	-	-	-	-
Accounts	109,892	-	2,646	-	4,460	3,200
Taxes	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 211,963</u>	<u>\$ 89,421</u>	<u>\$ 36,879</u>	<u>\$ 50,326</u>	<u>\$ 126,265</u>	<u>\$ 155,757</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 32,405	\$ 10,671	\$ 99	\$ -	\$ 5,200	\$ 6,612
Accrued wages payable	1,021	1,158	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Customer deposits	14,575	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>48,001</u>	<u>11,829</u>	<u>99</u>	<u>-</u>	<u>5,200</u>	<u>6,612</u>
Fund balances:						
Committed to:						
New street development	-	-	-	-	-	-
Restricted for:						
Law enforcement support	-	-	22,603	50,326	-	149,145
Airport and tourism	163,962	-	14,177	-	121,065	-
Infrastructure improvement	-	-	-	-	-	-
Community development block grant	-	77,592	-	-	-	-
Debt service	-	-	-	-	-	-
Cemetery endowment	-	-	-	-	-	-
Total fund balances	<u>163,962</u>	<u>77,592</u>	<u>36,780</u>	<u>50,326</u>	<u>121,065</u>	<u>149,145</u>
Total liabilities and fund balances	<u>\$ 211,963</u>	<u>\$ 89,421</u>	<u>\$ 36,879</u>	<u>\$ 50,326</u>	<u>\$ 126,265</u>	<u>\$ 155,757</u>

Capital Projects				Debt Service	
Street Revolving	Streets Sales Tax	TIF #2 Construction	TIF #3 Construction	Auditorium Bonds Sinking	Certificate
\$ 231,239	\$ -	\$ -	\$ 721,690	\$ 144,670	\$ 90,934
584,021	-	-	-	-	-
-	-	224,918	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	135,628
<u>\$ 815,260</u>	<u>\$ -</u>	<u>\$ 224,918</u>	<u>\$ 721,690</u>	<u>\$ 144,670</u>	<u>\$ 226,562</u>
\$ -	\$ -	\$ 3,999	\$ 23,842	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
365,164	-	-	-	-	-
-	-	135,628	-	-	-
<u>365,164</u>	<u>-</u>	<u>139,627</u>	<u>23,842</u>	<u>-</u>	<u>-</u>
450,096	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	85,291	697,848	-	-
-	-	-	-	-	-
-	-	-	-	144,670	226,562
-	-	-	-	-	-
<u>450,096</u>	<u>-</u>	<u>85,291</u>	<u>697,848</u>	<u>144,670</u>	<u>226,562</u>
<u>\$ 815,260</u>	<u>\$ -</u>	<u>\$ 224,918</u>	<u>\$ 721,690</u>	<u>\$ 144,670</u>	<u>\$ 226,562</u>

(continued)

CITY OF SHERMAN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2012

	Debt Service		
	TIF #2 Debt Service	2008 Certificate of Obligation	2009 Tax Notes
ASSETS			
Cash	\$ -	\$ 8,778	\$ -
Pooled and temporary investments	-	-	-
Receivables (net of allowances for uncollectibles):			
Intergovernmental	-	-	-
Accounts	-	-	-
Taxes	-	2,871	-
Due from other funds	-	-	-
Total assets	\$ -	\$ 11,649	\$ -
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued wages payable	-	-	-
Deferred revenue	-	2,314	-
Customer deposits	-	-	-
Due to other funds	-	-	-
Total liabilities	-	2,314	-
Fund balances:			
Committed to:			
Streets	-	-	-
Restricted for:			
Public safety	-	-	-
Community services	-	-	-
Infrastructure improvement	-	-	-
Community development	-	-	-
Debt service	-	9,335	-
Endowment	-	-	-
Total fund balances	-	9,335	-
Total liabilities and fund balances	\$ -	\$ 11,649	\$ -

<u>Debt Service</u>		<u>Permanent</u>	<u>Total</u>
<u>2009</u>	<u>2009A</u>	<u>Perpetual</u>	<u>Nonmajor</u>
<u>CO Bond</u>	<u>CO Bond</u>	<u>Care</u>	<u>Governmental</u>
		<u>Cemetery and</u>	<u>Funds</u>
		<u>Mausoleum</u>	
\$ 148,816	\$ 927	\$ 1,768	\$ 1,676,627
-	-	1,296,878	2,032,535
-	-	-	295,890
-	-	14,575	134,773
2,883	2,023	-	7,777
<u>-</u>	<u>-</u>	<u>-</u>	<u>135,628</u>
\$ <u>151,699</u>	\$ <u>2,950</u>	\$ <u>1,313,221</u>	\$ <u>4,283,230</u>
\$ -	\$ -	\$ -	\$ 82,828
-	-	-	2,179
2,324	1,631	-	6,269
-	-	-	379,739
<u>-</u>	<u>-</u>	<u>-</u>	<u>135,628</u>
<u>2,324</u>	<u>1,631</u>	<u>-</u>	<u>606,643</u>
-	-	-	450,096
-	-	-	222,074
-	-	-	299,204
-	-	-	783,139
-	-	-	77,592
149,375	1,319	-	531,261
<u>-</u>	<u>-</u>	<u>1,313,221</u>	<u>1,313,221</u>
<u>149,375</u>	<u>1,319</u>	<u>1,313,221</u>	<u>3,676,587</u>
\$ <u>151,699</u>	\$ <u>2,950</u>	\$ <u>1,313,221</u>	\$ <u>4,283,230</u>

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

YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue					
	Hotel/Motel	Community Development	Pride Program	Drug Enforcement	Municipal Airport	Emergency 9-1-1
REVENUES						
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise and nonproperty taxes	437,321	-	-	-	-	-
Intergovernmental	-	314,758	-	-	-	-
Charges for services	12,225	-	-	-	491,591	290,007
Fines and forfeitures	-	-	-	46,283	-	46,416
Investment income	244	-	65	76	218	247
Donations	-	-	25,084	-	-	-
Perpetual care contracts	-	-	-	-	-	-
Miscellaneous	31,547	-	-	-	-	-
Total revenues	<u>481,337</u>	<u>314,758</u>	<u>25,149</u>	<u>46,359</u>	<u>491,809</u>	<u>336,670</u>
EXPENDITURES						
Current:						
Public safety	-	-	20,947	37,384	-	318,765
Streets	-	-	-	-	-	-
Community services	490,770	-	1,424	-	464,520	-
Community development	-	306,400	-	-	-	-
Capital outlay	-	-	-	-	-	33,530
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond issuance costs and agent fees	-	-	-	-	-	-
Total expenditures	<u>490,770</u>	<u>306,400</u>	<u>22,371</u>	<u>37,384</u>	<u>464,520</u>	<u>352,295</u>
EXCESS (DEFICIENCY) OF REVENUES						
OVER (UNDER) EXPENDITURES	<u>(9,433)</u>	<u>8,358</u>	<u>2,778</u>	<u>8,975</u>	<u>27,289</u>	<u>(15,625)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	<u>(128,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(128,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(137,633)</u>	<u>8,358</u>	<u>2,778</u>	<u>8,975</u>	<u>27,289</u>	<u>(15,625)</u>
FUND BALANCE, BEGINNING	<u>301,595</u>	<u>69,234</u>	<u>34,002</u>	<u>41,351</u>	<u>93,776</u>	<u>164,770</u>
FUND BALANCE, ENDING	<u>\$ 163,962</u>	<u>\$ 77,592</u>	<u>\$ 36,780</u>	<u>\$ 50,326</u>	<u>\$ 121,065</u>	<u>\$ 149,145</u>

Capital Projects				Debt Service	
Street Revolving	Streets Sales Tax	TIF #2 Construction	TIF #3 Construction	Auditorium Bonds Sinking	Certificate
\$ -	\$ -	\$ 61,490	\$ 53,505	\$ -	\$ 349,048
-	-	-	-	-	-
-	-	224,918	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,224	-	757	456	253	568
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,224</u>	<u>-</u>	<u>287,165</u>	<u>53,961</u>	<u>253</u>	<u>349,616</u>
-	-	-	-	-	-
-	-	-	32,261	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	338,024	-	-	-
-	-	-	-	55,000	183,333
-	-	-	-	59,450	129,762
-	-	-	-	600	200
<u>-</u>	<u>-</u>	<u>338,024</u>	<u>32,261</u>	<u>115,050</u>	<u>313,295</u>
<u>1,224</u>	<u>-</u>	<u>(50,859)</u>	<u>21,700</u>	<u>(114,797)</u>	<u>36,321</u>
-	-	90,893	-	115,000	-
<u>-</u>	<u>(92,572)</u>	<u>(450,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(92,572)	(359,107)	-	115,000	-
<u>1,224</u>	<u>(92,572)</u>	<u>(409,966)</u>	<u>21,700</u>	<u>203</u>	<u>36,321</u>
<u>448,872</u>	<u>92,572</u>	<u>495,257</u>	<u>676,148</u>	<u>144,467</u>	<u>190,241</u>
<u>\$ 450,096</u>	<u>\$ -</u>	<u>\$ 85,291</u>	<u>\$ 697,848</u>	<u>\$ 144,670</u>	<u>\$ 226,562</u>

(continued)

CITY OF SHERMAN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
YEAR ENDED SEPTEMBER 30, 2012

