



City of Borger

Annual Financial Report

Year Ended September 30, 2010

(with Auditors' Report Thereon)

City Council

Jeff Brain
Mayor

Charles Gillingham
Council Member

Leon DeWeese
Council Member

Bubba Dickson
Council Member

Robert Vinyard
Council Member



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City of Borger

Borger, Texas

Audited Financial Statements
and Supplemental Information

September 30, 2010

CITY OF BORGER
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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JW Anderson & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

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

We did not audit the financial statements of the City's discretely presented component unit, Borger Economic Development Corporation. Those financial statements were audited by other auditors whose unqualified report dated March 10, 2011 thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Borger, Texas accompanying basic financial statements, is based on the report of the other auditors.

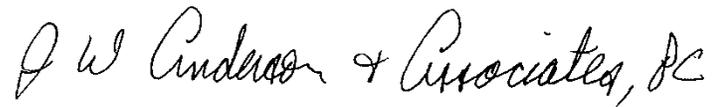
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2011 on our consideration of Borger's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the City of Borger, Texas' basic financial statements and budgetary comparison schedule. The supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis on pages 1 through 16, schedules of funding progress related to pension plans and other postemployment benefits disclosed in Note J and the other supplemental schedules listed in the table of contents are not a required part of the basic financial statements but are presented in compliance with requirements issued by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required information. However, we did not audit the information and we do not express an opinion or any other form of assurance on such information.

A handwritten signature in black ink that reads "J W Anderson & Associates, PC". The signature is written in a cursive, flowing style.

JW ANDERSON & ASSOCIATES, PC
A Professional Corporation
Lubbock, Texas
May 31, 2011

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**FY 2009 – 2010 Audit
Management’s Discussion and Analysis**

City of Borger, Texas
Form of Government - Council/Manager
September 30, 2010



Jeff Brain
Mayor



Charles Gillingham
Council Member



Leon DeWeese
Council Member



Marvin “Bubba” Dickson
Council Member



Robert Vinyard
Council Member

This section of the City of Borger’s annual financial report presents discussion and analysis from City management regarding the City’s financial performance, the independent auditor’s report, and the City’s basic financial statements during the fiscal year that ended on September 30, 2010 with comparative information for the fiscal year ended September 30, 2009.

FINANCIAL HIGHLIGHTS

- Total Net Assets of the City of Borger equal \$16.0 million, down from \$23.7 million from FY 2008-2009. This is a result of \$46.6 million in assets less \$30.6 million in liabilities. In 2009-2010 the City recognized \$9.8 million in unfunded TMRS retirement obligations not previously recognized. This significantly decreased the City’s total net assets.
- The State of Texas does not provide for a statutory debt limit for cities. The truth-in-taxation criterion specifies that debt (Interest & Sinking) requirements must be met first, then operations. The property tax rate to meet these needs cannot exceed \$2.50 per \$100 valuation. As of September 30, 2010 the City has debt in the amount of \$8.3 million¹ secured by the levy and collection of a direct and continuing ad valorem tax on all taxable property within the City and revenues generated by the Water & Sewer Proprietary Fund. Based on a population of 14,302 (2000 Census) the per capita debt for the City is \$580.50 and the ratio of bonded debt to assessed value is 2.4%.
- The City of Borger is compliant with the GASB 34 reporting model, which requires accounting for depreciation of fixed assets within governmental activities². Shown within Note F – Capital Assets, the FY 2009-2010 governmental fixed asset year-end balance is \$22.2 million less accumulated depreciation of \$10.4 million leaving \$11.8 million in Net Depreciable Assets for governmental activities.
- Financially, FY 2009-2010 was a good year for the General Fund. The City collected \$768,010³ more in revenues than the budgeted amount. This was primarily attributed to strong retail sales in spite of a depressed national economy, higher than anticipated revenues from franchise taxes, service charges, and grants.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements.

¹ Notes to Financial Statements: Note G – Long Term Debt

² Notes to Financial Statements: Note F - Capital Assets

³ Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

- The Government Wide Statement of Net Assets and the Statement of Activities (sometimes referred to as government-wide financial statements) provide information about the activities of the City as a whole and represent a longer-term view of the City’s finances. They reflect the flow of total economic resources in a manner similar to the financial reports of a business.
- Fund financial statements report the City’s operations in more detail than the governmental wide statements by providing information about the City’s most significant funds. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.
- The notes to the financial statements provide narrative explanations or additional data needed for full disclosure and are an integral part of the government-wide and fund financial statements.
- Finally, the combining statements for non-major funds contain even more information about the City’s individual funds.

Reporting the City as a Whole

One of the most important questions asked about the City’s finances is “Is the City as a whole better off or worse off as a result of the year’s activities?” The *Statement of Net Assets* and the *Statement of Activities* report information about the City as a whole and about activities in a way that helps answer this question. The Statement of Net Assets includes *all* assets and liabilities at the end of the year; and, the Statement of Activities include all the revenues and expenses generated by the City’s operations during the year. These statements apply the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report changes in the City’s net assets. The City’s net assets (the difference between assets and liabilities) provide one measure of the City’s financial health, or financial position. Over time, increases or decreases in the City’s net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City’s property tax base, strength of the local economy and the condition of the City’s facilities.

Reporting the City’s Most Significant Funds

Some funds are required to be established by State laws and bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular

purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The City uses different accounting approaches for different types of funds:

Governmental funds – Most of the City’s basic services are included in governmental funds which use modified accrual accounting method, and focus on (1) how cash and other financial assets that can readily be converted to cash flow into and out of these funds, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliation schedules following each of the fund financial statements.

Enterprise funds – Services for which the City charges customers (whether outside customers or other units of the city) for the full cost of the services it provides are generally reported in enterprise funds. These business-type activities, like the government-wide statements, provide both long- and short-term financial information. Business type activities are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

Fiduciary funds – The City has fiduciary responsibility for other assets that – because of trust arrangements – can be used only for the trust beneficiaries. The City is responsible for ensuring the assets reported in those funds are used for their intended purposes. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

Component Unit – Component unit information for the Borger Economic Development Corporation (BEDC) is presented in the Statement of Net Assets and the Statement of Activities. The BEDC is a component unit of the City of Borger and is specifically governed by the Texas Development Corporation Act of 1979, as amended. The purpose of the BEDC is to promote and develop industrial and manufacturing enterprises in order to promote and encourage employment and the public welfare of the City.

In the supplemental information section, the City has provided detailed historical such as tax receivables, tax levies, property values, water/sewer statistical information and insurance coverage. The reports are intended to provide the user with information beyond the realm of the traditional auditing requirements.

FINANCIAL ANALYSIS

The City as a Whole

The following table provides a comparison between the activities for FY 2009-2010 and FY 2008 -2009 under the GASB Statements 34, 37, & 38 since implementation by the City in 2003.

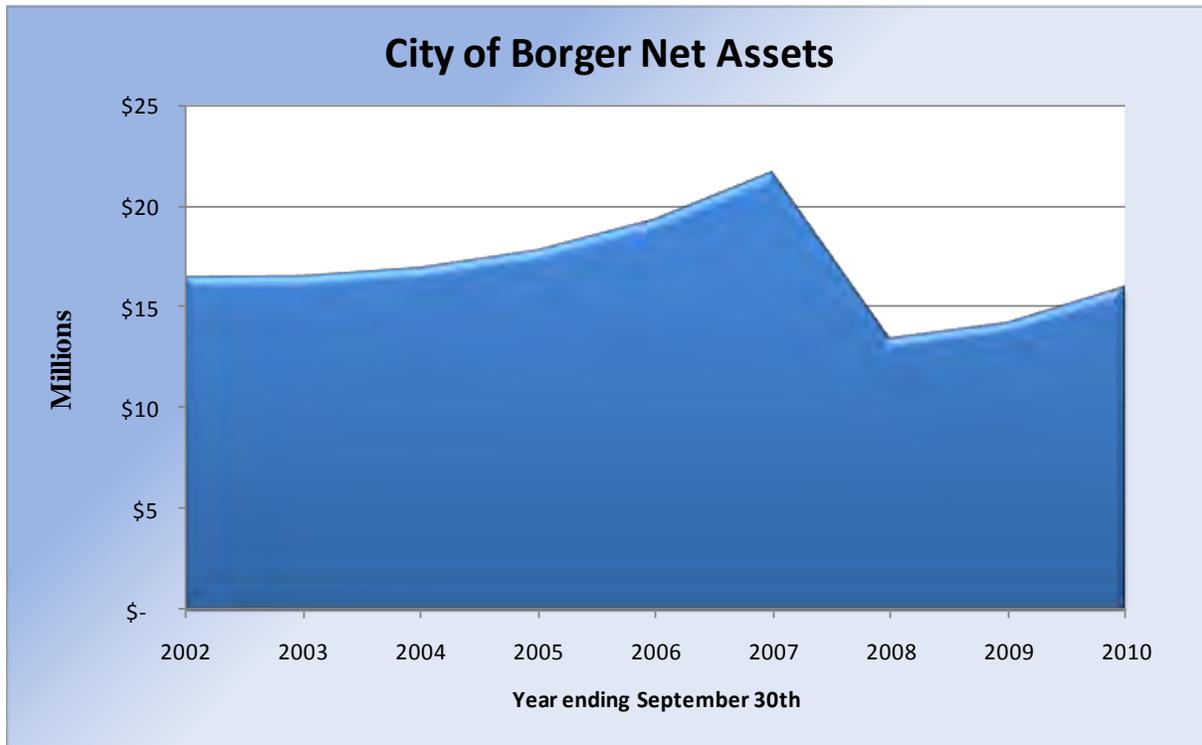
Changes in the City of Borger's Net Assets

	Governmental Activities		Business-type Activities		Totals	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010
Assets:						
Current Assets	\$ 3,292,102	\$ 2,868,730	\$ 4,222,208	\$ 4,748,039	\$ 7,514,310	\$ 7,616,769
Non-Current Assets	\$ 11,969,595	\$ 13,170,081	\$ 24,251,809	\$ 25,812,261	\$ 36,221,404	\$ 38,982,342
Total Assets	\$ 15,261,697	\$ 16,038,811	\$ 28,474,017	\$ 30,560,300	\$ 43,735,714	\$ 46,599,111
Liabilities:						
Current Liabilities	\$ 640,354	\$ 1,681,198	\$ 1,528,675	\$ 1,109,317	\$ 2,169,029	\$ 2,790,515
Non-Current Liabilities	\$ 5,870,209	\$ 15,327,398	\$ 12,002,531	\$ 12,512,945	\$ 17,872,740	\$ 27,840,343
Total Liabilities	\$ 6,510,563	\$ 17,008,596	\$ 13,531,206	\$ 13,622,262	\$ 20,041,769	\$ 30,630,858
Net Assets:						
Invested in Capital Assets	\$ 5,804,562	\$ 7,101,583	\$ 11,238,553	\$ 13,550,910	\$ 17,043,115	\$ 20,652,493
Restricted	\$ 1,330,566	\$ 236,832	\$ 75,065	\$ -	\$ 1,405,631	\$ 236,832
Unrestricted	\$ 1,616,006	\$ (8,308,200)	\$ 3,629,193	\$ 3,387,128	\$ 5,245,199	\$ (4,921,072)
Total Net Assets	\$ 8,751,134	\$ (969,785)	\$ 14,942,811	\$ 16,938,038	\$ 23,693,945	\$ 15,968,253

The City participates in the Texas Municipal Retirement System (TMRS). In December 2007, the TMRS Board of Trustees changed actuarial funding methods from the Unit Credit to the Projected Unit Credit method. The Unit Credit actuarial method did not project potential future liability, whereas the Projected Unit Credit actuarial method facilitates advanced funding for future updated service credits, cola’s, and annuity increases that are adopted on an annually repeating basis. This unfunded liability has previously existed and has been disclosed in the auditor’s notes since 2008; however, in the interest of full disclosure beginning in FY 2009-2010 the City will recognize the unfunded pension liability in the Total Net Assets. For FY 2009-

2010 the City’s unfunded pension liability was \$9,504,071⁴ which will cause the Net Assets of the governmental activities to show a negative balance.

The following chart represents graphically, how the City’s Total Net Assets have changed since the City’s implementation of GASB Statements in 2003 and the TMRS’s actuarial change in 2007.

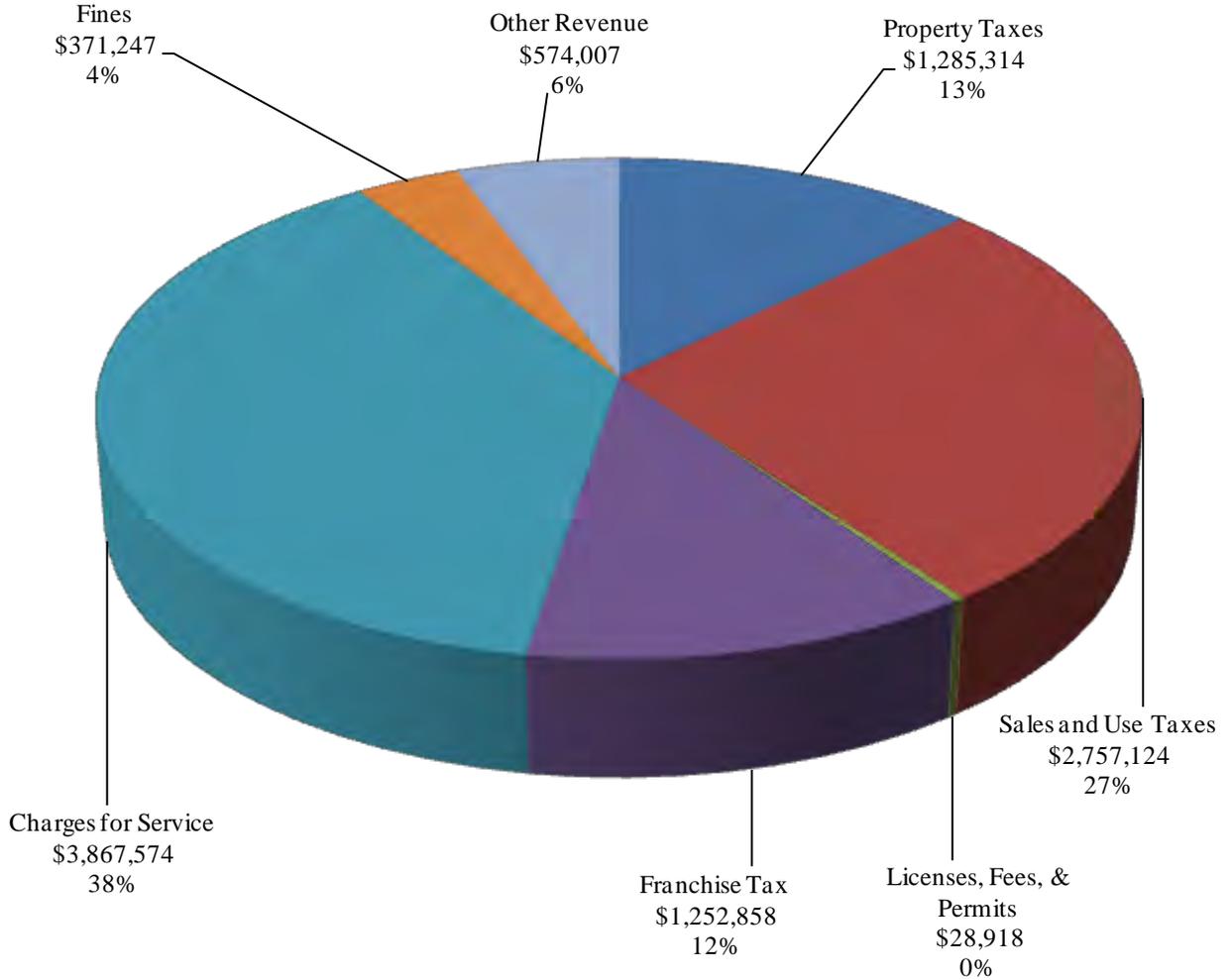


The City’s Governmental Activities

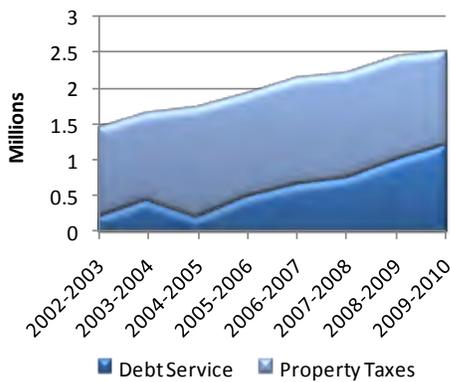
Governmental activities include all funds except business-type activities and the component unit of the BEDC. Examples include the General Fund (Administration, Animal Control, Fire, Code Enforcement, Legal, Parks/Recreation, Planning & Zoning, Police, Public Works, Refuse Collection Municipal Court, Emergency Management and various other departments), Tourism Fund, Special Projects Funds, Grant Funds, Debt Service Funds, Capital Improvement and Capital Equipment Funds and various other funds. The following charts graphically represent the City’s revenues for FY 2009-2010 as well as a historical view of the property, debt service, and sales taxes for the last several years.

⁴ Notes to Financial Statements: Note J – Pension Plan and Other Post Employment Benefits

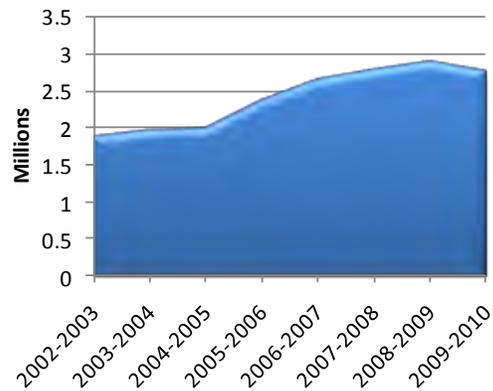
FY 2009-2010 Revenue by Source - Governmental Activities



Historical Property Taxes

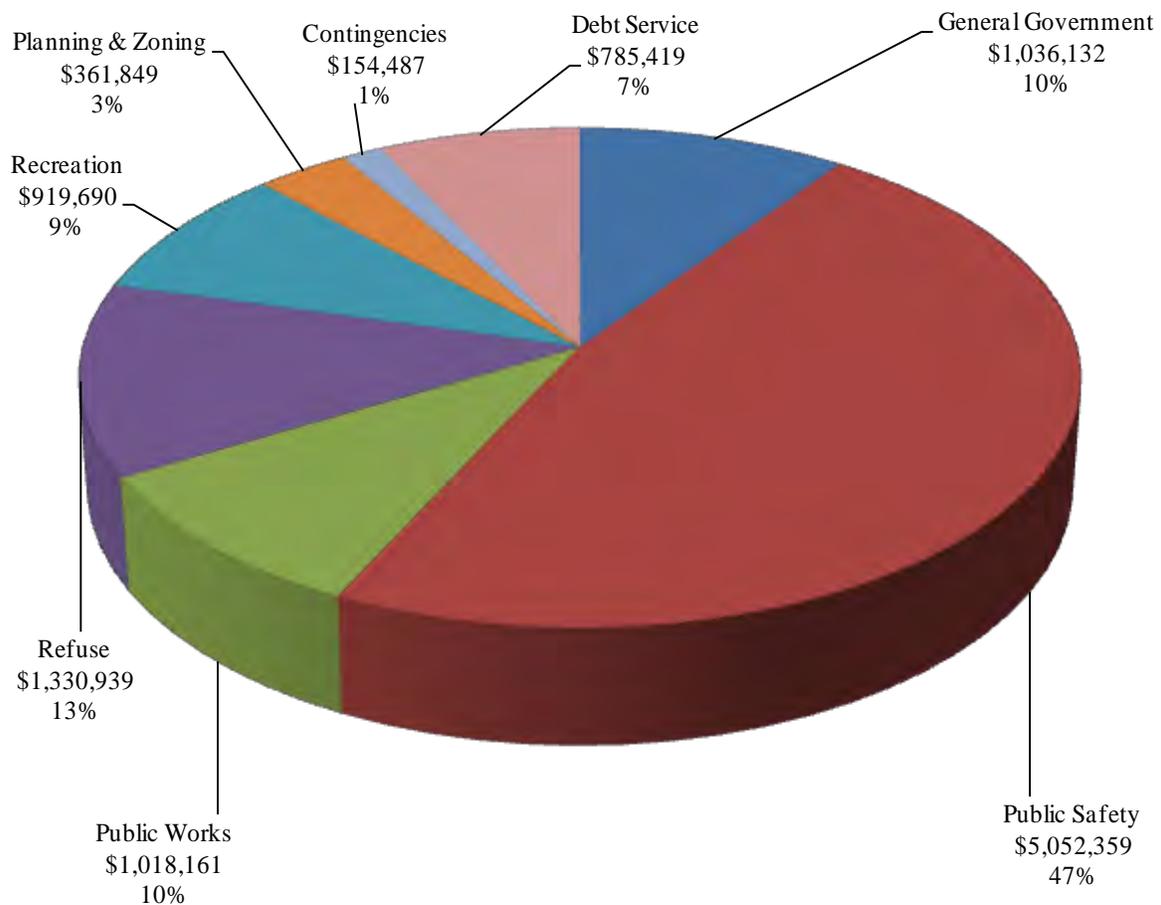


Historical Sales Taxes



The cost of all governmental activities this year was \$11.4 million⁵ compared to \$13.8 million for FY 2008-2009. However, as shown in the Statement of Revenues, Expenditures, and Changes in Fund Balance, the amount that our taxpayers ultimately funded through property taxes was only \$1.2 million⁶. The balance of \$10.2 million was funded by those who directly benefited from the programs or services, sales tax, industrial district contracts, and other sources of revenue. Capital expenditures within governmental activities are depreciated over their useful life as a result of the GASB 34 model. The following chart graphically represents the City's expenditures on governmental activities for FY 2009-2010.

FY 2009-2010 Expenditures - Governmental Activities

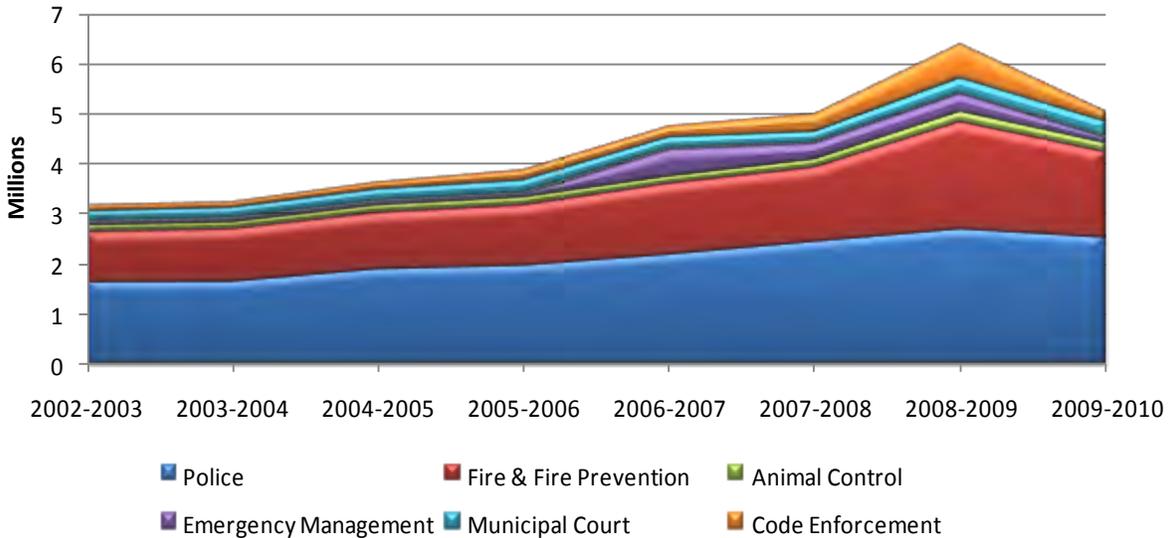


⁵ Government-Wide Statement of Activities

⁶ Statement of Revenues, Expenditures, and Changes in Fund Balance

Public safety, which includes the Police, Fire, Animal Control, Emergency Management, Municipal Court, and Code Enforcement continues to comprise close to half of all expenditures for governmental activities. The following chart represents a historical view of the cost to provide those basic services for the last several years.

Historical Public Safety Expenditures



Business-type Activities

The 2009 - 2010 Budget also included Business-type activities (often referred to as Enterprise Funds) from the operation of our water, and sewer operations. During FY 2009-2010 the operating income from the City’s business-type activities was \$735,102⁷.

Over the last several years the City has greatly expanded industrial water sales and invested in major capital improvements including two new water wells; and, the acquisition of approximately 1200 acres of water rights located in Carson County and within the Panhandle Ground Water Conservation District; three water wells; booster pump station and storage tank; seven (7) to eight (8) miles of pipeline and associated rights-of-way; and a two million gallon ground storage tank on approximately 4 acres of land. As a result of this acquisition Degussa Engineered Carbons now purchases approximately 275 to 300 million gallons of water exclusively from the City of Borger on an annual basis. The sale of water to this industrial customer has increased water revenue by approximately \$350,000 to \$375,000 annually. This acquisition was completed with no increase in personnel.

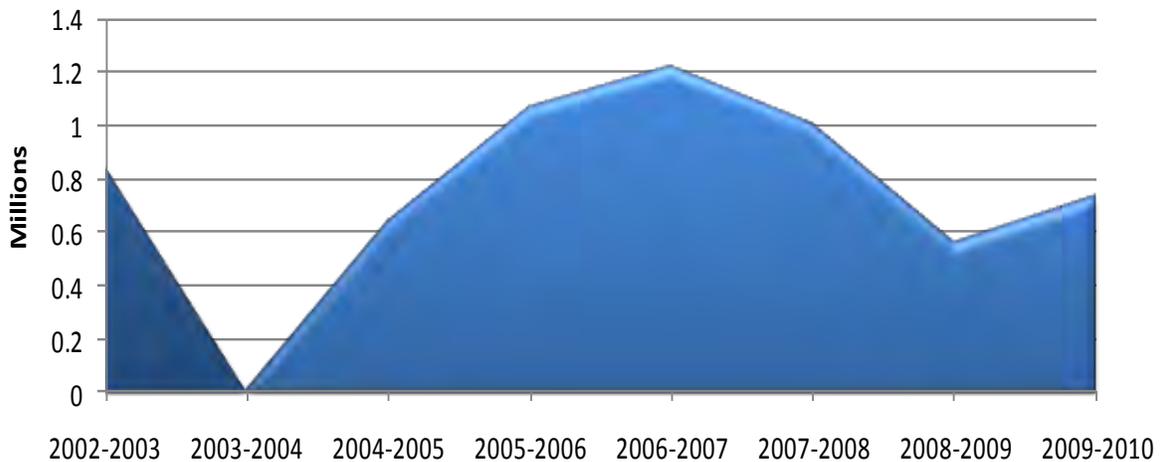
⁷ Statement of Cash Flows – Proprietary Funds

For over fifty years, the Canadian River Municipal Water Authority (CRMWA) has worked to serve its member cities and all citizens of the Texas Panhandle and South Plains by providing a dependable and safe source of municipal and industrial water. The City is an original member of the CRMWA. Since its beginning, CRMWA has incurred debt for projects to secure, develop, and deliver water to the eleven member cities. Currently, the City is obligated to the CRMWA for bonded indebtedness of approximately \$9.8 million⁸. This obligation is paid on a monthly basis out of the Enterprise Fund operating revenues and will be retired in 2029.