	Debt Service		
	TIF #2 Debt Service	2008 Certificate of Obligation	2009 Tax Notes
REVENUES			
General property taxes	\$ -	\$ 350,000	\$ -
Franchise and nonproperty taxes	-	-	832,359
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Investment income	-	-	707
Donations	-	-	-
Perpetual care contracts	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>-</u>	<u>350,000</u>	<u>833,066</u>
EXPENDITURES			
Current:			
Public safety	-	-	-
Streets	-	-	-
Community services	-	-	-
Community development	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	190,000	760,000
Interest	-	164,528	12,920
Bond issuance costs and agent fees	-	-	147
Total expenditures	<u>-</u>	<u>354,528</u>	<u>773,067</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(4,528)</u>	<u>59,999</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(15,330)</u>	<u>-</u>	<u>(264,554)</u>
Total other financing sources (uses)	<u>(15,330)</u>	<u>-</u>	<u>(264,554)</u>
NET CHANGE IN FUND BALANCE	<u>(15,330)</u>	<u>(4,528)</u>	<u>(204,555)</u>
FUND BALANCE, BEGINNING	<u>15,330</u>	<u>13,863</u>	<u>204,555</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ 9,335</u>	<u>\$ -</u>

<u>Debt Service</u>		<u>Permanent</u>	<u>Total</u>
<u>2009</u>	<u>2009A</u>	<u>Perpetual</u>	<u>Nonmajor</u>
<u>CO Bond</u>	<u>CO Bond</u>	<u>Cemetery and</u>	<u>Governmental</u>
		<u>Mausoleum</u>	<u>Funds</u>
\$ -	\$ 230,000	\$ -	\$ 1,044,043
-	-	-	1,269,680
-	-	-	539,676
-	-	-	793,823
-	-	-	92,699
-	-	119,254	124,069
-	-	-	25,084
-	-	5,800	5,800
-	-	-	31,547
<u>-</u>	<u>230,000</u>	<u>125,054</u>	<u>3,926,421</u>
-	-	-	377,096
-	-	-	32,261
-	-	-	956,714
-	-	-	306,400
-	-	-	371,554
166,667	120,000	-	1,475,000
148,229	121,013	-	635,902
500	500	-	1,947
<u>315,396</u>	<u>241,513</u>	<u>-</u>	<u>4,156,874</u>
(315,396)	(11,513)	<u>125,054</u>	(230,453)
450,000	-	-	655,893
-	-	-	(950,656)
<u>450,000</u>	<u>-</u>	<u>-</u>	<u>(294,763)</u>
134,604	(11,513)	125,054	(525,216)
<u>14,771</u>	<u>12,832</u>	<u>1,188,167</u>	<u>4,201,803</u>
<u>\$ 149,375</u>	<u>\$ 1,319</u>	<u>\$ 1,313,221</u>	<u>\$ 3,676,587</u>

CITY OF SHERMAN, TEXAS

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

HOTEL/MOTEL

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
REVENUES						
Franchise and nonproperty taxes	\$ 495,000	\$ 495,000	\$ 437,321	\$ -	\$ 437,321	\$(57,679)
Charges for services	45,000	45,000	12,225	-	12,225	(32,775)
Investment income	500	500	244	-	244	(256)
Miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>31,547</u>	<u>-</u>	<u>31,547</u>	<u>6,547</u>
Total revenues	<u>565,500</u>	<u>565,500</u>	<u>481,337</u>	<u>-</u>	<u>481,337</u>	<u>(84,163)</u>
EXPENDITURES						
Current:						
Community services						
Red River Historical Museum	82,500	82,500	82,500	-	82,500	-
Central Business District	25,000	25,000	24,032	-	24,032	968
Sherman Council of Arts	36,000	36,000	36,000	-	36,000	-
Tourism	354,911	354,911	250,390	-	250,390	104,521
Auditorium	34,461	34,461	33,504	508	34,012	449
Ballroom	<u>70,165</u>	<u>70,165</u>	<u>64,344</u>	<u>6,250</u>	<u>70,594</u>	<u>(429)</u>
Total expenditures	<u>603,037</u>	<u>603,037</u>	<u>490,770</u>	<u>6,758</u>	<u>497,528</u>	<u>105,509</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES						
	<u>(37,537)</u>	<u>(37,537)</u>	<u>(9,433)</u>	<u>(6,758)</u>	<u>(16,191)</u>	<u>21,346</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	<u>(128,200)</u>	<u>(128,200)</u>	<u>(128,200)</u>	<u>-</u>	<u>(128,200)</u>	<u>-</u>
Total other financing sources (uses)	<u>(128,200)</u>	<u>(128,200)</u>	<u>(128,200)</u>	<u>-</u>	<u>(128,200)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE						
	<u>(165,737)</u>	<u>(165,737)</u>	<u>(137,633)</u>	<u>(6,758)</u>	<u>(144,391)</u>	<u>21,346</u>
FUND BALANCE, BEGINNING						
	<u>301,595</u>	<u>301,595</u>	<u>301,595</u>	<u>-</u>	<u>301,595</u>	<u>-</u>
FUND BALANCE, ENDING						
	<u>\$ 135,858</u>	<u>\$ 135,858</u>	<u>\$ 163,962</u>	<u>\$(6,758)</u>	<u>\$ 157,204</u>	<u>\$ 21,346</u>

CITY OF SHERMAN, TEXAS

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

COMMUNITY DEVELOPMENT FUND

YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Budget</u>	<u>Budget</u>
			<u>Basis</u>	<u>Basis</u>	<u>Variance</u>
REVENUES					
Intergovernmental	\$ 312,189	\$ 312,189	\$ 314,758	\$ 314,758	\$ 2,569
Total revenues	<u>312,189</u>	<u>312,189</u>	<u>314,758</u>	<u>314,758</u>	<u>2,569</u>
EXPENDITURES					
Current:					
Community development					
Administration	57,124	57,124	58,000	58,000	(876)
Housing rehabilitation	201,195	201,195	210,803	210,803	(9,608)
Public service	<u>33,800</u>	<u>33,800</u>	<u>37,597</u>	<u>37,597</u>	<u>(3,797)</u>
Total expenditures	<u>292,119</u>	<u>292,119</u>	<u>306,400</u>	<u>306,400</u>	<u>(14,281)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	20,070	20,070	8,358	8,358	(11,712)
FUND BALANCE, BEGINNING	<u>69,234</u>	<u>69,234</u>	<u>69,234</u>	<u>69,234</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 89,304</u>	<u>\$ 89,304</u>	<u>\$ 77,592</u>	<u>\$ 77,592</u>	<u>\$(11,712)</u>

CITY OF SHERMAN, TEXAS

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

PRIDE PROGRAM

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
REVENUES						
Investment income	\$ 175	\$ 175	\$ 65	\$ -	\$ 65	\$(110)
Donations	<u>23,100</u>	<u>23,100</u>	<u>25,084</u>	<u>-</u>	<u>25,084</u>	<u>1,984</u>
Total revenues	<u>23,275</u>	<u>23,275</u>	<u>25,149</u>	<u>-</u>	<u>25,149</u>	<u>1,874</u>
EXPENDITURES						
Current:						
Public safety						
Drug enforcement	22,000	22,000	20,947	-	20,947	1,053
Community services						
Park maintenance	27,000	27,000	-	-	-	27,000
Library materials	<u>3,000</u>	<u>3,000</u>	<u>1,424</u>	<u>-</u>	<u>1,424</u>	<u>1,576</u>
Total expenditures	<u>52,000</u>	<u>52,000</u>	<u>22,371</u>	<u>-</u>	<u>22,371</u>	<u>29,629</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(28,725)	(28,725)	2,778	-	2,778	31,503
FUND BALANCE, BEGINNING	<u>34,002</u>	<u>34,002</u>	<u>34,002</u>	<u>-</u>	<u>34,002</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 5,277</u>	<u>\$ 5,277</u>	<u>\$ 36,780</u>	<u>\$ -</u>	<u>\$ 36,780</u>	<u>\$ 31,503</u>

CITY OF SHERMAN, TEXAS

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

DRUG ENFORCEMENT FUND

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
REVENUES						
Fines and forfeitures	\$ 25,000	\$ 25,000	\$ 46,283	\$ -	\$ 46,283	\$ 21,283
Investment income	50	50	76	-	76	26
Total revenues	<u>25,050</u>	<u>25,050</u>	<u>46,359</u>	<u>-</u>	<u>46,359</u>	<u>21,309</u>
EXPENDITURES						
Current:						
Public safety						
Drug enforcement	34,850	34,850	37,384	-	37,384	(2,534)
Total expenditures	<u>34,850</u>	<u>34,850</u>	<u>37,384</u>	<u>-</u>	<u>37,384</u>	<u>(2,534)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,800)	(9,800)	8,975	-	8,975	18,775
FUND BALANCE, BEGINNING	<u>41,351</u>	<u>41,351</u>	<u>41,351</u>	<u>-</u>	<u>41,351</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 31,551</u>	<u>\$ 31,551</u>	<u>\$ 50,326</u>	<u>\$ -</u>	<u>\$ 50,326</u>	<u>\$ 18,775</u>