With Lake Meredith (one of the City’s major sources of water) at historically low levels, the acquisition of additional long-term water supplies will continue to be one of our high priority goals. We will facilitate this goal through continued partnership with the CRMWA in the expansion of the John C. Williams Well Field and through development of our own water resources.

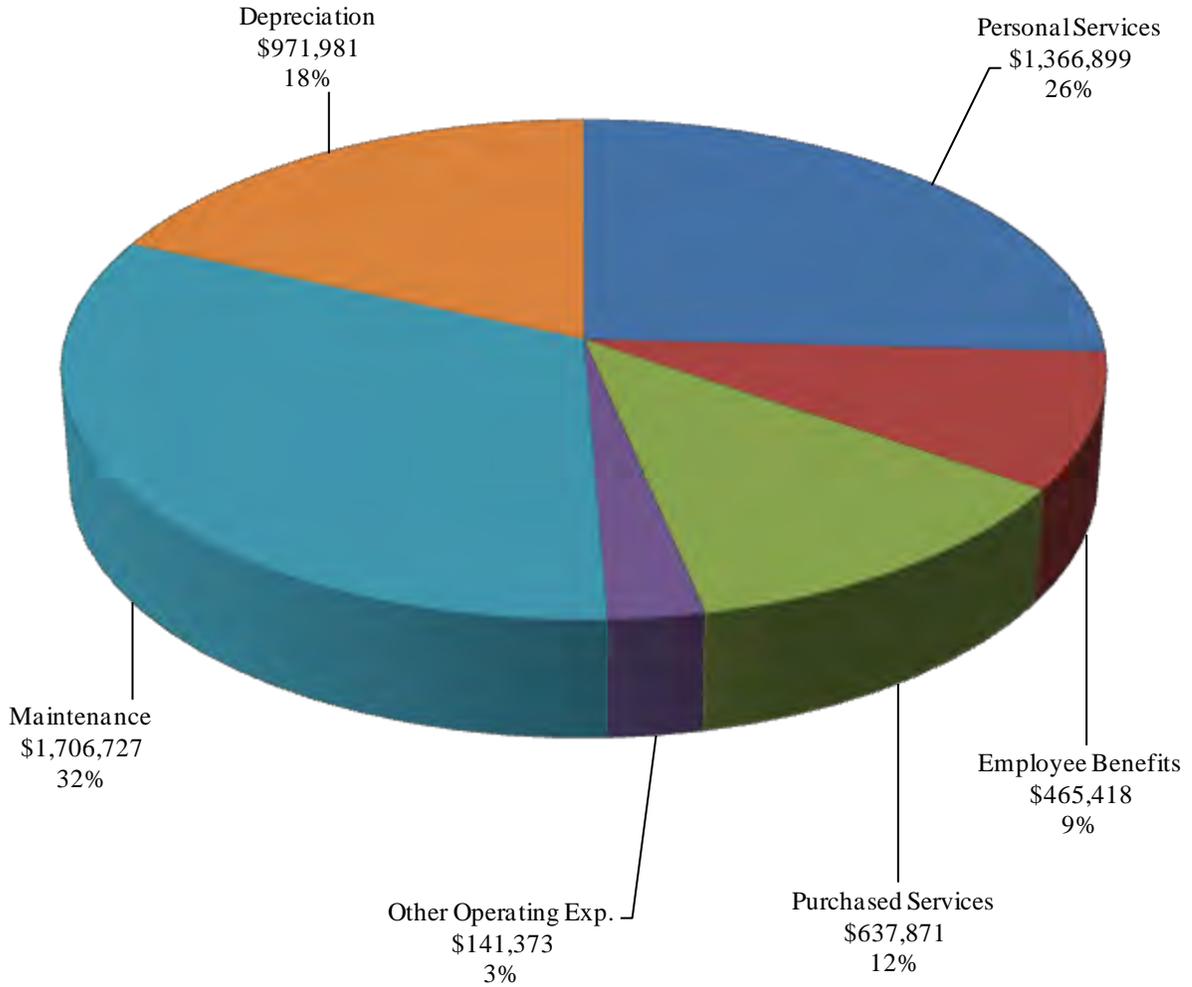
Historically, some excess revenue has been transferred from the Enterprise Fund to the General Fund for services rendered in order to supplement the City’s governmental activities. In recent years this need has been reduced by a robust economy and greater than anticipated sales tax; however, over the last couple of years transfer of excess revenue to support governmental activities has again increased. The following chart dramatically shows the effect of very limited transfers out of the Enterprise Fund and increased sales of industrial water since FY 2003-2004.

Enterprise Fund - Operating Income (Loss)



⁸ Notes to Financial Statements: Note G – Long Term Debt

FY 2009-2010 Expenditures - Business-type Activities



LONG-TERM DEBT

In recent years, the City has shifted its entire debt burden from the General Fund to the Interest & Sinking Fund. Currently, the City has \$8.3 million in outstanding long-term debt payable from the levy and collection of a direct and continuing ad valorem tax within the limit prescribed by law, on all taxable property within the city.

As described earlier, the City, under contractual agreements with the CRMWA, is obligated for long-term debt in the amount of \$9.8 million. By law, the debt service for these obligations cannot be funded from ad valorem taxes. The City funds this debt fully from operational revenues generated from business-type activities.

City of Borger's Outstanding Debt
FY 2009-2010

City Outstanding Debt	Remaining Principal	*2010-2011 Debt Service	Maturity Year
General Obligation Refunding Bonds Series 1995	\$ -	\$ -	2010
General Obligation Refunding Bonds Series 2002	\$ 1,840,000	\$ 503,000	2014
Tax and Water/Sewer Surplus Revenue Certificates of Obligation Series 2002	\$ 630,000	\$ 113,000	2015
Notes Payable Obligations	\$ 832,355	\$ 117,700	2019
Certificates of Obligation Revenue Bonds Series 2006	\$ 5,000,000	\$ 420,000	2019
Total I&S Debt	\$ 8,302,355	\$ 1,153,700	
<hr/>			
CRMWA Outstanding Debt			
U.S. Bureau of Reclamation Prepayment Series 1999	\$ 767,257	\$ 118,981	2019
Salinity Control Series 1999	\$ -	\$ -	2010
Conjunctive Use Ground Water Series 1999 and Revenue Refunding Series 2005	\$ 2,292,047	\$ 337,655	2020
Conjunctive Use Ground Water Series 2005	\$ 2,659,346	\$ 137,206	2025
Conjunctive Use Ground Water Series 2006	\$ 2,447,672	\$ 220,383	2027
Conjunctive Use Ground Water Series 2009	\$ 1,140,736	\$ 87,990	2029
Contract Revenue Refunding Series 1999 (2010)	\$ 465,138	\$ 61,978	2020
Total CRMWA Obligated Debt	\$ 9,772,196	\$ 964,193	
Total City and CRMWA Long-term Debt	\$ 18,074,551	\$ 2,117,893	

* Requirements for 2010-2011 are estimated

Standard and Poor’s recently reviewed the City’s various Obligation Bonds and have *upgraded* the rating from “A-“ to “A+” while affirming a stable outlook. The rationale states, in part, that “Borger is the regional economic center for Hutchinson County. Over the last several years, assessed value has increased by 3% annually while overall debt levels are moderate at 5.2% of the market value.”

STATUS OF CITY RESERVES

The following is a listing of the City’s Governmental and Business-type reserves comparative information from last year. The City as a whole ended FY 2009-2010 with an unaudited balance of \$6.8 million compared to \$7.1 million for FY 2008-2009. While the unrestricted General Fund decreased slightly, the Water/Sewer Fund reserve balance significantly increased; however, the total reserves decreased due to expenditures related to the

completion and final payments of two water wells. The following table lists each of the City’s funds separately with comparative information from the previous year.

**City of Borger's Statement of Fund Balances
 FY 2009-2010**

	Fiscal Year 2008-2009	Fiscal Year 2009-2010	Percent Change
Governmental Activities Group			
General Fund	\$ 1,220,052	\$ 1,291,600	6%
Capital Equipment Fund	\$ 396,172	\$ 66,217	-83%
City Tourism Fund	\$ 162,356	\$ 170,004	5%
Central Supply Fund	\$ 152,992	\$ 163,974	7%
Tub Grinder Operations Fund	\$ 16,235	\$ (74)	-100%
Park Recreation & Special Projects Fund	\$ (35,200)	\$ (1,240)	-96%
Police Club 100 Fund	\$ 8,109	\$ 14,550	79%
Fire Equipment Fund	\$ 1,502	\$ 1,455	-3%
Police Grants Fund	\$ 129,100	\$ (16,044)	-112%
Emergency Operations Fund	\$ 3,657	\$ 3,314	-9%
Municipal Court Security Fund	\$ 29,149	\$ 34,851	20%
Debt Service I&S Fund	\$ 745,013	\$ 170,615	-77%
Texas Plains Trail Fund	\$ 25,578	\$ 34,263	34%
Police Benevolent Fund Fund	\$ 5,000	\$ 6,008	20%
Municipal Court Technology Fund	\$ (388)	\$ (8,160)	2003%
Borger Community Designated Fund	\$ 58,933	\$ 68,470	16%
Cofield Community Fund	\$ 980	\$ 981	0%
Special Crime Fund	\$ 2,918	\$ 1,921	-34%
Total Government Activities Group Fund Balance	\$ 2,922,158	\$ 2,002,705	-31%
Business-type Activities Group			
Water/Sewer Fund	\$ 4,223,681	\$ 4,748,039	12%
Total Business-type Activities Group Fund Balance	\$ 4,223,681	\$ 4,748,039	12%
City as a Whole Total Fund Balance	\$ 7,145,839	\$ 6,750,744	-6%

* All fund balances are unaudited

CURRENT EVENTS, THE BUDGET, UPCOMING CHALLENGES

Current Events

The City’s elected and appointed officials considered many factors when setting the FY 2009–2010 Budget and tax rates. One of those factors was the economy. Borger’s economy has been based on and intertwined with oil and the petro chemical industry since its inception; during the current year crude oil prices and the unrest in the national economy have been closely monitored.

The completion and opening of the Hampton Inn & Suites and the proposed CVS Pharmacy should expand hotel/motel and tourism industries and improve sales tax revenues.

The Borger Economic Development Corporation which shows up as a non-major component in many of the tables contained within this audit continues to be active and successful in the recruitment and retention of businesses and companies. Their primary focus is on the creation of primary jobs, however, efforts are continuing in four other areas identified as critical to Borger and the surrounding area. These areas include availability of housing, acute and long term healthcare, construction of an events/multi-purpose community center, and participating with Hutchinson County in the construction of a new terminal building at the Hutchinson County Airport. To that end, three of those goals should become a reality over the next 12 to 24 months. Through a joint effort with Hutchinson County and a grant from the State of Texas a new Airport Terminal building is currently in the construction stage with completion proposed for mid 2011. Also, a forty-eight unit housing project is being resurrected and the Hutchinson County Hospital District has begun construction of a new hospital directly west of Frank Phillips College.

Budget

These factors were conservatively taken into account when adopting the FY 2009-2010 Budget. The City will use its revenues to finance programs we currently offer and expand spending in maintenance of streets and rights of ways. In order to protect and preserve vital road infrastructure this program was resurrected with minimal funding allocated in the FY 2007-2008 Budget. Funding for this important program was significantly increased in the FY 2008-2009 and again in the FY 2009-2010 Budget. Other programs that an increased emphasis has been placed on include, clean up and maintenance of rights-of-ways and highly visible areas of the City, removal of junk and/or abandoned vehicles, and eliminating unsightly nuisances through compliance and/or enforcement of ordinances.

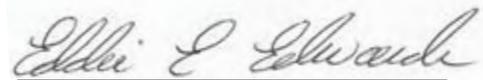
Upcoming Challenges

As we move forward, the national economy will present new challenges. During FY 2009-2010 the Municipal Cost Index increased by 2.9% indicating a slow reversal from the decrease of 5.2% at the end of FY 2007-2008. This index is designed to determine the rate of inflation or the cost of providing municipal services to residents of cities.

Retention of long-term and/or highly qualified employees in the modern market place will continue to present significant challenges. Active succession planning requires a major investment in both time and financial resources. However, with the City’s aging administrative staff, it is an investment that the City must continue to make.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager, at the City of Borger, 600 N. Main, PO Box 5250 Borger, Texas, 806-273-0900.