CITY OF SHERMAN, TEXAS

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

MUNICIPAL AIRPORT FUND

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
REVENUES					
Investment income	\$ 500	\$ 500	\$ 218	\$ 218	\$ (282)
Airport rentals	45,000	45,000	49,090	49,090	4,090
Fuel sales	<u>460,000</u>	<u>460,000</u>	<u>442,501</u>	<u>442,501</u>	<u>(17,499)</u>
Total revenues	<u>505,500</u>	<u>505,500</u>	<u>491,809</u>	<u>491,809</u>	<u>(13,691)</u>
EXPENDITURES					
Current:					
Community services					
Airport operation	<u>520,290</u>	<u>520,290</u>	<u>464,520</u>	<u>464,520</u>	<u>55,770</u>
Total expenditures	<u>520,290</u>	<u>520,290</u>	<u>464,520</u>	<u>464,520</u>	<u>55,770</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(14,790)	(14,790)	27,289	27,289	42,079
FUND BALANCE, BEGINNING	<u>93,776</u>	<u>93,776</u>	<u>93,776</u>	<u>93,776</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 78,986</u>	<u>\$ 78,986</u>	<u>\$ 121,065</u>	<u>\$ 121,065</u>	<u>\$ 42,079</u>

CITY OF SHERMAN, TEXAS

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

EMERGENCY 9-1-1 FUND

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
REVENUES						
Fines and forfeitures	\$ 60,000	\$ 60,000	\$ 46,416	\$ -	\$ 46,416	\$(13,584)
Charges for services	304,000	304,000	290,007	-	290,007	(13,993)
Investment income	400	400	247	-	247	(153)
Total revenues	<u>364,400</u>	<u>364,400</u>	<u>336,670</u>	<u>-</u>	<u>336,670</u>	<u>(27,730)</u>
EXPENDITURES						
Current:						
Public safety						
Security	25,000	35,000	32,650	-	32,650	2,350
Technology	72,300	38,770	24,246	(1,400)	22,846	15,924
Emergency 9-1-1 services	381,664	374,164	261,869	-	261,869	112,295
Capital outlay	17,000	14,500	33,530	-	33,530	(19,030)
Total expenditures	<u>495,964</u>	<u>462,434</u>	<u>352,295</u>	<u>(1,400)</u>	<u>350,895</u>	<u>111,539</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(131,564)	(98,034)	(15,625)	1,400	(14,225)	83,809
FUND BALANCE, BEGINNING	<u>164,770</u>	<u>164,770</u>	<u>164,770</u>	<u>-</u>	<u>164,770</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 33,206</u>	<u>\$ 66,736</u>	<u>\$ 149,145</u>	<u>\$ 1,400</u>	<u>\$ 150,545</u>	<u>\$ 83,809</u>

CITY OF SHERMAN, TEXAS

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

STREETS SALES TAX FUND

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	(92,572)	(92,572)	92,572
Total other financing sources (uses)	-	-	(92,572)	(92,572)	(92,572)
NET CHANGE IN FUND BALANCE	-	-	(92,572)	(92,572)	(92,572)
FUND BALANCE, BEGINNING	92,572	92,572	92,572	92,572	-
FUND BALANCE, ENDING	\$ 92,572	\$ 92,572	\$ -	\$ -	\$ (92,572)

CITY OF SHERMAN, TEXAS

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

TIF #2 CONSTRUCTION FUND

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
REVENUES					
Property taxes	\$ 60,000	\$ 60,000	\$ 61,490	\$ 61,490	\$ 1,490
Investment income	500	500	757	757	257
Intergovernmental	-	-	224,918	224,918	224,918
Total revenues	<u>60,500</u>	<u>60,500</u>	<u>287,165</u>	<u>287,165</u>	<u>226,665</u>
EXPENDITURES					
Capital outlay	<u>207,000</u>	<u>207,000</u>	<u>338,024</u>	<u>338,024</u>	<u>(131,024)</u>
Total expenditures	<u>207,000</u>	<u>207,000</u>	<u>338,024</u>	<u>338,024</u>	<u>(131,024)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	<u>(146,500)</u>	<u>(146,500)</u>	<u>(50,859)</u>	<u>(50,859)</u>	<u>95,641</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	90,393	90,393	90,893	90,893	500
Transfer out	<u>(450,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(359,607)</u>	<u>(359,607)</u>	<u>(359,107)</u>	<u>(359,107)</u>	<u>500</u>
NET CHANGE IN FUND BALANCE	<u>(506,107)</u>	<u>(506,107)</u>	<u>(409,966)</u>	<u>(409,966)</u>	<u>96,141</u>
FUND BALANCE, BEGINNING	<u>495,257</u>	<u>495,257</u>	<u>495,257</u>	<u>495,257</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$ (10,850)</u></u>	<u><u>\$ (10,850)</u></u>	<u><u>\$ 85,291</u></u>	<u><u>\$ 85,291</u></u>	<u><u>\$ 96,141</u></u>

CITY OF SHERMAN, TEXAS

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

TIF #3 CONSTRUCTION FUND

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Actual	Final
	Original	Final	GAAP Basis	Budget Basis	Budget Variance
REVENUES					
Property taxes	\$ 58,000	\$ 58,000	\$ 53,505	\$ 53,505	\$ (4,495)
Investment income	350	350	456	455	105
Total revenues	<u>58,350</u>	<u>58,350</u>	<u>53,961</u>	<u>53,960</u>	<u>(4,390)</u>
EXPENDITURES					
General improvements	<u>790,000</u>	<u>790,000</u>	<u>32,261</u>	<u>32,261</u>	<u>757,739</u>
Total expenditures	<u>790,000</u>	<u>790,000</u>	<u>32,261</u>	<u>32,261</u>	<u>757,739</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	(731,650)	(731,650)	21,700	21,699	753,349
FUND BALANCE, BEGINNING					
	<u>676,148</u>	<u>676,148</u>	<u>676,148</u>	<u>676,148</u>	<u>-</u>
FUND BALANCE, ENDING					
	<u>\$ (55,502)</u>	<u>\$ (55,502)</u>	<u>\$ 697,848</u>	<u>\$ 697,847</u>	<u>\$ 753,349</u>

CITY OF SHERMAN, TEXAS

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

AUDITORIUM BONDS SINKING FUND

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
REVENUES					
Investment income	\$ 500	\$ 500	\$ 253	\$ 253	\$ (247)
Total revenues	<u>500</u>	<u>500</u>	<u>253</u>	<u>253</u>	<u>(247)</u>
EXPENDITURES					
Debt service:					
Principal	55,000	55,000	55,000	55,000	-
Interest	59,450	59,450	59,450	59,450	-
Bond issuance costs and agent fees	<u>500</u>	<u>500</u>	<u>600</u>	<u>600</u>	<u>(100)</u>
Total expenditures	<u>114,950</u>	<u>114,950</u>	<u>115,050</u>	<u>115,050</u>	<u>(100)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	<u>(114,450)</u>	<u>(114,450)</u>	<u>(114,797)</u>	<u>(114,797)</u>	<u>(347)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>115,000</u>	<u>115,000</u>	<u>115,000</u>	<u>115,000</u>	<u>-</u>
Total other financing sources (uses)	<u>115,000</u>	<u>115,000</u>	<u>115,000</u>	<u>115,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	550	550	203	203	(347)
FUND BALANCE, BEGINNING	<u>144,467</u>	<u>144,467</u>	<u>144,467</u>	<u>144,467</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 145,017</u>	<u>\$ 145,017</u>	<u>\$ 144,670</u>	<u>\$ 144,670</u>	<u>\$ (347)</u>

CITY OF SHERMAN, TEXAS

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

CERTIFICATE FUND

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
REVENUES					
Property taxes	\$ 331,500	\$ 331,500	\$ 349,048	\$ 349,048	\$ 17,548
Investment income	500	500	568	568	68
Total revenues	<u>332,000</u>	<u>332,000</u>	<u>349,616</u>	<u>349,616</u>	<u>17,616</u>
EXPENDITURES					
Debt service:					
Principal	183,333	183,333	183,333	183,333	-
Interest	129,762	129,762	129,762	129,762	-
Bond issuance costs and agent fees	500	500	200	200	300
Total expenditures	<u>313,595</u>	<u>313,595</u>	<u>313,295</u>	<u>313,295</u>	<u>300</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	18,405	18,405	36,321	36,321	17,916
FUND BALANCE, BEGINNING	<u>190,241</u>	<u>190,241</u>	<u>190,241</u>	<u>190,241</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 208,646</u>	<u>\$ 208,646</u>	<u>\$ 226,562</u>	<u>\$ 226,562</u>	<u>\$ 17,916</u>

CITY OF SHERMAN, TEXAS

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

TIF #2 DEBT SERVICE FUND

YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Budget</u>	<u>Budget</u>
			<u>Basis</u>	<u>Basis</u>	<u>Variance</u>
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
Debt service:					
Principal	-	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	(14,830)	(14,830)	(15,330)	(15,330)	500
Total other financing sources (uses)	<u>(14,830)</u>	<u>(14,830)</u>	<u>(15,330)</u>	<u>(15,330)</u>	<u>(500)</u>
NET CHANGE IN FUND BALANCE	<u>(14,830)</u>	<u>(14,830)</u>	<u>(15,330)</u>	<u>(15,330)</u>	<u>(500)</u>
FUND BALANCE, BEGINNING	<u>15,330</u>	<u>15,330</u>	<u>15,330</u>	<u>15,330</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(500)</u>