Eddie E. Edwards
City Manager
City of Borger, Texas
eedwards@ci.borger.tx.us

FINANCIAL STATEMENTS

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CITY OF BORGER, TEXAS
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS
 September 30, 2010

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total 2010	
CURRENT ASSETS				
Pooled Cash and Cash Equivalents	\$ -	1,829,971	\$ 1,829,971	\$ 256,797
Investments	2,483,655	2,370,008	4,853,663	942,002
Accrued Interest	18,635	-	18,635	-
Inventories	58,100	-	58,100	-
Accounts Receivables, Net	112,081	540,193	652,274	260,684
Other Receivables	177,269	-	177,269	-
Due from Other Funds	-	7,867	7,867	-
Deposits	18,990	-	18,990	-
Other Current Assets	-	-	-	193,981
Total Current Assets	2,868,730	4,748,039	7,616,769	1,653,464
NONCURRENT ASSETS				
Restricted Assets				
Cash and Cash Equivalents	117,673	-	117,673	-
Investments	118,470	-	118,470	-
Bond Issuance Costs, Net	-	19,155	19,155	-
Other NonCurrent Assets	-	-	-	250,268
Capital Assets, Net	12,933,938	25,793,106	38,727,044	547,800
Total Noncurrent Assets	13,170,081	25,812,261	38,982,342	798,068
Total Assets	\$ 16,038,811	\$ 30,560,300	\$ 46,599,111	\$ 2,451,532
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Cash and Cash Equivalents Overdraft	\$ 612,957	\$ -	\$ 612,957	\$ -
Accounts Payable	313,725	29,304	343,029	6,040
Sales Tax Payable	12,089	-	12,089	-
Accrued Payroll	70,350	-	70,350	-
Accrued Payroll Expenses	63,222	14,546	77,768	-
Accrued Interest	36,246	14,249	50,495	-
Due to Other Funds	7,867	-	7,867	-
Accrued Vacation	255,837	52,851	308,688	-
Current Portion of Grants Payable	-	-	-	100,000
Current Portion of Long-Term Debt	308,905	998,367	1,307,272	117,000
Total Current Liabilities	1,681,198	1,109,317	2,790,515	223,040
NONCURRENT LIABILITIES				
Utility Customer Deposits	14,167	338,824	352,991	-
Deferred Revenue	7,791	930,292	938,083	-
Unfunded Retirement Obligation	9,781,990	-	9,781,990	-
Grants Payable Due After One Year	-	-	-	100,000
Long Term Debt Due After One Year	5,523,450	11,243,829	16,767,279	117,000
Total NonCurrent Liabilities	15,327,398	12,512,945	27,840,343	217,000
Total Liabilities	17,008,596	13,622,262	30,630,858	440,040
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	7,101,583	13,550,910	20,652,493	547,800
Restricted for Debt Service	170,615	-	170,615	-
Restricted for Capital Outlay	66,217	-	66,217	-
Unrestricted (Deficit)	(8,308,200)	3,387,128	(4,921,072)	1,463,692
Total Net Assets	(969,785)	16,938,038	15,968,253	2,011,492
Total Liabilities and Net Assets	\$ 16,038,811	\$ 30,560,300	\$ 46,599,111	\$ 2,451,532

CITY OF BORGER, TEXAS
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 Year Ended September 30, 2010

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
Administration	\$ 566,777	\$ 32,295	\$ -	\$ -
Information Systems	31,907	-	-	-
Fleet Services	206,077	-	-	-
Engineering	94,956	12,313	-	-
Facilities Maintenance	126,992	-	-	-
Planning and Zoning	437,140	632	-	-
Animal Control	183,658	15,898	-	-
Code Enforcement	208,546	130,821	-	-
Central Dispatch	442,318	86,000	-	-
Police	2,268,296	60,140	30,324	-
Fire and Fire Prevention	1,697,639	-	290,371	-
Emergency Management	113,375	-	-	-
Municipal Court	331,672	384,466	-	-
Public Works General	228,241	-	-	-
Streets	789,920	-	-	-
Sanitation	500,650	1,889,600	-	-
Solid Waste Transfer Station	810,394	1,387,958	-	-
Recycling	59,649	23,424	-	-
Youth, Community and Recreation Centers	369,912	72,132	6,175	-
Parks	550,028	33,914	-	-
Economic Development and Tourism	325,847	1,000	93,850	-
Interest Expense	308,131	-	-	-
Unallocated Depreciation	734,694	-	-	-
Total Governmental Activities	11,386,819	4,130,593	420,720	-
Business Type Activities				
Water and Sewer	4,811,596	5,946,698	-	-
Interest Expense	349,244	-	-	-
	<u>5,160,840</u>	<u>5,946,698</u>	<u>-</u>	<u>-</u>
Total Primary Government	\$ 16,547,659	\$ 10,077,291	\$ 420,720	\$ -
Component Unit:				
Borger Economic Development Corporation	\$ 564,363	\$ -	\$ -	\$ -

General Revenues:

- Taxes:
 - Sales
 - Property - General
 - Property - Debt Service
 - Franchise
 - Occupancy
 - Other
- Investment Earnings
- Other Revenue
- Sale of Assets
- Transfers, Net

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year as Previously Reported

Prior Period Adjustment

Net Assets - Beginning of Year as Restated

Net Assets - End of Year

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	
\$ (534,482)	\$ -	\$ (534,482)	\$ -
(31,907)	-	(31,907)	-
(206,077)	-	(206,077)	-
(82,643)	-	(82,643)	-
(126,992)	-	(126,992)	-
(436,508)	-	(436,508)	-
(167,760)	-	(167,760)	-
(77,725)	-	(77,725)	-
(356,318)	-	(356,318)	-
(2,177,832)	-	(2,177,832)	-
(1,407,268)	-	(1,407,268)	-
(113,375)	-	(113,375)	-
52,794	-	52,794	-
(228,241)	-	(228,241)	-
(789,920)	-	(789,920)	-
1,388,950	-	1,388,950	-
577,564	-	577,564	-
(36,225)	-	(36,225)	-
(291,605)	-	(291,605)	-
(516,114)	-	(516,114)	-
(230,997)	-	(230,997)	-
(308,131)	-	(308,131)	-
<u>(734,694)</u>	<u>-</u>	<u>(734,694)</u>	<u>-</u>
(6,835,506)	-	(6,835,506)	-
-	1,135,102	1,135,102	-
<u>-</u>	<u>(349,244)</u>	<u>(349,244)</u>	<u>-</u>
-	785,858	785,858	-
<u>(6,835,506)</u>	<u>785,858</u>	<u>(6,049,648)</u>	<u>-</u>
-	-	-	(564,363)
2,757,124	-	2,757,124	913,675
1,268,918	-	1,268,918	-
1,211,151	-	1,211,151	-
1,252,858	-	1,252,858	-
247,365	-	247,365	-
13,338	-	13,338	-
36,862	6,012	42,874	20,330
82,947	-	82,947	28,189
(7,835)	(1,452)	(9,287)	-
<u>(851,513)</u>	<u>851,513</u>	<u>-</u>	<u>-</u>
<u>6,011,215</u>	<u>856,073</u>	<u>6,867,288</u>	<u>962,194</u>
(824,291)	1,641,931	817,640	397,831
8,751,134	14,942,811	23,693,945	1,613,661
<u>(8,896,628)</u>	<u>353,296</u>	<u>(8,543,332)</u>	<u>-</u>
<u>(145,494)</u>	<u>15,296,107</u>	<u>15,150,613</u>	<u>1,613,661</u>
<u>\$ (969,785)</u>	<u>\$ 16,938,038</u>	<u>\$ 15,968,253</u>	<u>\$ 2,011,492</u>

CITY OF BORGER, TEXAS
BALANCE SHEETS
GOVERNMENTAL FUNDS
September 30, 2010

	General Fund	Capital Equipment Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
ASSETS				
Restricted Pooled Cash and Cash Equivalents	\$ -	\$ -	\$ 117,673	\$ 117,673
Investments	1,251,388	-	2,970,745	4,222,133
Accrued Interest	11,204	-	7,431	18,635
Inventories	-	-	58,100	58,100
Utility Receivables, Net	112,081	-	-	112,081
Due from Other Funds	722,553	124,616	531,611	1,378,780
Other Receivables	156,082	-	21,185	177,267
Deposits	18,990	-	-	18,990
Total Assets	<u><u>\$ 2,272,298</u></u>	<u><u>\$ 124,616</u></u>	<u><u>\$ 3,706,745</u></u>	<u><u>\$ 6,103,659</u></u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Cash and Cash Equivalents Overdraft	\$ 418,553	\$ 58,399	\$ 75,647	\$ 552,599
Accounts Payable	334,273	-	60,830	395,103
Accrued Payroll Taxes and Benefits	27,183	-	-	27,183
Due to Other Funds	96,292	-	2,889,496	2,985,788
Sales Tax Payable	12,089	-	-	12,089
Other Payables	78,741	-	35,884	114,625
Utility Customer Deposits	13,567	-	-	13,567
Total Liabilities	980,698	58,399	3,061,857	4,100,954
FUND BALANCES				
Reserved for Debt Service	-	-	170,615	170,615
Reserved for Capital Outlay	-	66,217	-	66,217
Unreserved - Reported in Special Revenue Funds	-	-	-	-
Unreserved	1,291,600	-	474,273	474,273
Total Fund Balances	<u><u>1,291,600</u></u>	<u><u>66,217</u></u>	<u><u>644,888</u></u>	<u><u>2,002,705</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 2,272,298</u></u>	<u><u>\$ 124,616</u></u>	<u><u>\$ 3,706,745</u></u>	<u><u>\$ 6,103,659</u></u>

CITY OF BORGER, TEXAS
 RECONCILIATION OF THE BALANCE SHEET OF
 GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 September 30, 2010

Total Fund Balance - Governmental Funds \$ 2,002,705

Amounts reported for governmental activities in the statement of net assets
 are different because:

Net capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds 12,933,938

Certain liabilities are not due and payable in the current period and therefore
 are not reported in the funds. Those liabilities include:

Accrued Interest	(36,246)
Accrued Vacation	(255,837)
Unfunded Defined-Benefit Retirement Obligation	(9,781,990)
Bond and Note Obligations	(5,832,355)
	<hr/>

Net Assets of Governmental Activities \$ **(969,785)**

CITY OF BORGER, TEXAS
 STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 Year Ended September 30, 2010

	General Fund	Capital Equipment Fund	Other Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 1,271,976	\$ -	\$ 1,211,151	\$ 2,483,127
Sales	2,757,124	-	-	2,757,124
Franchise	1,252,858	-	-	1,252,858
Occupancy	-	-	247,365	247,365
Other	13,338	-	-	13,338
Charges for Service	3,867,574	-	34,406	3,901,980
Penalties, Fines and Forfeitures	371,247	-	13,219	384,466
Licenses, Fees, and Permits	28,918	-	-	28,918
Intergovernmental Grants and Subsidies	429,490	-	123,074	552,564
Investment Income	24,139	363	12,360	36,862
Other Grants and Contributions	6,175	-	42,895	49,070
Other	114,203	28,367	-	142,570
Total Revenues	<u>10,137,042</u>	<u>28,730</u>	<u>1,684,470</u>	<u>11,850,242</u>
EXPENDITURES				
<i>Current</i>				
General Government:				
Administration	266,052	-	-	266,052
Information Systems	31,907	-	-	31,907
Fleet Services	206,077	-	-	206,077
Engineering	94,956	-	-	94,956
Facilities Maintenance	126,992	-	-	126,992
Planning and Zoning	437,140	-	-	437,140
Public Safety				
Animal Control	183,658	-	-	183,658
Code Enforcement	208,546	-	-	208,546
Central Dispatch	442,318	-	-	442,318
Police	2,091,326	-	31,232	2,122,558
Fire and Fire Prevention	1,697,140	-	499	1,697,639
Emergency Management	113,031	-	344	113,375
Municipal Court	316,340	-	15,332	331,672
Public Works				
General	228,241	-	-	228,241
Streets	789,920	-	-	789,920
Sanitation	500,650	-	-	500,650
Solid Waste Transfer Station	810,394	-	-	810,394
Recycling	19,895	-	39,755	59,650
Culture and Recreation				
Youth, Community and Recreation Centers	369,912	-	-	369,912
Parks	549,778	-	-	549,778
Economic Development and Tourism	-	-	326,097	326,097
<i>Capital Outlay</i>				
Capital Purchases	154,487	581,994	144,366	880,847
Minor Capital Purchases	-	203,425	-	203,425
<i>Debt Service</i>				
Principal	-	-	293,814	293,814
Interest and Administrative Fees	-	-	242,564	242,564
Total Operating Expenses	<u>9,638,760</u>	<u>785,419</u>	<u>1,094,003</u>	<u>11,518,182</u>
Excess (Deficit) of Revenues over Expenditures	498,282	(756,689)	590,467	332,060
OTHER FINANCING SOURCES (USES)				
Transfers Out	(426,734)	-	(1,353,240)	(1,779,974)
Transfers In	-	426,734	101,727	528,461
Total Other Financing Sources (Uses)	<u>(426,734)</u>	<u>426,734</u>	<u>(1,251,513)</u>	<u>(1,251,513)</u>
Net Change in Fund Balance	71,548	(329,955)	(661,046)	(919,453)
Fund Balance, Beginning of Year	<u>1,220,052</u>	<u>396,172</u>	<u>1,305,934</u>	<u>2,922,158</u>
Fund Balance, End of Year	<u>\$ 1,291,600</u>	<u>\$ 66,217</u>	<u>\$ 644,888</u>	<u>\$ 2,002,705</u>

CITY OF BORGER, TEXAS
RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2010

Net Changes in Fund Balance - Governmental Funds \$ (919,453)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of assets are allocated over their estimated useful lives in the form of depreciation. 880,847

Depreciation is recognized on the Statement of Activities as allocating the cost of the assets over their estimated useful lives but is not a Governmental Fund Expense (734,694)

Book value on disposed assets reduces net income in the Statement of Activities but is not recorded in the Governmental Funds (7,834)

Debt service is an expenditure for governmental funds consisting of both interest expense and principal for the Notes Payable. The principal portion reduces Notes Payable on the Governmental Activities Balance Sheet and is not an expense on the Statement of Activities 293,814