CITY OF SHERMAN, TEXAS

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

2008 CERTIFICATE OF OBLIGATION DEBT SERVICE FUND

YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Budget</u>	<u>Budget</u>
			<u>Basis</u>	<u>Basis</u>	<u>Variance</u>
REVENUES					
Property taxes	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ -
Total revenues	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>
EXPENDITURES					
Debt service:					
Principal	190,500	190,500	190,000	190,000	500
Interest	<u>164,529</u>	<u>164,529</u>	<u>164,528</u>	<u>164,528</u>	<u>1</u>
Total expenditures	<u>355,029</u>	<u>355,029</u>	<u>354,528</u>	<u>354,528</u>	<u>501</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,029)	(5,029)	(4,528)	(4,528)	501
FUND BALANCE, BEGINNING	<u>13,863</u>	<u>13,863</u>	<u>13,863</u>	<u>13,863</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 8,834</u>	<u>\$ 8,834</u>	<u>\$ 9,335</u>	<u>\$ 9,335</u>	<u>\$ 501</u>

CITY OF SHERMAN, TEXAS

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

2009 TAX NOTES DEBT SERVICE FUND

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Actual	Final
	Original	Final	GAAP	Budget	Budget
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Basis</u>	<u>Variance</u>
REVENUES					
Sales taxes	\$ 650,000	\$ 650,000	\$ 832,359	\$ 832,359	\$ 182,359
Investment income	<u>100</u>	<u>100</u>	<u>707</u>	<u>707</u>	<u>607</u>
Total revenues	<u>650,100</u>	<u>650,100</u>	<u>833,066</u>	<u>833,066</u>	<u>182,966</u>
EXPENDITURES					
Debt service:					
Principal	760,000	760,000	760,000	760,000	-
Interest	12,920	12,920	12,920	12,920	-
Bond issuance costs and agent fees	<u>500</u>	<u>500</u>	<u>147</u>	<u>147</u>	<u>353</u>
Total expenditures	<u>773,420</u>	<u>773,420</u>	<u>773,067</u>	<u>773,067</u>	<u>353</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(123,320)	(123,320)	59,999	59,999	183,319
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>-</u>	<u>-</u>	<u>(264,554)</u>	<u>(264,554)</u>	<u>(264,554)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(264,554)</u>	<u>(264,554)</u>	<u>(264,554)</u>
NET CHANGE IN FUND BALANCE	(123,320)	(123,320)	(204,555)	(204,555)	(81,235)
FUND BALANCE, BEGINNING	<u>204,555</u>	<u>204,555</u>	<u>204,555</u>	<u>204,555</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 81,235</u>	<u>\$ 81,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (81,235)</u>

CITY OF SHERMAN, TEXAS

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

2009 CO BOND DEBT SERVICE FUND

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Debt service:					
Principal	166,667	166,667	166,667	166,667	-
Interest	148,227	148,227	148,229	148,229	(2)
Bond issuance costs and agent fees	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	-
Total expenditures	<u>315,394</u>	<u>315,394</u>	<u>315,396</u>	<u>315,396</u>	<u>(2)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(315,394)</u>	<u>(315,394)</u>	<u>(315,396)</u>	<u>(315,396)</u>	<u>(2)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	-
Total other financing sources (uses)	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	-
NET CHANGE IN FUND BALANCE	134,606	134,606	134,604	134,604	(2)
FUND BALANCE, BEGINNING	<u>14,771</u>	<u>14,771</u>	<u>14,771</u>	<u>14,771</u>	-
FUND BALANCE, ENDING	<u>\$ 149,377</u>	<u>\$ 149,377</u>	<u>\$ 149,375</u>	<u>\$ 149,375</u>	<u>\$(2)</u>

CITY OF SHERMAN, TEXAS

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

2009A CO BOND DEBT SERVICE FUND

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
REVENUES					
Property taxes	\$ 230,000	\$ 230,000	\$ 230,000	\$ 230,000	\$ -
Total revenues	<u>230,000</u>	<u>230,000</u>	<u>230,000</u>	<u>230,000</u>	<u>-</u>
EXPENDITURES					
Debt service:					
Principal	120,000	120,000	120,000	120,000	-
Interest	121,013	121,013	121,013	121,013	-
Bond issuance costs and agent fees	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Total expenditures	<u>241,513</u>	<u>241,513</u>	<u>241,513</u>	<u>241,513</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,513)	(11,513)	(11,513)	(11,513)	-
FUND BALANCE, BEGINNING	<u>12,832</u>	<u>12,832</u>	<u>12,832</u>	<u>12,832</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,319</u>	<u>\$ 1,319</u>	<u>\$ 1,319</u>	<u>\$ 1,319</u>	<u>\$ -</u>

CITY OF SHERMAN, TEXAS

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

CEMETERY FUND

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
REVENUES					
Investment income	\$ -	\$ -	\$ 119,254	\$ 119,254	\$ 119,254
Perpetual care contracts	-	-	5,800	5,800	5,800
Total revenues	-	-	125,054	125,054	125,054
EXPENDITURES	-	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	125,054	125,054	125,054
FUND BALANCE, BEGINNING	1,188,167	1,188,167	1,188,167	1,188,167	-
FUND BALANCE, ENDING	<u>\$ 1,188,167</u>	<u>\$ 1,188,167</u>	<u>\$ 1,313,221</u>	<u>\$ 1,313,221</u>	<u>\$ 125,054</u>

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF SHERMAN, TEXAS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2012

	<u>Equipment Services</u>	<u>Computer Services</u>	<u>Insurance</u>	<u>Fleet Replacement</u>	<u>Total Governmental</u>
ASSETS					
Current:					
Cash	\$ 109,513	\$ 80,562	\$ 217,533	\$ 361,361	\$ 768,969
Pooled and temporary investments	-	30,686	-	-	30,686
Receivables (net of allowances for uncollectibles):					
Accounts	7,634	-	72,668	-	80,302
Inventories	<u>93,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,965</u>
Total assets	<u>211,112</u>	<u>111,248</u>	<u>290,201</u>	<u>361,361</u>	<u>973,922</u>
Capital assets:					
Land	55,250	-	-	-	55,250
Buildings	124,974	-	-	-	124,974
Improvements other than buildings	970	-	-	-	970
Machinery and equipment	<u>184,059</u>	<u>564,545</u>	<u>-</u>	<u>3,116,825</u>	<u>3,865,429</u>
Total capital assets	<u>365,253</u>	<u>564,545</u>	<u>-</u>	<u>3,116,825</u>	<u>4,046,623</u>
Accumulated depreciation	(286,143)	(531,558)	-	(824,115)	(1,641,816)
Capital assets, net	<u>79,110</u>	<u>32,987</u>	<u>-</u>	<u>2,292,710</u>	<u>2,404,807</u>
Total assets	<u>290,222</u>	<u>144,235</u>	<u>290,201</u>	<u>2,654,071</u>	<u>3,378,729</u>
LIABILITIES					
Current liabilities:					
Accounts payable	113,178	1,283	41,192	-	155,653
Accrued wages	9,625	3,044	-	-	12,669
Claims payable	-	-	496,374	-	496,374
Current portion of long-term liabilities:					
Capital lease obligations	-	-	-	189,923	189,923
Accrued compensated absences	25,582	16,426	-	-	42,008
Long-term liabilities (net of current portion):					
Capital lease obligations	-	-	-	772,409	772,409
Net pension obligation	25,151	11,922	-	-	37,073
Net OPEB obligation	<u>22,637</u>	<u>10,902</u>	<u>-</u>	<u>-</u>	<u>33,539</u>
Total liabilities	<u>196,173</u>	<u>43,577</u>	<u>537,566</u>	<u>962,332</u>	<u>1,739,648</u>
NET ASSETS					
Invested in capital assets, net of related debt	79,110	32,987	-	1,330,378	1,442,475
Unrestricted	<u>14,939</u>	<u>67,671</u>	<u>(247,365)</u>	<u>361,361</u>	<u>196,606</u>
Total net assets	<u>\$ 94,049</u>	<u>\$ 100,658</u>	<u>\$(247,365)</u>	<u>\$ 1,691,739</u>	<u>\$ 1,639,081</u>

CITY OF SHERMAN, TEXAS

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

INTERNAL SERVICE FUNDS

YEAR ENDED SEPTEMBER 30, 2012

	<u>Equipment Services</u>	<u>Computer Services</u>	<u>Insurance</u>	<u>Fleet Replacement</u>	<u>Total Governmental</u>
OPERATING REVENUES					
Charges for services	\$ 2,431,743	\$ 593,294	\$ 3,820,617	\$ -	\$ 6,845,654
Miscellaneous revenue	<u>1,173</u>	<u>1,508</u>	<u>-</u>	<u>-</u>	<u>2,681</u>
Total operating revenues	<u>2,432,916</u>	<u>594,802</u>	<u>3,820,617</u>	<u>-</u>	<u>6,848,335</u>
OPERATING EXPENSES					
Personnel services	622,564	293,172	-	-	915,736
Contractual services	177,765	72,108	5,241,533	-	5,491,406
Supplies	1,034,723	14,003	-	-	1,048,726
Maintenance and repair	597,865	166,164	-	6,437	770,466
Depreciation	<u>4,793</u>	<u>48,743</u>	<u>-</u>	<u>329,183</u>	<u>382,719</u>
Total operating expenses	<u>2,437,710</u>	<u>594,190</u>	<u>5,241,533</u>	<u>335,620</u>	<u>8,609,053</u>
OPERATING INCOME (LOSS)	<u>(4,794)</u>	<u>612</u>	<u>(1,420,916)</u>	<u>(335,620)</u>	<u>(1,760,718)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	-	35	-	341	376
Interest expense	<u>-</u>	<u>(677)</u>	<u>-</u>	<u>(36,851)</u>	<u>(37,528)</u>
Total nonoperating revenues (expenses)	<u>-</u>	<u>(642)</u>	<u>-</u>	<u>(36,510)</u>	<u>(37,152)</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(4,794)</u>	<u>(30)</u>	<u>(1,420,916)</u>	<u>(372,130)</u>	<u>(1,797,870)</u>
CONTRIBUTIONS AND TRANSFERS					
Capital contributions	-	-	-	39,516	39,516
Transfers in	<u>-</u>	<u>-</u>	<u>1,200,000</u>	<u>1,069,615</u>	<u>2,269,615</u>
Total contributions and transfers	<u>-</u>	<u>-</u>	<u>1,200,000</u>	<u>1,109,131</u>	<u>2,309,131</u>
CHANGE IN NET ASSETS	<u>(4,794)</u>	<u>(30)</u>	<u>(220,916)</u>	737,001	511,261
NET ASSETS, BEGINNING	<u>98,843</u>	<u>100,688</u>	<u>(26,449)</u>	<u>954,738</u>	<u>1,127,820</u>
NET ASSETS, ENDING	<u>\$ 94,049</u>	<u>\$ 100,658</u>	<u>\$ (247,365)</u>	<u>\$ 1,691,739</u>	<u>\$ 1,639,081</u>

CITY OF SHERMAN, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	Equipment Services	Computer Services	Insurance	Fleet Replacement	Total Governmental
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from other funds	\$ 2,432,916	\$ 594,802	\$ 3,798,478	\$ -	\$ 6,826,196
Cash paid for supplies and materials	(1,804,109)	(259,737)	-	7,563	(2,056,283)
Cash paid for premiums, claims and administrative	-	-	(5,282,956)	-	(5,282,956)
Cash paid for personnel services	(626,916)	(288,158)	-	-	(915,074)
Net cash provided (used) by operating activities	<u>1,891</u>	<u>46,907</u>	<u>(1,484,478)</u>	<u>7,563</u>	<u>(1,428,117)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	1,200,000	1,069,615	2,269,615
Net cash provided from noncapital financing activities	<u>-</u>	<u>-</u>	<u>1,200,000</u>	<u>1,069,615</u>	<u>2,269,615</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	-	-	-	39,516	39,516
Payments on capital leases	-	(46,939)	-	(183,377)	(230,316)
Interest paid on capital debt	-	(677)	-	(36,851)	(37,528)
Purchases of capital assets	1	(6,694)	-	(706,475)	(713,168)
Net cash provided (used) by capital and related financing activities	<u>1</u>	<u>(54,310)</u>	<u>-</u>	<u>(887,187)</u>	<u>(941,496)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income received	-	35	-	341	376
Proceeds from sale of investments	-	(35)	-	-	(35)
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>341</u>	<u>341</u>
NET INCREASE (DECREASE) IN CASH	1,892	(7,403)	(284,478)	190,332	(99,657)
CASH, BEGINNING	<u>107,621</u>	<u>87,965</u>	<u>502,011</u>	<u>171,029</u>	<u>868,626</u>
CASH, ENDING	<u>\$ 109,513</u>	<u>\$ 80,562</u>	<u>\$ 217,533</u>	<u>\$ 361,361</u>	<u>\$ 768,969</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$(4,794)	\$ 612	\$(1,420,916)	\$(335,620)	\$(1,760,718)
Depreciation	4,793	48,743	-	329,183	382,719
(Increase) decrease in operating assets:					
Accounts receivable (net)	(7,634)	-	(22,139)	14,000	(15,773)
Inventories	(4,604)	-	-	-	(4,604)
Increase (decrease) in operating liabilities:					
Accounts payable	18,482	(7,462)	(2,128)	-	8,892
Accrued wages payable	(380)	(217)	-	-	(597)
Estimated liability for claims	-	-	(39,295)	-	(39,295)
Net pension obligation	(1,835)	1,417	-	-	(418)
Net OPEB obligation	(1,846)	1,444	-	-	(402)
Accrued compensated absences	(291)	2,370	-	-	2,079
Net cash provided (used) by operating activities	<u>\$ 1,891</u>	<u>\$ 46,907</u>	<u>\$(1,484,478)</u>	<u>\$ 7,563</u>	<u>\$(1,428,117)</u>

STATISTICAL SECTION

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

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

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

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF SHERMAN, TEXAS

NET ASSETS BY COMPONENT

(Accrual Basis of Accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ 20,698	\$ 20,124	\$ 66,188	\$ 62,998	\$ 59,730	\$ 59,772	\$ 61,173	\$ 55,807	\$ 51,954	\$ 48,963
Restricted	-	-	1,235	1,690	2,064	2,064	2,320	2,358	2,392	3,157
Unrestricted	<u>11,773</u>	<u>14,139</u>	<u>14,354</u>	<u>13,104</u>	<u>12,774</u>	<u>9,820</u>	<u>4,080</u>	<u>5,583</u>	<u>6,108</u>	<u>6,426</u>
Total governmental activities net assets	<u>\$ 32,471</u>	<u>\$ 34,263</u>	<u>\$ 81,777</u>	<u>\$ 77,792</u>	<u>\$ 74,568</u>	<u>\$ 71,656</u>	<u>\$ 67,573</u>	<u>\$ 63,748</u>	<u>\$ 60,454</u>	<u>\$ 58,546</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 21,350	\$ 23,470	\$ 33,990	\$ 33,530	\$ 36,196	\$ 37,169	\$ 39,818	\$ 38,347	\$ 36,727	\$ 34,442
Restricted	312	2,121	312	318	161	-	-	-	-	-
Unrestricted	<u>15,935</u>	<u>13,615</u>	<u>15,390</u>	<u>18,662</u>	<u>16,558</u>	<u>14,281</u>	<u>10,683</u>	<u>10,678</u>	<u>12,392</u>	<u>10,938</u>
Total business-type activities net assets	<u>\$ 37,597</u>	<u>\$ 39,206</u>	<u>\$ 49,692</u>	<u>\$ 52,510</u>	<u>\$ 52,915</u>	<u>\$ 51,450</u>	<u>\$ 50,501</u>	<u>\$ 49,025</u>	<u>\$ 49,119</u>	<u>\$ 45,380</u>
Primary government:										
Invested in capital assets, net of related debt	\$ 42,048	\$ 43,594	\$ 100,178	\$ 96,528	\$ 95,926	\$ 96,941	\$ 100,991	\$ 94,154	\$ 88,681	\$ 83,405
Restricted	312	2,121	1,547	2,008	2,225	2,064	2,320	2,358	2,392	3,157
Unrestricted	<u>27,708</u>	<u>27,754</u>	<u>29,744</u>	<u>31,766</u>	<u>29,332</u>	<u>24,101</u>	<u>14,763</u>	<u>16,261</u>	<u>18,500</u>	<u>17,364</u>
Total primary government net assets	<u>\$ 70,068</u>	<u>\$ 73,469</u>	<u>\$ 131,469</u>	<u>\$ 130,302</u>	<u>\$ 127,483</u>	<u>\$ 123,106</u>	<u>\$ 118,074</u>	<u>\$ 112,773</u>	<u>\$ 109,573</u>	<u>\$ 103,926</u>

Notes: Ending Net Assets were restated to include infrastructure purchased in prior years which had not been capitalized.

CITY OF SHERMAN, TEXAS

CHANGES IN NET ASSETS

(Accrual Basis of Accounting)

(amounts expressed in thousands)

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

TABLE 2

Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 5,300	\$ 6,237	\$ 5,683	\$ 6,309	\$ 5,932	\$ 6,347	
15,267	16,909	17,873	17,958	18,072	17,285	
4,711	5,005	5,308	4,935	6,916	5,669	
798	590	639	615	631	627	
4,952	5,382	4,833	4,965	5,228	5,183	
347	346	320	353	348	306	
-	-	-	-	-	-	
218	325	563	760	720	676	
<u>31,593</u>	<u>34,794</u>	<u>35,219</u>	<u>35,895</u>	<u>37,847</u>	<u>36,093</u>	
16,101	17,840	18,156	18,366	19,364	19,822	
4,229	4,363	4,274	4,253	4,331	4,228	
-	-	-	-	-	-	
<u>20,330</u>	<u>22,203</u>	<u>22,430</u>	<u>22,619</u>	<u>23,695</u>	<u>24,050</u>	
\$ <u>51,923</u>	\$ <u>56,997</u>	\$ <u>57,649</u>	\$ <u>58,514</u>	\$ <u>61,542</u>	\$ <u>60,143</u>	
\$ 32	\$ 84	\$ 99	\$ 122	\$ 205	\$ 116	
3,333	2,855	2,985	2,915	3,556	3,094	
4	9	1	97	103	103	
161	162	142	138	127	133	
936	938	792	866	944	957	
416	561	226	254	1,661	132	
223	368	568	450	1,202	618	
<u>5,105</u>	<u>4,977</u>	<u>4,813</u>	<u>4,842</u>	<u>7,798</u>	<u>5,153</u>	
17,630	17,927	18,114	18,720	20,494	19,584	
4,949	4,909	4,776	5,583	5,697	5,599	
-	-	-	-	-	-	
-	-	-	3	-	-	
<u>22,579</u>	<u>22,836</u>	<u>22,890</u>	<u>24,306</u>	<u>26,191</u>	<u>25,183</u>	
\$ <u>27,684</u>	\$ <u>27,813</u>	\$ <u>27,703</u>	\$ <u>29,148</u>	\$ <u>33,989</u>	\$ <u>30,336</u>	

(continued)