The change in accrued vacation benefit obligation liability is reported on the Statement of Activities but is not reflected in the Governmental funds (22,806)

The change in accrued interest liability is reported on the Statement of Activities but is not reflected in the Governmental funds (36,246)

The change in retirement benefit obligation liability is reported on the Statement of Activities but is not reflected in the Governmental funds (277,919)

Change in Net Assets of Governmental Activities \$ (824,291)

CITY OF BORGER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended September 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes:				
Property	\$ 1,434,850	\$ 1,434,850	\$ 1,271,976	\$ (162,874)
Sales	2,630,000	2,630,000	2,757,124	127,124
Franchise	1,002,000	1,002,000	1,252,858	250,858
Other	-	-	13,338	13,338
Charges for Service	3,693,712	3,737,982	3,867,574	129,592
Penalties, Fines and Forfeitures	302,150	302,150	371,247	69,097
Licenses, Fees, and Permits	61,050	61,050	28,918	(32,132)
Intergovernmental Grants and Subsidies	171,000	171,000	429,490	258,490
Investment Income	30,000	30,000	24,139	(5,861)
Other Grants and Contributions	-	-	6,175	6,175
Other	-	-	114,203	114,203
Total Revenues	<u>9,324,762</u>	<u>9,369,032</u>	<u>10,137,042</u>	<u>768,010</u>
EXPENDITURES				
<i>Current</i>				
General Government:				
Administration	273,714	278,255	266,052	12,203
Information Systems	30,105	31,576	31,907	(331)
Fleet Services	216,719	214,775	206,077	8,698
Engineering	118,516	117,391	94,956	22,435
Facilities Maintenance	197,279	149,512	126,992	22,520
Planning and Zoning	406,163	420,987	437,140	(16,153)
Public Safety				
Animal Control	171,851	177,536	183,658	(6,122)
Code Enforcement	273,083	267,398	208,546	58,852
Central Dispatch	438,378	453,168	442,318	10,850
Police	2,047,689	2,053,977	2,091,326	(37,349)
Fire and Fire Prevention	1,715,846	1,693,097	1,697,140	(4,043)
Emergency Management	100,091	109,017	113,031	(4,014)
Municipal Court	265,206	270,563	316,340	(45,777)
Public Works				
General	212,425	218,409	228,241	(9,832)
Streets	757,866	733,789	789,920	(56,131)
Sanitation	485,515	496,778	500,650	(3,872)
Solid Waste Transfer Station	836,989	820,907	810,394	10,513
Recycling	21,225	21,225	19,895	1,330
Culture and Recreation				
Youth, Community and Recreation Centers	272,914	271,217	369,912	(98,695)
Parks	467,281	465,089	549,778	(84,689)
<i>Capital Outlay</i>				
Capital Purchases	515,907	604,366	154,487	449,879
Total Operating Expenses	<u>9,824,762</u>	<u>9,869,032</u>	<u>9,638,760</u>	<u>230,272</u>
Operating Gain (Loss)	(500,000)	(500,000)	498,282	998,282
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(426,734)	(426,734)
Transfers In	500,000	500,000	-	(500,000)
Total Other Financing Sources (Uses)	<u>500,000</u>	<u>500,000</u>	<u>(426,734)</u>	<u>(926,734)</u>
Net Change in Fund Balance	-	-	71,548	71,548
Fund Balance, Beginning of Year - As Adjusted	<u>1,220,052</u>	<u>1,220,052</u>	<u>1,220,052</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,220,052</u>	<u>\$ 1,220,052</u>	<u>\$ 1,291,600</u>	<u>\$ 71,548</u>

CITY OF BORGER, TEXAS
 CAPITAL EQUIPMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Other Grants and Contributions	\$ 20,773	\$ 20,773	\$ 28,367	\$ 7,594
Interest Income	5,312	5,312	363	(4,949)
Total Revenues	26,085	26,085	28,730	2,645
EXPENDITURES				
<i>Capital Outlay</i>				
Capital Purchases	622,000	622,000	581,994	40,006
Minor Capital Purchases	-	-	203,425	(203,425)
Total Operating Expenses	622,000	622,000	785,419	(163,419)
Operating Income (Loss)	(595,915)	(595,915)	(756,689)	(160,774)
OTHER FINANCING SOURCES				
Transfers In	483,210	483,210	426,734	(56,476)
Total Other Financing Sources	483,210	483,210	426,734	(56,476)
Net Change in Fund Balance	(112,705)	(112,705)	(329,955)	(217,250)
Fund Balance, Beginning of Year	396,172	396,172	396,172	-
Fund Balance, End of Year	<u>\$ 283,467</u>	<u>\$ 283,467</u>	<u>\$ 66,217</u>	<u>\$ (217,250)</u>

CITY OF BORGER, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
September 30, 2010

	Water and Sewer Utility Fund
ASSETS	
CURRENT ASSETS	
Pooled Cash and Cash Equivalents	1,829,971
Investments	2,370,008
Accounts Receivables, Net:	540,193
Due from Other Funds	<u>7,867</u>
Total Current Assets	4,748,039
NONCURRENT ASSETS	
Bond Issuance Costs, Net	19,155
Capital Assets, Net	<u>25,793,106</u>
Total NonCurrent Assets	<u>25,812,261</u>
Total Assets	<u>\$ 30,560,300</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	29,304
Accrued Payroll Expenses	14,546
Accrued Interest	14,249
Accrued Vacation	52,851
Current Portion of Long-Term Debt	<u>998,367</u>
Total Current Liabilities	1,109,317
NONCURRENT LIABILITIES	
Utility Customer Deposits	338,824
Deferred Revenue	930,292
Long Term Debt Due After One Year	<u>11,243,829</u>
Total Noncurrent Liabilities	<u>12,512,945</u>
Total Liabilities	13,622,262
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	13,550,910
Unrestricted	<u>3,387,128</u>
Total Net Assets	<u>16,938,038</u>
Total Liabilities and Net Assets	<u>\$ 30,560,300</u>

CITY OF BORGER, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended September 30, 2010

	Water and Sewer Utility Fund
OPERATING REVENUES	
Charges for Service	\$ 3,648,307
Industrial Water Sales	2,143,296
Late Charges	72,536
Tapping and Surcharge Fees	38,620
Other and Miscellaneous	43,939
	<hr/>
Total Operating Revenues	5,946,698
OPERATING EXPENSES	
<i>Current</i>	
Salaries and Wages	1,366,899
Employee Benefits	465,418
Utilities	434,449
Departmental Operating Costs	1,411,778
Professional and Technical Services	62,472
Repairs and Maintenance	294,949
Other Purchased Services	57,013
Property and Facility	17,077
General and Administrative Supplies	124,296
Rental and Lease Agreements	5,264
Depreciation and Amortization	971,981
	<hr/>
Total Operating Expenses	5,211,596
	<hr/>
Operating Income	735,102
NONOPERATING REVENUES (EXPENSES)	
Investment Income	6,012
Loss on Disposal of Assets	(1,452)
Interest Expense	(349,244)
	<hr/>
Total Nonoperating Revenues (Expenses)	(344,684)
	<hr/>
Income Before Transfers	390,418
TRANSFERS	
Transfers In	1,251,513
Transfers Out	-
	<hr/>
Total Operating Transfers	1,251,513
	<hr/>
Net Income	1,641,931
Net Assets, Beginning of Year -As Previously Stated	14,942,811
Prior Period Adjustment	353,296
	<hr/>
Net Assets, Beginning of Year - As Adjusted	15,296,107
	<hr/>
Net Assets, End of Year	<u>\$ 16,938,038</u>

CITY OF BORGER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2010

	Water and Sewer Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 5,620,748
Payments to and On Behalf of Employees	(1,848,294)
Payments to Suppliers and Contractors	<u>(2,504,095)</u>
Net Cash Provided By Operating Activities	1,268,359
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers, Net	<u>1,251,513</u>
Net Cash Provided By Noncapital Financing Activities	1,251,513
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Interest Expense	(351,948)
Prinicpal Payments on Debt	<u>(993,615)</u>
Net Cash Provided By Capital Financing Activities	(1,345,563)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Capital Assets	(555,621)
Investment Income	<u>6,012</u>
Net Cash Used By Investing Activities	<u>(549,609)</u>
Net Increase in Cash and Cash Equivalents	624,700
Cash and Cash Equivalents at Beginning of Year	<u>1,205,271</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,829,971</u></u>
Reconciliation of Operating Income to Net Cash Flows	
Provided by Operating Activities	
Operating Income	\$ 735,102
Adjustments to Reconcile Operating Income to Net	
Cash Provided by Operating Activities	
Depreciation and Amortization	971,981
Changes in	
Accounts Receivable	(55,841)
Other Receivables	571
Accounts Payable	(96,797)
Accrued Payroll Expenses	(8,896)
Accrued Vacation	(7,081)
Deferred Revenue	(135,340)
Utility Customer Deposits	<u>(135,340)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,268,359</u></u>
Supplemental Cash Flow Disclosures	
Additional debt issued for water rights through CRMWA	\$ 1,642,623
Prior period adjustment to net capital asset balance	413,228
Prior period adjustment to accrued vacation balance	(59,932)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Borger, Hutchinson County, Texas (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB approved Statement No. 34 "*Basic Financial Statements and Management Discussion and Analysis for State and Local Government.*" In June 2001, the GASB approved Statement No. 37, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*" and Statement No. 38 "*Certain Financial Statement Note Disclosures.*" Statement No. 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies establishes and rescinds certain financial statement disclosure requirements. The City of Borger implemented the provisions of the above statements effective July 1, 2003.

GASB Statement Number 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

The more significant accounting policies are described below.

Reporting Entity - The City is a municipal corporation governed by a Council-Manager form of government. The City, incorporated in October, 1926, is located in the panhandle part of the state, occupies a land area of approximately 8.7 square miles and serves a population exceeding 14,000. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the city council.

The City provides a range of services, including police and fire protection, maintenance of streets and other infrastructure, sanitation services and recreational activities. The City also provides utilities for water and sewer.

The City Council (the Council) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "*The Financial Reporting Entity.*"

As required by GAAP, the BFS present the reporting entity which consists of the City (the primary government), organizations for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion could cause the City's BFS to be misleading or incomplete were noted for inclusion in the BFS.

Discretely Presented Component Unit - The Component Unit Columns in the Government-Wide Financial Statements include financial data from the City's component unit. They are reported in a separate column to emphasize that they are legally separate from the City. The Component Unit is included in the reporting entity because the primary government is financially accountable and is able to impose its will (significantly influence operations and/or activities) on the organization.

The Borger Economic Development Corporation (BEDC) is a legally separate entity formed to create, manage, operate and supervise programs and activities to promote, assist, and enhance economic development within and around the city. The City Council appoints the board members and its operations

CITY OF BORGER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2010

and budget are approved by the council. Copies of the Borger Economic Development Corporation's separately issued financial statements may be obtained from the Borger City Hall or from the Borger Economic Development Corporation, 1111 Penn Avenue, Borger, Texas, 79008. GASB Statement 14 requires portions of the BEDC component unit financial information to be presented along with the City information.

Government-wide Financial Statements and Fund Financial Statements - The City implemented GASB Statement No.34 - *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, GASB Statement No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments - Omnibus* and GASB Statement No. 38 - *Certain Financial Statement Note Disclosure*. Statement No. 34 represents changes in the financial reporting model. Under Statement No. 34 requirements, the BFS include both Government-wide and Fund Financial Statements.

Statement 34 requires the following components to the basic financial statements:

- Reporting operating revenues net of the provision of uncollectible accounts.
- Use the direct method of preparing the cash flow statement.
- Preparation by management of the required "*Management's Discussion and Analysis*" which is to be included with the audited financial statements as required supplemental information.

The Government-Wide Financial Statements (GWFS), such as the Statement of Net Assets and the Statement of Activities, report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business type, are reported in the GWFS using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The GWFS focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The Government-Wide Statement of Net Assets reports all financial and capital resources of the City. It is displayed in a format of assets less liabilities equal net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as net assets net of related debt or restricted, are shown as unrestricted. Generally when both restricted and unrestricted resources are available for use, the City will use restricted resources before using unrestricted resources, as they are needed.

Reservations or designations of net assets imposed by the City, whether by administrative policy or legislative actions of the city council that do not otherwise meet the definition of restricted net assets, are not segregated from unrestricted net assets in the GWFS.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who use the segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

CITY OF BORGER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2010

Also part of the BFS are Fund Financial Statements (FFS) for governmental, proprietary and fiduciary funds, even though fiduciary funds are excluded from the GWFS. The focus of the FFS is on major funds as defined by GASB Statement No. 34. Although GASB Statement No. 34 sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenue or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. The City can elect to add some funds as major funds because of outstanding debt or community focus. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the FFS. Other non-major funds are combined in a single column in the appropriate FFS.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The GWFS are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary FFS. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Property taxes and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The City records reserves to indicate that a portion of fund balance is legally restricted for a specific future use or is not available for appropriation and/or expenditure.

Governmental Funds are those through which most of the governmental functions of the City are financed.

The City reports the following major governmental funds:

The General Fund - The general fund is the City of Borger's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund presented in the financial statements consists of several individual funds: General, Government Gross Receipts Tax, Municipal Court Bonds, Payroll, Revenue Clearing, and Disbursement funds.

Capital Equipment Fund - This fund accounts for the City's capital projects and and capital asset purchases for the City's Governmental and Proprietary funds.

Additionally, the City reports the following non-major governmental funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital outlays) that are restricted to expenditures for specified purposes.