CITY OF SHERMAN, TEXAS

CHANGES IN NET ASSETS (Continued)

(Accrual Basis of Accounting)

(amounts expressed in thousands)

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

Fiscal Year

2007	2008	2009	2010	2011	2012
\$ (26,488)	\$ (29,817)	\$ (30,406)	\$ (31,053)	\$ (30,049)	\$ (30,940)
2,249	633	460	1,687	2,496	1,133
(24,239)	(29,184)	(29,946)	(29,366)	(27,553)	(29,807)
7,564	8,000	6,683	7,050	7,110	7,072
10,797	11,232	12,545	12,264	12,868	13,203
3,858	4,380	4,257	3,928	4,021	3,449
968	443	311	186	73	190
486	243	(177)	557	148	150
-	8	(42)	-	-	-
2,594	2,607	2,746	3,244	2,535	4,969
26,267	26,913	26,323	27,229	26,755	29,033
714	495	143	49	50	48
36	14	1,195	31	82	49
(2,594)	(2,607)	(2,746)	(3,244)	(2,535)	(4,969)
(1,844)	(2,098)	(1,408)	(3,164)	(2,403)	(4,872)
24,423	24,815	24,915	24,065	24,352	24,161
(221)	(2,912)	(4,083)	(3,824)	(3,294)	(1,908)
405	(1,465)	(948)	(1,477)	94	(3,739)
\$ 184	\$(4,377)	\$(5,031)	\$(5,301)	\$(3,200)	\$(5,647)

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF SHERMAN, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13
Reserved	237	183	166	355	294	270	106	39	-	-
Unreserved	4,614	5,204	6,910	7,874	10,555	9,475	7,359	6,949	8,271	-
Restricted	-	-	-	-	-	-	-	-	52	8
Assigned	-	-	-	-	-	-	-	-	-	119
Unassigned	-	-	-	-	-	-	-	-	-	9,138
Total general fund	<u>\$ 4,851</u>	<u>\$ 5,387</u>	<u>\$ 7,076</u>	<u>\$ 8,229</u>	<u>\$ 10,849</u>	<u>\$ 9,745</u>	<u>\$ 7,465</u>	<u>\$ 6,988</u>	<u>\$ 8,323</u>	<u>\$ 9,278</u>
All other governmental funds										
Reserved	\$ 1,366	\$ 1,612	\$ 1,517	\$ 1,749	\$ 2,006	\$ 7,730	\$ 2,629	\$ 3,027	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	659	850	725	863	991	1,577	1,675	1,134	-	-
Capital projects funds	607	3,255	4,319	4,560	1,848	2,178	9,304	5,132	-	-
Undesignated	1,328	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	483	450
Restricted	-	-	-	-	-	-	-	-	3,718	3,226
Assigned	-	-	-	-	-	-	-	-	1,037	457
Total all other governmental funds	<u>\$ 3,960</u>	<u>\$ 5,717</u>	<u>\$ 6,561</u>	<u>\$ 7,172</u>	<u>\$ 4,845</u>	<u>\$ 11,485</u>	<u>\$ 13,608</u>	<u>\$ 9,293</u>	<u>\$ 5,238</u>	<u>\$ 4,133</u>

Notes:

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

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

CITY OF SHERMAN, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDSLAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES										
Taxes	\$ 17,747	\$ 18,560	\$ 19,205	\$ 22,014	\$ 22,146	\$ 23,374	\$ 23,350	\$ 23,016	\$ 23,800	\$ 23,529
Licenses and permits	383	347	380	455	433	420	346	294	223	171
Intergovernmental	727	802	1,349	611	616	889	745	683	2,323	700
Charges for services	3,083	2,168	2,429	2,903	3,503	2,913	2,771	2,909	3,120	3,124
Fines	558	678	552	783	763	897	751	835	1,180	942
Investment earnings	213	142	308	663	847	389	309	186	61	189
Donations	38	41	37	47	37	34	48	50	61	27
Miscellaneous	171	2,653	393	310	449	201	266	567	169	175
Total revenues	22,920	25,391	24,653	27,786	28,794	29,117	28,586	28,540	30,937	28,857
EXPENDITURES										
General government	5,180	4,056	4,066	4,257	4,265	4,372	4,342	4,567	4,588	4,401
Public safety	11,804	12,314	14,289	14,797	15,771	16,047	16,550	16,948	17,253	16,494
Highways and streets	2,216	1,933	2,163	2,033	1,893	2,111	5,353	2,201	3,750	2,343
Sanitation	866	731	722	755	762	566	602	578	600	601
Community services	3,921	3,783	4,024	4,291	4,585	4,777	4,134	4,063	4,224	4,188
Community development	438	432	385	380	347	346	320	353	348	306
Capital outlay	1,027	3,803	632	1,286	4,398	2,574	7,308	4,466	3,035	1,197
Debt service:										
Principal	25	25	30	55	280	366	1,101	1,581	1,501	1,539
Interest	97	163	220	279	218	240	616	798	678	643
Total expenditures	25,574	27,240	26,531	28,133	32,519	31,399	40,326	35,555	35,977	31,712

(continued)

CITY OF SHERMAN, TEXAS

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (2,654)</u>	<u>\$ (1,849)</u>	<u>\$ (1,878)</u>	<u>\$ (347)</u>	<u>\$ (3,725)</u>	<u>\$ (2,282)</u>	<u>\$ (11,740)</u>	<u>\$ (7,015)</u>	<u>\$ (5,040)</u>	<u>\$ (2,855)</u>
OTHER FINANCING SOURCES (USES)										
Proceeds of long-term debt	271	2,840	-	363	356	5,000	11,500	-	-	-
Discount on bond issuance	-	-	-	(15)	-	-	-	-	-	-
Proceeds from refunding debt	-	-	-	1,605	-	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	22	29	45	-	5
Paid to refunding bond agent	-	-	-	(1,517)	-	-	-	-	-	-
Transfers in	1,871	1,701	3,122	3,218	3,721	4,821	3,516	3,942	4,794	4,220
Transfers out	(129)	(404)	(1,459)	(1,543)	(1,127)	(2,025)	(3,030)	(1,764)	(2,474)	(1,520)
Total other financing sources (uses)	<u>2,013</u>	<u>4,137</u>	<u>1,663</u>	<u>2,111</u>	<u>2,950</u>	<u>7,818</u>	<u>12,015</u>	<u>2,223</u>	<u>2,320</u>	<u>2,705</u>
NET CHANGE IN FUND BALANCES	<u>\$ (641)</u>	<u>\$ 2,288</u>	<u>\$ (215)</u>	<u>\$ 1,764</u>	<u>\$ (775)</u>	<u>\$ 5,536</u>	<u>\$ 275</u>	<u>\$ (4,792)</u>	<u>\$ (2,720)</u>	<u>\$ (150)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>0.5%</u>	<u>0.8%</u>	<u>1.0%</u>	<u>1.2%</u>	<u>1.8%</u>	<u>2.1%</u>	<u>5.8%</u>	<u>7.7%</u>	<u>6.6%</u>	<u>7.2%</u>

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

TABLE 5

CITY OF SHERMAN, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	In Thousands				Total Assessed Value	Less Exemptions and Deductions	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property		Nonreal Property							
	Residential	Commercial	Personal	Other						
2003	\$ 509,791	\$ 755,622	\$ 524,042	\$ 65,335	\$ 1,854,790	\$ 340,439	\$ 1,514,351	\$ 0.400	\$ 1,514,351	122.48%
2004	577,841	883,601	447,078	65,997	1,974,517	460,261	1,514,256	0.400	1,514,256	130.40%
2005	633,829	877,276	413,443	68,974	1,993,523	436,295	1,557,228	0.400	1,557,228	128.02%
2006	702,143	964,206	454,305	67,249	2,187,903	420,668	1,767,235	0.400	1,767,235	123.80%
2007	767,492	1,034,799	510,728	24,386	2,337,405	442,446	1,894,959	0.400	1,894,959	123.35%
2008	804,035	1,162,314	570,125	22,359	2,558,833	536,981	2,021,852	0.400	2,021,852	126.56%
2009	846,053	1,170,387	574,370	26,421	2,617,231	538,242	2,078,989	0.320	2,078,989	125.89%
2010	865,479	1,231,308	661,433	25,216	2,783,435	586,492	2,196,943	0.320	2,196,943	126.70%
2011	859,869	1,278,466	594,241	30,151	2,762,727	540,540	2,222,187	0.320	2,222,187	124.32%
2012	847,773	1,265,647	608,131	30,102	2,751,653	561,543	2,190,110	0.320	2,190,110	125.64%

Source: Grayson County Central Appraisal District

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

TABLE 6

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

Fiscal Year	City of Sherman Rates			Overlapping Rates									Total Direct and Overlapping Rates
				Grayson County			SISD			GCCC			
	Operating	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total	
2003	\$ 0.400	\$ -	\$ 0.400	\$ 0.489	\$ 0.002	\$ 0.491	\$ 1.500	\$ 0.190	\$ 1.690	\$ 0.120	\$ -	\$ 0.120	\$ 2.701
2004	0.400	-	0.400	0.487	0.004	0.491	1.500	0.190	1.690	0.126	-	0.126	2.707
2005	0.400	-	0.400	0.488	0.002	0.490	1.500	0.180	1.680	0.134	-	0.134	2.704
2006	0.400	-	0.400	0.516	0.002	0.518	1.370	0.260	1.630	0.147	-	0.147	2.695
2007	0.400	-	0.400	0.489	0.002	0.491	1.370	0.260	1.630	0.148	-	0.148	2.669
2008	0.400	-	0.400	0.489	0.002	0.491	1.370	0.070	1.440	0.184	-	0.184	2.515
2009	0.301	0.019	0.320	0.484	0.006	0.490	1.040	0.400	1.440	0.133	0.051	0.184	2.434
2010	0.301	0.019	0.320	0.520	0.006	0.526	1.040	0.400	1.440	0.133	0.051	0.184	2.470
2011	0.301	0.019	0.320	0.537	0.006	0.543	1.040	0.400	1.440	0.133	0.048	0.181	2.484
2012	0.290	0.030	0.320	0.484	0.007	0.491	1.040	0.400	1.440	0.135	0.046	0.181	2.432