Debt Service Fund is used to account for the accumulated resources and related payments of principal and interest on long term general obligation debts of the City.

Governmental Funds with Deficit Fund Balances - While the total unreserved fund balance is not in a deficit position, the City has four fund with deficit fund balance as of September 30, 2010: Tub Grinder Fund of (\$74); Park and Recreation Project Fund of (\$1,240), Police Grant Fund of (\$16,044), Municipal Court Technology Fund of \$(8,160). The City has made expenditures and encumbrances in

CITY OF BORGER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2010

these funds in anticipation of additional revenues and transfers.

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

Water and Sewer Utility Fund - The Water Utility Fund is used to account for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund including administration, operations billing and collections and maintenance of the water and sewer infrastructure.

Budgetary Data - Annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles for the proprietary funds, with the exceptions of capital outlays being considered a budgeted line item and depreciation is not. Governmental funds are budgeted on a basis appropriate for the specific funds. All annual appropriations lapse at the end of the fiscal year.

The finance director annually submits to the City Council a proposed operating budget for the upcoming fiscal year. Public hearings are conducted to obtain taxpayer comments, and the budget is legally enacted through passage by the City Council. Council action is required for the approval of a supplemental appropriation.

All budget amounts presented in the budget comparison statement reflect the final budget after legally authorized adjustments to the original budget during the year. Budgetary control is maintained by department with all budget supplements to be approved by the City Council. Management may make administrative transfers and increases or decreases in accounts within categories, as long as expenditures do not exceed budgeted appropriations at the fund level. No significant budget adjustments were made during the fiscal year.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Equity in Pooled Cash and Investments - The City pools the resources of various funds in order to facilitate the management of cash and enhance investment earnings. Records are maintained which reflect each fund's equity in the pooled account. The City's investments are stated at fair value.

Cash Equivalents - Cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less when purchased which present and insignificant risk of changes in value because of changes in interest rates.

Use of Restricted Cash - When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

Property Taxes Receivable - The value of all real and business property located in the city is assessed annually on January 1 in conformity with Subtitle E of the Texas Property Code. Property taxes are levied on October 1 on those assessed values and the taxes are due upon receipt of the tax bill. The taxes are considered delinquent if not paid by the end of January. At the City's fiscal year end, all property taxes receivable are considered delinquent and an account for an allowance for uncollectible taxes is adjusted to counter the receivable. The property taxes are recorded in the General Fund and Debt Service Fund as appropriate.

Proprietary Fund Accounts Receivable - Within the Water and Sewer Utility Fund, services rendered and billed but not collected as of the close of the fiscal year are accrued and this amount is reflected in the accounts receivable balance. Amounts billed are reflected as accounts receivable net of an allowance for uncollectible accounts.

Capital Assets and Depreciation - Capital assets, including public domain infrastructure (e.g. streets, bridges, sidewalks and other assets that are immovable and of value only to the City) are defined as assets with an initial, individual cost and an estimated useful life in excess of one year. These capital assets are reported in the GWFS and in the proprietary FFS. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated assets are recorded at the estimated fair value on the date of donation.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation is based on the estimated useful lives, and has been calculated by use of the straight-line method applied to cost. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the proprietary FFS. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The city uses the following schedule to determine the useful lives of capital assets:

Infrastructure/Improvements	10-50 Years
Buildings	15-50 Years
Equipment	3-15 Years

Inventories - The City reports inventories of supplies at cost including consumable utility maintenance and office items. Supplies are recorded as expenditures when they are consumed, except for certain utility and other supplies.

Customer Deposits - Cash held in the Proprietary fund for customer deposits is reserved.

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

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

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

Sales Tax Revenue - The tax is collected by the vendor from consumers and is required to be submitted to the State of Texas by the 20th of the month following collection. The State then remits the allocated amount of sales tax to the City by the 10th of the month following vendor submission. These amounts are included in the gross receipts tax revenue and are recorded as revenue when the underlying exchange has taken place, regardless if the City has actually received the funds. The City collects and remits the appropriate portion designated for the Borger Economic Development Corporation.

Accrued Vacations - It is the City's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. Employees are generally allowed up to 25 days of vacation depending on the length of service and can carry over up to 40 hours from year to year and is payable to the employee upon resignation or termination. Sick leave accumulates at the rate of 12 days a year and is not payable at resignation or termination. All sick pay and vacation pay is accrued when incurred in the government-wide or proprietary fund financial statements.

Risk Management - The City is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For the past several years the City has obtained outside insurance coverage to mitigate the effects of any losses. There were no significant reductions in insurance coverage from coverage in the prior year. Any settlement amounts have not exceeded coverage for the current year or the past three fiscal years.

Commitments and Contingencies - The City participates in some state and/or federally assisted programs. In connection with grants under these programs, the City is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives. In the opinion of management the City has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the City expects the resulting liability to be immaterial.

Fair Value Measurement - FASB ASC 820-10-50-1 defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. This statement establishes a hierarchy that prioritizes the methods used to measure fair value such that the highest priority is given to unadjusted quoted prices in active markets for identical assets (Level 1). Second priority is for quoted prices for similar assets in active or inactive markets, or valuations from other sources than quoted prices or other market data that can be observed, correlated or corroborated (Level 2), and the lowest priority to unobservable methods (Level 3). Currently, all the City's instruments are valued using Level 1 valuation methods.

Subsequent Events - Newly adopted accounting standard FASB ASC 855-10-50-1 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. Management has evaluated subsequent events through May 31, 2011, the date the financial statements were issued.

NOTE B - PRIOR PERIOD ADJUSTMENTS

Governmental Activities

The City had not previously recorded the amount of unfunded pension liability. A prior period adjustment of \$9,504,071 decreasing Government-wide Net Assets was made to establish the long term liability. This prior period adjustment did not affect the General or other Governmental Funds.

The City has not previously recorded the amount of accrued vacation due to City employees. A prior period adjustment of \$233,031 decreasing Government-wide Net Assets was made to establish the long term liability. This prior period adjustment did not affect the General or other Governmental Funds.

CITY OF BORGER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2010

A long term capital lease obligation of the City was overstated in the prior audit. A prior period adjustment of \$38,863 increasing Government-wide Net Assets was made to correct the long term liability balance. This prior period adjustment did not affect the General or other Governmental Funds.

The City noted that several items were maintained on the depreciation schedule but were not recorded in the Government-wide Financial Statements. A net prior period adjustment of \$759,306 increasing Government-wide Net Assets was made to record the additional capital assets. This prior period adjustment did not affect the General or other Governmental Funds.

The City reclassified the Group Hospitalization and Police Benevolent Funds from Fiduciary to Governmental Funds. A prior period adjustment of \$32,055 increasing Government-wide Net Assets was made to reflect the reclassification to Governmental Activities. This prior period adjustment did not affect the General or other Governmental Funds.

The effect of the prior period adjustments on the Governmental Activities Net Assets is detailed below:

Government-wide Net Assets - As Previously Reported		\$ 8,751,134
Prior Period Adjustments:		
Unfunded Pension Liability	\$ (9,504,071)	
Accrued Vacation Liability	(223,031)	
Correction of Long Term Liability	38,863	
General Capital Assets	759,306	
Reclassification of Nonmajor Funds	<u>32,055</u>	
		<u>(8,896,878)</u>
Government-wide Net Assets - As Restated		<u>\$ (145,744)</u>

Proprietary Funds

The City noted that several items were maintained on the depreciation schedule but were not recorded in the Government-wide Financial Statements. A net prior period adjustment of \$413,228 increasing Proprietary Fund Net Assets was made to record the additional capital assets. This prior period adjustment also affected the Business-type Activities by the same amount.

The City has not previously recorded the amount of accrued vacation due to City employees. A prior period adjustment of \$59,932 decreasing Proprietary Fund Net Assets was made to establish the long term liability. This prior period adjustment did not affect the General or other Governmental Funds. This prior period adjustment also affected the Business-type Activities by the same amount.

The effect of the prior period adjustments on the Proprietary Funds and Business-type Activities Net Assets is detailed below:

Proprietary Funds Net Assets - As Previously Reported		\$ 14,942,811
Prior Period Adjustments:		
Capital Assets Adjustment	413,228	
Accrued Vacation Liability	<u>(59,932)</u>	
		<u>353,296</u>
Proprietary Funds Net Assets - As Restated		<u>\$ 15,296,107</u>

NOTE C - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The City's investment policies are governed by State statutes and City ordinances. The Public Funds Investment Act ("PFIA", Chapter 2256) requires the City to adopt, implement and publicize an investment policy which covers specific provisions in the Act regarding investment practices, management reporting and policy establishment. The investment policy in effect is available for public inspection at the City Hall. The PFIA establishes authorized investment vehicles for the City. The City is in substantial compliance with the PFIA at the end of the 2010 fiscal year.

Interest Rate Risk - The City and BEDC minimizes interest rate risk by limiting investments to having a maturity date of one year or less.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City manages its custodial credit risk by depositing its funds with institutions participating in the FDIC insurance programs and is able to collateralize the deposits in accordance to state statutes, or depositing into investment pools overseen by the Texas State Comptroller of Public Accounts, such as TexPool.

In accordance with FDIC, public unit deposits are funds owned by the City. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution through December 2012, when the coverage will revert back to the original \$100,000 limit.

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the City for at least the amount on deposit with the institution. The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of Texas.

As of September 30, 2010, the City's funds on deposit were adequately covered by either FDIC insurance or collateralized securities held by the financial institutions pledged to cover the City's deposits. The City had no bank deposits subject to custodial credit risk during the 2010 fiscal year.

Borger Economic Development Corporation - The BEDC maintains separate financial institution and TexPool accounts. Although the organization is a component unit of the City, its FDIC and collateralization of its deposits are covered separately because the Corporation is a separate non-profit entity. BEDC also does not participate in the City's internal pooling of cash and investments as disclosed below.

CITY OF BORGER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2010

At September 30, 2010, the City and BEDC had insured bank balances as follows:

	City of Borger Amarillo National Bank	City of Borger Happy State Bank	City of Borger First National Bank	Borger Economic Development Corporation
Carrying Amounts				
Demand Accounts	1,332,729	\$ -	\$ -	\$ 256,632
Certificates of Deposit	750,000	501,388	750,000	784,768
Net Reconciling Items	286,685	-	-	-
Total Public Funds on Deposit	2,369,414	501,388	750,000	1,041,400
Less FDIC Coverage	(250,000)	(250,000)	(250,000)	(250,000)
Amount to be Collateralized	2,119,414	251,388	500,000	791,400
Collateralized by Institution	(2,660,000)	(1,652,684)	(500,000)	(791,400)
Under (Over) Collateralized	<u>\$ (540,586)</u>	<u>\$ (1,401,296)</u>	<u>\$ -</u>	<u>\$ -</u>

The City utilizes a pooled cash method of disbursements, whereby one bank account is used by both types of activities to pay expenditures, and the bank account is reimbursed by each fund for the proportionate amount spent by each fund. Below is the amounts allocated to the specific activity:

Total carrying value of the cash and cash equivalents by activities as of September 30, 2010:

	Governmental Activities	Business-type Activities	City of Borger Total	Borger Economic Development Corporation
Pooled Cash	\$ (849,042)	\$ 1,829,171	\$ 980,129	\$ -
Bank Deposits	352,600	-	352,600	256,632
Total Demand Accounts	(496,442)	1,829,171	1,332,729	256,632
Cash on Hand	1,158	800	1,958	165
Total Cash and Cash Equivalents	<u>\$ (495,284)</u>	<u>\$ 1,829,971</u>	<u>\$ 1,334,687</u>	<u>\$ 256,797</u>
Statement of Net Asset Reconciliation				
Restricted Cash	\$ 117,673			
Unrestricted Cash Overdrafts	(612,957)			
Total Cash and Cash Equivalents	<u>\$ (495,284)</u>			

Investments

The City and BEDC maintain accounts with TexPool which is a public funds investment pool established under the authority of the Interlocal Cooperation Act and subject to the provisions of the Act. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires the pools to: 1) Have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) Maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by Standard and Poor's or other nationally recognized rating services; and 3) Maintain the market value of its underlying investment portfolio within one percent of the value of its shares. The Weighted Average Maturity (WAM) of TexPool is 27 days. Participation in the pools is allowed under the guidelines of the PFIA, is voluntary, and may be terminated and the funds withdrawn at the discretion of the City Council and/or the BEDC board of directors.

CITY OF BORGER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2010

The City utilizes a pooled cash method for its investments, whereby one investment custodian is used by both types of activities and each fund is credited for the proportionate amount of investment income received by the investments. Below is the amounts allocated to the specific activity:

	Governmental Activities	Business-type Activities	City of Borger Total	Borger Economic Development Corporation
Certificates of Deposits	\$ 1,251,388	\$ 750,000	\$ 2,001,388	\$ 784,768
TexPool Investments	<u>1,232,267</u>	<u>1,620,008</u>	<u>2,852,275</u>	<u>157,234</u>
Total Investments	<u>\$ 2,483,655</u>	<u>\$ 2,370,008</u>	<u>\$ 4,853,663</u>	<u>\$ 942,002</u>

Other Investments - The City is a participant in the Amarillo Area Foundation, which is an area foundation serving the Texas Panhandle by providing grants and other services funded by donations and investment earnings. Agencies invest funds with the Foundation and related earnings are distributed yearly. The City has invested approximately \$118,470 with the Foundation as of September 30, 2010 and is considered restricted for financial statement purposes.