Source: Grayson County Appraisal District

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

TABLE 7

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

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Town North Center	\$ 44,295	1	2.02%	\$ -		- %
Sherman Grayson Hospital, LLC	39,498	2	1.80%	-		- %
Texas Instruments	27,332	3	1.25%	74,234	1	3.39%
ONCOR Electric Delivery	20,442	4	0.93%	19,587	5	0.89%
MEMC Southwest, Inc.	20,108	5	0.92%	40,172	3	- %
First Union Trust	17,893	6	0.82%	-		- %
Sherman Commons, LP	17,492	8	0.80%	-		- %
Sherman/Grayson Hospital, LLC	16,792	7	0.77%	-		- %
Inland American Sherman Town Center	14,896	9	0.68%	-		- %
Progress Rail Service	14,551	10	0.66%	-		- %
Johnson & Johnson	-		- %	60,585	2	2.77%
Folgers Coffee Co.	-		- %	30,365	4	1.39%
Verizon Southwest	-		- %	17,724	6	1.39%
Sherman Mall Associates	-		- %	16,933	7	0.77%
Pilkington North America	-		- %	14,719	8	0.67%
Cooper B Line	-		- %	11,341	9	0.52%
Wal-Mart Stores, Inc.	-		- %	10,939	10	0.50%
Total	\$ <u>233,299</u>		<u>10.65%</u>	\$ <u>296,599</u>		<u>12.29%</u>

Source: Grayson County Appraisal District

CITY OF SHERMAN, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS
(amounts expressed in thousands)

<u>Fiscal Year Ended</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2003	\$ 5,896	\$ 5,846	98.8%	\$ 15	\$ 5,861	99.40%
2004	6,057	5,921	99.2%	108	6,029	99.54%
2005	6,510	6,258	96.1%	97	6,355	97.61%
2006	7,069	6,802	96.2%	142	6,944	98.23%
2007	7,580	7,422	97.9%	74	7,496	98.89%
2008	8,087	7,759	95.9%	-	7,759	95.94%
2009	6,717	6,490	96.6%	-	6,697	99.70%
2010	7,094	6,538	92.2%	94	6,978	98.36%
2011	7,135	6,553	91.8%	96	7,005	98.18%
2012	7,036	6,924	98.4%	-	7,008	99.60%

Source: Grayson County Tax Assessor Collector

TABLE 9

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

Type of Customer	2006		2007		2008		2009		2010		2011	
	Thousands of Gallons	Revenues*	Thousands of Gallons	Revenues*	Thousands of Gallons	Revenues*	Thousands of Gallons	Revenues*	Thousands of Gallons	Revenues*	Thousands of Gallons	Revenues*
Residential	1,333.2	\$ -	1,049.3	\$ -	1,134.2	\$ 5,470	1,099.3	\$ 5,649	1,081.4	\$ 5,813	1,235.1	\$ 6,460
Commercial	1,542.9	-	1,410.5	-	1,428.0	4,581	1,324.9	4,528	1,382.6	4,810	1,405.0	5,112
Other water providers	50.0	-	61.3	-	59.6	121	59.1	122	72.5	149	71.0	149
Outside City limits	22.5	-	18.2	-	17.2	128	17.4	130	20.6	141	23.0	159
Government	22.3	-	19.0	-	23.6	*	23.6	*	24.6	*	38.2	*
Fire hydrants	17.0	-	9.3	-	14.4	784	27.9	130	13.1	63	7.1	49
Total	<u>2,987.9</u>	<u>\$ -</u>	<u>2,567.6</u>	<u>\$ -</u>	<u>2,677.0</u>	<u>\$ 11,084</u>	<u>2,552.2</u>	<u>\$ 10,559</u>	<u>2,594.8</u>	<u>\$ 10,976</u>	<u>2,779.4</u>	<u>\$ 11,929</u>
2012**												
Type of Customer	Thousands of Gallons	Revenues*										
Residential	1,318.8	\$ 7,257										
Commercial	1,278.0	5,064										
Other water providers	73.3	164										
Outside City limits	24.2	174										
Government	50.1	*										
Fire hydrants	5.4	45										
Total	<u>2,749.8</u>	<u>\$ 12,704</u>										

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

***Note:** Revenues breakdown not available.

****Note:** Due to a change in billing schedule, 2012 contains 13 months of consumption and 13 billings.

CITY OF SHERMAN, TEXAS

WATER AND SEWER RATES

LAST SEVEN FISCAL YEARS

Fiscal Year	Water		Sewer	
	Monthly Base Rate	Rate per 1,000 Gallons	Monthly Base Rate	Rate per 1,000 Gallons
2006	\$ 17.19	\$ 2.49	\$ 6.22	\$ 2.64
2007	17.46	2.49	6.28	2.68
2008	18.21	2.60	6.53	2.79
2009	18.48	2.64	6.63	2.83
2010	19.59	2.80	7.03	3.00
2011	19.59	2.80	7.03	3.00
2012	20.37	3.24	7.31	3.12

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

CITY OF SHERMAN, TEXAS

TOP TEN WATER CUSTOMERS

AS OF SEPTEMBER 30, 2012

Customer	Consumption <i>(In Millions of Gallons)</i>	Revenues <i>(In Thousands)</i>	Rank	% of Total Water Revenues
TI	225.1	\$ 743.9	1	7.05%
Globitech	154.8	475.4	2	4.50%
IBP	120.1	374.6	3	3.55%
Sunny Delight Beverages	87.3	307.2	5	2.91%
MEMC	46.9	161.1	4	1.53%
Austin College	44.9	221.4	7	2.10%
Marliee Special Water Dist	39.7	123.0	6	1.16%
THPH-WNJ	33.4	141.0	8	1.34%
Kaiser Aluminum	32.5	108.8	9	1.03%
Sherman ISD	29.8	153.3	10	1.45%
Total	814.5	\$ 2,809.7		26.62%

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

TABLE 12

CITY OF SHERMAN, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(amounts expressed in thousands)

Fiscal Year	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Water and Sewer Bonds	Capital Leases	Other			
2003	\$ 1,650	\$ 634	\$ 700	\$ 812	\$ -	\$ 3,796	0.58%	\$ 108
2004	4,465	515	575	4,533	1,484	11,572	1.76%	330
2005	4,435	400	445	3,957	820	10,057	1.53%	287
2006	4,555	608	305	3,694	3,637	12,799	1.95%	365
2007	4,440	1,192	150	2,968	3,659	12,409	1.89%	354
2008	9,270	909	-	2,335	3,380	15,894	2.42%	453
2009	17,595	659	-	1,750	3,320	23,324	3.55%	665
2010	16,990	1,653	-	1,225	3,256	23,124	3.01%	618
2011	16,295	1,323	-	871	3,179	21,668	2.70%	562
2012	15,580	1,029	-	510	3,099	20,218	2.53%	528

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

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

CITY OF SHERMAN, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2003	\$ 1,650	0.11%	\$ 47
2004	4,465	0.29%	127
2005	4,435	0.28%	126
2006	4,555	0.26%	130
2007	4,440	0.23%	127
2008	9,270	0.46%	264
2009	17,595	0.85%	502
2010	16,990	0.77%	454
2011	16,295	0.73%	423
2012	15,580	0.71%	407

Notes:

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

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

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

CITY OF SHERMAN, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2012

(amounts expressed in thousands)

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
City of Sherman direct debt	\$ 15,580	100.000%	\$ 15,580
Grayson County	61,617	32.554%	20,059
Grayson County Community College	55	32.600%	18
Sherman Independent School District	99	94.189%	<u>93</u>
 Total direct and overlapping debt			 <u>\$ 35,750</u>

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

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

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

CITY OF SHERMAN, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

(amounts expressed in thousands)

		Legal Debt Margin Calculation for Fiscal Year 2012									
		Fiscal Year									
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	Assessed value										\$ 2,190,110
	Add back: exemptions and deductions										<u>561,543</u>
	Total assessed value										2,751,653
	Debt limit (1% of total assessed value)										27,517
	Debt applicable to limit:										
	General obligation bonds										<u>15,580</u>
	Legal debt margin										<u>\$ 11,937</u>
Debt limit		\$ 18,548	\$ 19,745	\$ 19,915	\$ 21,879	\$ 18,934	\$ 16,318	\$ 26,172	\$ 27,834	\$ 27,627	\$ 27,517
Total net debt applicable to limit		<u>1,650</u>	<u>4,465</u>	<u>4,435</u>	<u>4,555</u>	<u>4,440</u>	<u>9,270</u>	<u>17,595</u>	<u>16,990</u>	<u>16,295</u>	<u>15,580</u>
Legal debt margin		<u>\$ 16,898</u>	<u>\$ 15,280</u>	<u>\$ 15,480</u>	<u>\$ 17,324</u>	<u>\$ 14,494</u>	<u>\$ 7,048</u>	<u>\$ 8,577</u>	<u>\$ 10,844</u>	<u>\$ 11,332</u>	<u>\$ 11,937</u>
Total net debt applicable to the limit as a percentage of debt limit.		8.90%	22.61%	22.27%	20.82%	23.45%	56.81%	67.23%	61.04%	58.98%	56.62%