NOTE D - RECEIVABLES

Accounts Receivable - Net - Accounts receivable shown in the Governmental Activities and Business-type Activities at year end represents net balances due from customers of solid waste and utility services provided by the City. The City uses the reserve method to account for the allowance for bad debts and has reserved the following amounts of accounts receivable as of September 30, 2010:

	Governmental Activities	Business-Type Activities	Total
Refuse Collection Receivable	\$ 153,593	\$ -	\$ 153,593
Utilities Receivable	-	613,195	613,195
Allowance for Uncollectibles	<u>(41,512)</u>	<u>(73,002)</u>	<u>(114,514)</u>
	<u>\$ 112,081</u>	<u>\$ 540,193</u>	<u>\$ 652,274</u>

Property Taxes Receivable - Taxes receivable for the General and Other Governmental Funds as of September 30, 2010 are considered delinquent property taxes. State statutes prohibit governments to write off delinquent property taxes without prior legislative authorization. Property taxes of \$353,077 are outstanding and have been fully offset by an allowance for uncollectible taxes.

Other Receivables - Accounts receivable shown in the Governmental Activities as Other Receivables at year end represents various receivables to the City in addition to providing services to its residents. Below details the type and amount of receivables as of September 30, 2010:

CITY OF BORGER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2010

	Amount
Fire Equipment Grant	\$ 44,270
Dispatching Contracts	41,500
Miscellaneous Reimbursements	25,406
Housing Authority PILT Payment	23,845
Central Supply Fund Receivable	17,860
Credit Card Rebates	11,815
Tipping Fees Receivable	9,247
Park Donations	3,326
Total Other Receivables	<u><u>\$ 177,269</u></u>

NOTE E - INTERFUND TRANSFERS AND BALANCES

Interfund transfers are made for various purposes throughout the year. The following interfund balances as of September 30, 2010 are detailed below:

Due To	Due From	Amount	Purpose
Water and Sewer Fund	General Fund	\$ 7,867	Reimbursement of Expenses
General Fund	Central Supply Fund	<u>36,671</u>	Reimbursement of Expenses
		<u><u>\$ 44,538</u></u>	

The amounts due to the General Fund from the Central Supply fund is reported in the respective funds in the Fund Financial Statements, but are eliminated in the Government-wide Statement of Net Assets because both funds are considered Governmental Activities.

Because the City pools its TexPool investments into one fund, the Fund Financial Statements reports the investments designated and allocated to the other funds as Due to Other Funds and Due from Other Funds, respectively. For reporting in the Government-wide Statement of Net Assets, these Due to and Due from Other Funds are eliminated and the investments reported in aggregate according the type of funds. A more detailed disclosure of investments may be found in Note C above.

Transfers made by the City during the fiscal year ended September 30, 2010 are listed below:

Transfer To	Transfer From	Amount	Purpose
General Fund	Water and Sewer Fund	\$ 400,000	Subsidize Operations
Capital Equipment Fund	General Fund	426,734	Equipment purchases
Hotel/Motel Fund	City Tourism Fund	101,727	Designated funds transfer
Water and Sewer Fund	Debt Service I & S Fund	634,794	Capitalized well drilling cost
Water and Sewer Fund	Debt Service I & S Fund	<u>616,719</u>	Debt service payments
	Total Transfers	<u><u>\$ 2,179,974</u></u>	

CITY OF BORGER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2010

NOTE F - CAPITAL ASSETS

Capital asset activity for the City for the fiscal year ended September 30, 2010 is detailed below:

	Restated Balance 9/30/09	Additions	Deletions and Disposals	Ending Balance 9/30/10
Governmental Activities:				
Assets Not Depreciated:				
Land	\$ 1,139,993	\$ 9,290	\$ -	\$ 1,149,283
Depreciable Assets:				
Buildings and Improvements	9,654,388	135,423	(20,758)	9,769,053
Furniture and Equipment	8,628,190	623,463	(91,336)	9,160,317
Infrastructure	<u>3,246,622</u>	<u>70,480</u>	<u>-</u>	<u>3,317,102</u>
Total Depreciable Assets	21,529,200	829,366	(112,094)	22,246,472
Accumulated Depreciation:				
Buildings and Improvements	(2,110,151)	(204,547)	20,759	(2,293,939)
Furniture and Equipment	(4,729,332)	(512,623)	83,500	(5,158,455)
Infrastructure	<u>(2,991,899)</u>	<u>(17,524)</u>	<u>-</u>	<u>(3,009,423)</u>
Total Accumulated Depreciation	<u>(9,831,382)</u>	<u>(734,694)</u>	<u>104,259</u>	<u>(10,461,817)</u>
Net Depreciable Assets	<u>11,697,818</u>	<u>94,672</u>	<u>(7,835)</u>	<u>11,784,655</u>
Net Governmental Activities Capital Assets	<u>\$ 12,837,811</u>	<u>\$ 103,962</u>	<u>\$ (7,835)</u>	<u>\$ 12,933,938</u>

The City reported \$734,694 of depreciation in general fixed assets in use by governmental funds on the Government-Wide Statement of Activities. The City did not allocate the depreciation to the various governmental functions, instead presenting the amount separately from the departmental functions on the statement.

Capital asset activity for Borger Economic Development Corporation is disclosed below.

	Beginning Balance 9/30/09	Additions	Deletions and Disposals	Ending Balance 9/30/10
Component Unit				
Assets Not Depreciated:				
Land	\$ 13,920	\$ 53,120	\$ -	\$ 67,040
Depreciable Assets:				
Buildings and Improvements	-	477,937	-	477,937
Furniture and Equipment	<u>21,694</u>	<u>-</u>	<u>-</u>	<u>21,694</u>
Total Depreciable Assets	21,694	477,937	-	499,631
Accumulated Depreciation:				
Buildings and Improvements	-	(2,814)	-	(2,814)
Furniture and Equipment	<u>(13,752)</u>	<u>(2,305)</u>	<u>-</u>	<u>(16,057)</u>
Total Accumulated Depreciation	<u>(13,752)</u>	<u>(5,119)</u>	<u>-</u>	<u>(18,871)</u>
Net Depreciable Assets	<u>7,942</u>	<u>472,818</u>	<u>-</u>	<u>480,760</u>
Net Component Unit Capital Assets	<u>\$ 21,862</u>	<u>\$ 525,938</u>	<u>\$ -</u>	<u>\$ 547,800</u>

NOTE G - LONG-TERM DEBT

In recent years, the City has shifted the debt service of both Governmental Activities and Business-type Activities to the Interest and Sinking Fund. This fund collects and remits debt service payments from the General Fund, other nonmajor governmental funds and the Water and Sewer Fund and remits the debt service payments to the proper lenders or agencies. The following detail the outstanding bonds, notes and capital lease obligations for the City as of September 30, 2010:

Governmental Activities:

2006 Certificates of Obligation - The City entered issued Certificates of Obligation in 2006 to fund the renovation to the Johnson Park Youth Center, public safety radio system, addition of various park facilities and improvements to the water and wastewater systems, including infrastructure improvements, establishing new wells, and purchasing related water rights. Since the Certificates of Obligations were issued in August, 2006, debt service has been to service interest expense on the obligations. The first principal retirement payment of \$200,000 is scheduled for the 2011 fiscal year with principal payments ranging from \$200,000 to \$935,000 due annually thereafter, with interest paid on a semi-annual basis. The debt service is being funded by the revenues generated by the Water and Sewer Proprietary Fund.

Happy State Bank - The City entered into a Note Payable with Happy State Bank in May, 2009 to fund the purchase of a fire engine. Annual principal and interest payments of \$56,531 are to be made starting in May, 2010. Funds from the City's general revenue are used for the debt service of this note payable.

Government Capital Corporation - The City entered into a Capital Lease Obligation with Government Capital Corporation in November 2006 for the purchase of a ladder truck for the fire department. Annual principal and interest payments of \$61,166 are to be made, starting November 2007. Funds from the City's general revenue are used for the debt service of this Capital Lease Obligation.

The audit for the period ended September 30, 2009 reported the ending balance of the Capital Lease Obligation to Government Capital Corporation as \$431,176. The City noted the debt service payment made in the 2008 fiscal year was not applied to the liability, thereby overstating the liability. A prior period correction of \$38,863 was made to the Capital Lease Obligation, adjusting the beginning liability balance for the current fiscal year to \$392,312.

Amarillo National Bank - The City entered into a note payable with Amarillo National Bank in November, 2007 to fund upgrade, enhance and replace of the police department's computer software and related hardware. Monthly principal and interest payments of \$2,443 are to be made, starting in January, 2008. Funds from the City's general revenue are used for the debt service of this note payable.

	Balance 9/30/09	Additions	Payments	Adjustments	Balance 9/30/10
2006 Certificates of Obligation	\$ 5,000,000	\$ -	\$ -		\$ 5,000,000
Happy State Bank	457,200	-	(37,989)		419,211
Government Capital Corporation	431,174	-	(40,835)	(38,863)	351,476
Amarillo National Bank	86,657	-	(24,989)		61,668
1995 General Obligation Bonds	190,000	-	(190,000)		-
	<u>\$ 6,165,031</u>	<u>\$ -</u>	<u>\$ (293,813)</u>	<u>\$ (38,863)</u>	<u>\$ 5,832,355</u>

The following schedule details the interest rate and current portion of the liabilities of the Governmental Activities as of September 30, 2010:

CITY OF BORGER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2010

	Interest Rate	Original Amount	Maturity	Principal Due Within One Year
2006 Certificates of Obligation	4.25%	\$ 5,000,000	Sep, 2019	\$ 200,000
Happy State Bank	4.00%	457,200	May, 2019	39,530
Government Capital Corporation	5.00%	470,000	Nov, 2016	42,917
Amarillo National Bank	5.75%	126,853	Dec, 2012	26,458
				<u>\$ 308,905</u>

The following schedule details the future maturities of the liabilities of the Governmental Activities as of September 30, 2010:

Year Ended December 31,	Principal	Interest	Debt Service
2011	\$ 308,905	\$ 255,588	\$ 564,493
2012	314,258	241,735	555,993
2013	302,477	228,026	530,503
2014	304,490	214,457	518,947
2015	683,890	200,607	884,497
2016-2019	<u>3,918,335</u>	<u>404,071</u>	<u>4,322,406</u>
	<u>\$ 5,832,355</u>	<u>\$ 1,544,484</u>	<u>\$ 7,376,839</u>

Business-type Activities:

Certificates of Obligation Series 2002 - The City entered issued Certificates of Obligation in 2002 to fund improvements to the water and wastewater systems, including infrastructure improvements, establishing new wells, and purchasing related water rights. The first principal retirement payment of \$80,000 was made in August, 2007 with principal payments ranging from \$80,000 to \$240,000 due annually thereafter, with interest paid on a semi-annual basis. The debt service is being funded by the revenues generated by the Water and Sewer Proprietary Fund.

General Obligation Bonds Series 2002 - The City entered issued General Obligation Bonds in 2002 to fund improvements to the water and wastewater systems, including infrastructure improvements, establishing new wells, and purchasing related water rights. The first principal retirement payment of \$390,000 was made in August, 2007 with principal payments ranging from \$400,000 to \$485,000 due annually thereafter, with interest paid on a semi-annual basis. The debt service is being funded by the revenues generated by the Water and Sewer Proprietary Fund.

Canadian River Municipal Water Authority Bond Obligations - The City is a member of the Canadian River Municipal Water Authority (CRMWA), which is a governmental entity created by the Texas legislature with the purpose of providing a municipal and industrial water source for the eleven (11) member cities of the Authority. Being a member, the City is obligated to proportionately share in the financing of the construction and maintenance of the dam and aqueduct, as well as the purchase of additional water rights and the development of the Roberts County wellfields.

The CRMWA related liabilities disclosed below are the obligations of the City as prorated and passed through by CRMWA. The bonds are payable and secured by an irrevocable first lien and pledge of the City's water and sewer revenues in accordance with the City's agreements with CRMWA.

CITY OF BORGER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2010

The following disclosures are not intended to represent the full amount of notes and bond liabilities of CRMWA. CRMWA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the Authority; the report also provides detailed explanations of the contributions, liabilities and other information and assumptions concerning the member cities and the Authority. The financial report may be obtained by writing to CRMWA, PO Box 9, Sanford, TX 79078.

The descriptions of the Authority's bond obligations following bonds are detailed below, as well as the City's proportionate share and debt service activity. Respective principal payments are made annually in February and interest payments are made semiannually in February and August of the fiscal year. Funding for these obligations comes from the operations of the Water and Sewer Fund.

Salinity Control Series 1999 - In the fiscal year ended September 30, 2000 the Authority issued the 1999 Salinity Control Series to fund a project designed to mitigate the effect of sodium chloride brine water leaking into the upper Canadian River watershed and improve the quality of water flowing into Lake Meredith. The bonds matured in 2010 with the balance of \$14,867 being paid by reserves and earnings by the Authority.

USBR Series 1999 Refunding Series 2010 - In the fiscal year ended September 30, 2000, the Authority issued the 1999 Series Contract Revenue Refunding bonds for refinancing the U.S. Bureau of Reclamation's Prepayment Project. The bond proceeds were used to retire the Bureau of Reclamation debt for the construction of Sanford Dam, Lake Meredith and the original aqueduct system. In the fiscal year ended September 30, 2010, the Authority issued Contract Revenue Refunding Bonds, Series 2010 for refunding of the Series 1999 Bureau of Reclamation Prepayment Project.

As a result of the 1999 series USBR refinancing, the City realized a profit of \$2,164,133 from the debt restructuring and recorded the amount as deferred revenue. During the fiscal year ending September 30, 2010, the City recognized approximately \$102,798 of the gain as a reduction of interest expense with a remaining amount of \$930,292 to be amortized over the life of the original 1999 series prior to the refunding.