Note:

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

CITY OF SHERMAN, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year	Water Revenue Bonds					
	Water and Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2003	\$ 15,269	\$ 13,363	\$ 1,906	\$ 125	\$ 36	\$ 12
2004	15,299	12,308	2,991	130	29	19
2005	16,088	13,271	2,817	140	42	16
2006	18,652	13,996	4,656	150	14	28
2007	18,205	14,354	3,851	155	6	24
2008	18,205	15,995	2,210	-	-	-
2009	18,104	16,222	1,882	-	-	-
2010	18,544	15,425	3,119	-	-	-
2011	20,389	16,732	3,657	-	-	-
2012	19,212	17,218	1,994	-	-	-

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

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

CITY OF SHERMAN, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Formal Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2003	35,082	\$ 656,630	\$ 18,717	34.0	78.5%	6,244	5.3%
2004	35,082	656,630	18,717	34.0	78.5%	6,363	5.3%
2005	35,082	656,630	18,717	34.0	78.5%	6,380	5.3%
2006	35,082	656,630	18,717	34.0	87.0%	6,400	4.7%
2007	35,082	656,630	18,717	34.0	80.2%	6,572	4.6%
2008	35,082	656,630	18,717	34.0	79.0%	6,568	5.7%
2009	35,082	656,630	18,717	34.0	79.0%	6,714	7.1%
2010	37,422	768,461	20,535	34.0	82.3%	7,369	8.1%
2011	38,521	768,461	20,850	34.0	82.6%	6,924	6.0%
2012	38,315	768,461	20,850	34.0	82.6%	7,022	6.6%

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

CITY OF SHERMAN, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND EIGHT YEARS AGO

Taxpayer	2012			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment*
Tyson Fresh Meats	1,450	1	7.94%	1,600	1	9.74%
Texas Health Presbyterian Hosp	1,000	3	5.48%	940	6	5.72%
Texoma Medical Center	1,000	2	5.48%	-	-	- %
Sherman ISD	985	4	5.40%	1,000	5	6.09%
Texas Instruments	900	5	4.93%	1,000	4	6.09%
City of Sherman	480	6	2.63%	-	-	- %
Grayson County	475	9	2.60%	475	8	2.89%
Wal-Mart/Sam's	450	7	2.47%	400	9	2.44%
Fisher Controls (Emerson Proc 1	400	7	2.19%	380	10	2.31%
Community Medical Center	390	10	2.14%	-	-	- %
Cigna	-	-	- %	1,350	2	8.22%
Texoma Regional Healthcare	-	-	- %	1,250	3	7.61%
MEMC Southwest	-	-	- %	511	7	3.11%
Total	<u>7,530</u>		<u>41.26%</u>	<u>8,906</u>		<u>54.22%</u>

Source: Sherman Economic Development Corporation

* Information was not available for years 2003-2004

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

Function/Program	Fulltime Equivalent Employees as of September 30,			
	2003	2004	2005	2006
General government				
Management services	4	4	4	4
Public records	2	2	2	2
Legal services	2	2	2	2
Financial services	5	5	5	6
Human resources	3	3	3	3
Procurement services	-	-	-	-
Development/engineering	7	7	6	6
Law enforcement	60	60	68	68
Fire and ambulance	75	75	758	75
Animal control	7	7	7	7
Public safety support	24	24	24	24
Building and zoning/code	9	9	9	8
Street maintenance	27	27	27	27
Stornwater services	1	1	1	1
Alley and right-of-way	4	4	4	4
Building maintenance	9	9	9	9
Cemetery services	5	5	5	5
Parks and recreation	4	4	4	5
Grounds maintenance	13	13	13	13
Glennie O. Ham Center	2	2	2	2
Library services	11	11	11	11
General administration	1	1	-	-
Community development	-	-	-	-
Day care center	13	13	13	13
Senior citizens center	2	2	2	2
Utility Fund				
Utility administration	-	-	2	2
Utility billing/customer service	9	9	9	9
Production services	18	18	18	18
Pump maintenance	4	4	4	4
Collection and distribution	18	17	17	17
Infiltration	-	-	-	-
Treatment services	12	12	12	12
Laboratory	8	9	9	9
Industrial pretreatment	-	-	-	-
Solid waste fund				
Residential	13	13	13	13
Commercial	3	11	13	13
Recycling	3	3	3	3
Other				
Computer services	3	3	3	3
Equipment services	14	14	14	14
Tourism	-	-	-	-
Total	<u>395</u>	<u>403</u>	<u>1,096</u>	<u>414</u>

Source: City of Sherman Human Resources Office

TABLE 19

Fulltime Equivalent Employees as of September 30,						
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	
4	4	4	4	3	3	
2	2	2	2	2	2	
2	2	2	2	2	2	
6	6	6	6	6	6	
3	3	3	3	3	3	
-	-	-	-	-	-	8
6	6	6	8	8	68	
68	68	68	68	68	78	
75	75	75	78	78	7	
7	7	7	7	7	25	
24	24	24	25	25	6	
9	9	9	8	6	25	
23	23	23	25	25	-	
-	-	-	1	-	2	
2	-	-	-	2	-	
9	9	9	9	9	9	
5	5	5	4	4	6	
5	5	5	5	5	5	
13	13	11	15	15	11	
2	2	2	2	2	2	
12	12	11	11	11	11	
-	-	-	-	-	-	
-	2	1	1	1	1	
13	13	-	-	-	-	
2	2	2	2	1	1	
2	2	2	1	1	1	
9	11	11	11	11	11	
18	18	18	18	18	18	
4	4	4	4	4	4	
17	17	17	16	16	16	
1	1	1	1	1	1	
12	12	12	12	12	12	
9	9	9	6	6	6	
-	-	-	4	4	4	
13	14	14	14	15	15	
13	13	13	13	12	12	
3	3	3	3	3	3	
4	4	4	4	4	4	
14	14	14	14	14	14	
-	-	1	1	1	1	
<u>411</u>	<u>414</u>	<u>398</u>	<u>408</u>	<u>405</u>	<u>403</u>	

TABLE 20

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Physical arrests	2,254	2,060	1,223	1,485	1,750	1,787	1,781	1,946	2,864	2,366
Calls for service	3,397	2,050	1,223	2,242	2,523	2,652	1,584	19,126	19,040	19,756
Traffic violations	6,902	8,822	4,082	6,379	5,920	6,856	5,154	8,677	6,253	2,882
Fire										
Number of calls answered	5,607	5,368	5,940	6,730	6,769	6,140	5,661	5,682	6,063	6,190
Inspections	2,241	2,339	1,834	1,750	2,110	1,623	145	1,844	3,027	1,956
Highways and streets										
Street resurfacing (miles)	60	69	54	62	65	78	47	18	25	23
Potholes repaired	13,420	16,509	14,008	3,900	400	350	1,425	2,420	1,400	2,245
Sanitation										
Refuse collected (tons/day)	-	-	137	188	138	181	150	159	112	148
Recyclables collected (tons/day)	-	6	7	7	7	10	11	10	8	11
Culture and recreation										
Athletic field permits issued	556	570	589	627	650 *	721	1,248	3,845	3,503	3,429
Community center admissions	3,337	3,726	4,599	5,634	5,697 *	6,284	6,156	9,592	5,932	4,832
Water										
New connections	2,665	2,703	2,698	2,852	2,851	2,800	2,572	2,514	2,572	2,572
Water mains breaks	206	185	311	354	202	206	138	161	280	165
Average daily consumption (thousands of gallons)	8	7	8	9	7	9	8.7	8.3	10.0	8.0
Wastewater										
Average daily sewage treatment (thousands of gallons)	6,990	8,160	8,150	7,630	8,890	7,790	8,460	8,530	7,200	6,740

Source: Various City departments

* Estimates used; actual number not available.

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	15	15	15	17	17	17	17	17	17
Fire stations	5	5	5	5	5	5	5	5	5	5
Sanitation										
Collection trucks	#VALUE!	28	32	38	39	-	39	40	37	37
Highways and streets										
Streets (miles)	210	210	210	210	213	215	215	212	212	212
Streetlights	-	2,935	2,935	2,935	2,966	2,966	3,019	3,049	3,049	3,049
Traffic signals	-	-	82	82	84	84	84	84	84	84
Culture and recreation										
Parks acreage	471	440	414	414	414	414	424	424	414	414
Swimming pools	2	1	1	1	1	1	1	1	1	1
Tennis courts	-	4	4	4	4	4	4	4	4	4
Community centers	-	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	-	219	220	220	220	226	269	269	270	277
Fire hydrants	1,917	1,945	1,945	1,970	1,970	1,995	2,023	2,208	1,775	1,766
Maximum daily capacity (thousands of gallons)	25,600	27,500	27,500	23,800	23,673	23,500	28,766	23,000	23,000	23,157
Sewer										
Sanitary sewers (miles)	216	218	218	219	219	221	238	238	238	240
Storm sewers (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maximum daily capacity (thousands of gallons)	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000

Source: Various City departments

THIS PAGE LEFT BLANK INTENTIONALLY