Contract Revenue Refunding Bonds Series 2005 - In the fiscal year ended September 30, 2000, the Authority issued Contract Revenue Bonds, Series 1999 for financing the construction of the Conjunctive Use Groundwater Supply project and for the advance refunding of the Contract Revenue Bonds, Series 1996. In the year ended September 30, 2005 the Authority issued Contract Revenue Refunding Bonds, Series 2005 for the advance refunding of a portion of the Series 1999 bonds.

Contract Revenue Refunding Bonds Series 2010 - In the fiscal year ended September 30, 2000, the Authority issued Contract Revenue Bonds, Series 1999 for financing the construction of the Conjunctive Use Groundwater Supply project and for the advance refunding of the Contract Revenue Bonds, Series 1996. In the year ended September 30, 2010 the Authority issued Contract Revenue Refunding Bonds, Series 2010 for the advance refunding of the remaining portion of the Series 1999 bonds that the Series 2005 refunding did not cover.

The Authority considers the refunding Series 2005 and Series 2010 as separate issues although both issues proportionately refinanced the 1999 series.

Conjunctive Use Groundwater Series 2005 - In the fiscal year ended September 30, 2005 the Authority issued Contract Revenue Bonds, Series 2005 for financing the purchases of various water rights.

Conjunctive Use Groundwater Series 2006 - In the fiscal year ended September 30, 2006 the Authority issued Contract Revenue Bonds, Series 2006 for financing the purchases of various water rights.

Conjunctive Use Groundwater Series 2009 - In the fiscal year ended September 30, 2005 the Authority

CITY OF BORGER, TEXAS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2010

issued Contract Revenue Bonds, Series 2009 to finance the continuation and expansion of the Conjunctive Use Groundwater Supply Project. The Authority made a reserve fund contribution of \$1,617,806 from the Authority's General Reserve Fund which will not be repaid by the member cities.

The debt service activity for the Business-type Activities of the City for the fiscal year ended September 30, 2010 is disclosed below:

	Balance 9/30/09	Additions	Payments	CRMWA Adjustments	Balance 9/30/10
Certificates of Obligation Series 2002	\$ 720,000	\$ -	\$ (90,000)	\$ -	\$ 630,000
General Obligation Bonds Series 2002	2,265,000	-	(425,000)	-	1,840,000
CRMWA Related Debt					
Salinity Control Series 1999	14,867	-	-	(14,867)	-
USBR Series 1999 Refunding Series 2010	773,436	87,333	(83,840)	(9,672)	767,257
Contract Revenue Refunding CUG Series 2005	2,974,992	-	(237,620)	(445,325)	2,292,047
Contract Revenue Refunding CUG Series 2010	-	50,691	(30,878)	445,325	465,138
Conjunctive Use Groundwater Series 2005	2,659,346	-	-	-	2,659,346
Conjunctive Use Groundwater Series 2006	2,543,539	-	(95,867)	-	2,447,672
Conjunctive Use Groundwater Series 2009	-	1,171,146	(30,410)	-	1,140,736
	<u>\$ 11,951,180</u>	<u>\$ 1,309,170</u>	<u>\$ (993,615)</u>	<u>\$ (24,539)</u>	<u>\$ 12,242,196</u>

The following schedule details the interest rate and current portion of the liabilities of the Governmental Activities as of September 30, 2010:

	Interest Rate	Original Amount	Maturity	Due Within One Year
Certificates of Obligation Series 2002	3.0-3.75%	\$ 965,000	Feb, 2015	\$ 440,000
General Obligation Bonds Series 2002	3.0-3.6%	3,465,000	Feb, 2014	90,000
CRMWA Related Debt				
USBR Series 1999 Refunding Series 2010	3.00%	866,743	Oct, 2018	76,623
Contract Revenue Refunding CUG Series 2005	5.00%	2,677,635	Feb, 2020	227,874
Contract Revenue Refunding CUG Series 2010	3.00%	496,016	Feb, 2020	46,427
Conjunctive Use Groundwater Series 2005	4.00%	2,659,346	Feb, 2025	-
Conjunctive Use Groundwater Series 2006	5.00%	2,781,080	Feb, 2027	97,189
Conjunctive Use Groundwater Series 2009	3.00%	1,171,146	Feb, 2029	20,254
				<u>\$ 998,367</u>

CITY OF BORGER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2010

The following schedule details the future maturities of the liabilities of the Governmental Activities as of September 30, 2010:

Year Ended December 31,	Principal	Interest	Total Debt Service
2011	\$ 998,367	\$ 543,660	\$ 1,542,027
2012	1,052,504	506,539	1,559,043
2013	1,094,666	466,769	1,561,435
2014	1,141,834	424,349	1,566,183
2015	818,157	377,748	1,195,905
2016-2020	2,988,646	1,416,390	4,405,036
2021-2025	3,433,288	630,675	4,063,963
2026-2030	714,734	59,556	774,290
	<u>\$ 12,242,196</u>	<u>\$ 4,425,686</u>	<u>\$ 16,667,882</u>

Component Unit:

Borger Economic Development Corporation financed the purchase of land and property from Frank Phillips College. The original \$234,000 note was secured by the real estate and buildings located in the park with an estimated market value of \$378,000. The non-interest bearing note was financed in September 2010, consisting of two annual payments of \$117,000, with maturity in September 2010. The expected cash flows from the dedicated sales tax are to be used to service the debt.

NOTE H - OPERATING LEASE COMMITMENTS

The City leases equipment under operating leases expiring on various dates. Total operating leases rental expense for 2010 fiscal year was \$17,774, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2010 that have initial or remaining terms in excess of one year:

Year Ended December 31,	Amount
2011	\$ 19,749
2012	18,289
2013	9,730
2014	8,142
2015	1,975
	<u>\$ 57,885</u>

NOTE I – TRANSFER STATION COMPLIANCE STATEMENT

The City meets the Local Government Financial Test and Government Guarantee as specified in the Texas Administrative Code (TAC), Chapter 37. The City is the owner of Transfer Station, MSW #40015, for which financial assurance for closure and post-closure care is achieved through the financial tests specified in Paragraph 37.271 of the TAC.

NOTE J - PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS

Pension Trust Fund:

Plan Description - The City provide pension benefits for all of its eligible full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. The report may be obtained from the TMRS website at www.tMrs.org or by writing to TMRS, PO Box 149153, Austin, TX 78714-9153.

Employees can retire at age 60 or later with 10 or more years of service or with 20 years of service regardless of age. Employees are vested after 10 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions - Under state law governing TMRS, the contribution rate for the City is determined annually by the actuary, using the Protected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which are 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 the 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 employee contribution rate is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. The total contribution rate for the City is 17.50% and 16.00% for the calendar years 2010 and 2009, respectively. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one year delay between the actuarial valuation that serves as the basis for the rate and the calendar year for when the rate goes into effect (i.e. December 31, 2008 valuation is effective for rates beginning January, 2010).

City employee contributions for the fiscal years ending September 30, 2010 were approximately \$431,292. Contributions made by the City totaled approximately \$1,063,047. Total contributions to TMRS were approximately \$1,494,339, which includes approximate contributions of \$14,880 to the Supplemental Death Benefit Fund.

Actuarial Changes - In December, 2007, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of the actuarial assumptions and definitions may be found in the TRMS Comprehensive Annual Financial Report for the year ended December 31, 2007.

Previously, TMRS had used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but did not project the potential future liability of provisions adopted by the City. For the December 31, 2007 valuation, the TMRS board determine that the Projected Unit Credit funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis.

In addition, the board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS rules provide that, whenever a change in actuarial assumptions or methods result

CITY OF BORGER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2010

in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result in initially higher required contributions and lower funded ratios; however the funded ratio should show steady improvement over time. To assist in the transition to higher rates, the TMRS board also approved an eight-year phase in period, which would allow cities the opportunity to increase their contributions gradually to the full or required contribution rate.

**City of Borger Pension Plan Trend Information
 (Unaudited)**

Fiscal Year Ending	Annual Pension Cost (APC)	Supplemental Death Benefit	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 1,063,047	\$ 14,880	100.00%	\$ 9,781,990
2009	1,093,913	13,720	100.00%	9,504,071
2008	826,169	10,807	100.00%	9,180,418

**City of Borger Pension Plan Schedule of Funding Progress
 (Unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	GASB 27 Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/09	\$ 10,534,156	\$ 20,316,146	\$ 9,781,990	51.9%	\$ 5,637,083	173.5%
12/31/08	10,599,823	20,103,894	9,504,071	52.7%	5,125,415	185.4%
12/31/07	11,763,780	20,944,198	9,180,418	56.2%	4,734,263	193.9%

**City of Borger
 Actuarial Valuation Information
 Pension Plan and Supplemental Death Benefit Fund**

Actuarial Valuation Date	12/31/07	12/31/08	12/31/09
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
Amortization Period	30 years; closed period	29 years; closed period	28 years; closed period
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market
Actuarial Assumptions			
Investment Rate of Return*	7.0%	7.5%	7.5%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost of Living Adjustments	3.0%	3.0%	3.0%
	2.1%	2.1%	2.1%

Supplemental Death Benefits Fund:

Plan Description - The City participates in the Supplemental Death Benefits Fund (SDBF), which is a cost-sharing multiple-employer defined benefit group term life insurance plan operated by TMRS. This is a separate trust administered by the TMRS Board of Trustees. TMRS issued a publicly available Comprehensive Annual Financial Report that included financial and supplementary information for the SDBF. The report may be obtained from the TMRS website at www.tmrs.org or by writing to TMRS, PO Box 149153, Austin, TX 78714-9153.

Contributions - The City contributes monthly to the SDBF at a contractually required rate as determined by an annual actuarial valuation. Such rates were 0.26% and 0.26% in 2010 and 2009, respectively, as a percentage of covered payroll. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City and 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 the employees' entire careers. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust fund to allocate the investment income to the SDBF on an annual basis. There is a one year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect (i.e. December 31, 2008 valuation is effective for rates beginning January, 2010).

Benefits - The City elected to provide group-term life insurance coverage for both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculation based on the employee's actual earnings for a 12 month period

CITY OF BORGER, TEXAS
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 SEPTEMBER 30, 2010

preceding the month of death). Retired employees are insured for \$7,500.

The City's contributions to the SDBF for the current and previous fiscal years are scheduled above, which equaled the required contributions for each fiscal year. The actuarial valuation information for the City of Borger Supplemental Death Benefit Fund is also scheduled above.

NOTE K – DISCRETELY PRESENTED COMPONENT UNIT

Component unit information for the City's major component unit, Borger Economic Development Corporation, is provided in the following condensed financial statements for the fiscal year ended September 30, 2010:

CONDENSED STATEMENT OF NET ASSETS			
<i>Current Assets</i>		<i>Current Liabilities</i>	
Cash and Cash Equivalents	\$ 256,797	Accrued Payables and Expenses	\$ 6,040
Investments	942,002	Notes and Loans Payable - Current	<u>217,000</u>
Sales Tax Receivables	154,684	Total Current Liabilities	223,040
Notes and Loans Receivable - Current	106,000		
Assets Held for Sale	189,450	<i>NonCurrent Liabilities</i>	
Prepays	<u>4,531</u>	Notes and Loans Payable - Long Term	<u>217,000</u>
Total Current Assets	1,653,464	Total Liabilities	440,040
<i>NonCurrent Assets</i>		<i>Net Assets</i>	
Notes and Loans Receivable - Long Term	250,268	Invested in Capital Assets	547,800
Capital Assets, Net	<u>547,800</u>	Unrestricted	<u>1,463,692</u>
Total NonCurrent Assets	<u>798,068</u>	Total Net Assets	<u>2,011,492</u>
Total Assets	<u>\$ 2,451,532</u>	Total Assets and Liabilities	<u>\$ 2,451,532</u>

**CONDENSED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS**

<i>Revenues</i>	
Sales Taxes	\$ 913,675
Economic Loan Interest	12,010
Other Income	<u>36,509</u>
Total Revenue	962,194
<i>Expenses</i>	
Salaries and Employee Benefits	\$ 153,820
Projects, Grants and Other Expenses	<u>410,543</u>
Total Expenses	<u>564,363</u>
Change in Net Assets	397,831
Net Assets at Beginning of Period	<u>1,613,661</u>
Net Assets at End of Period	<u>\$ 2,011,492</u>

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COMBINING FUND STATEMENTS AND SCHEDULES

SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes.

Tourism Fund – Accounts for the operations and expenses of attracting visitors and other events to the city.

Tub Grinder Fund – Accounts for the operations and activities of the composting program.

Park and Recreation Project Fund - Accounts for the improvements and maintenance of the municipal parks and special projects.

Police/100 Fund - Accounts for the donations supporting various police department projects.

Fire Equipment Fund – Accounts for the expenditures, grants, appropriations and other revenues designated for the purchase of equipment for the fire department.

Police Grants Fund – Accounts for the expenditures, grants, appropriations and other revenues designated for specific programs or the purchase of equipment for the police department.

Emergency Operations Fund – Accounts for the expenditures, grants, appropriations and other revenues designated for the operations of the Emergency Management department.

Municipal Court Security Fund - Accounts for state-mandated fees designated to maintain and upgrade the court's security system.

Texas Plains Trails Fund – Accounts for the expenditures, grants, appropriations and other revenues designated for the Texas Plains Trails program.

Police Benevolent Fund - Accounts for the donations designated for supporting families of officers injured or killed in the line of duty.

Municipal Court Technology Fund - Accounts for state-mandated fees designated for the court's technology upgrades and improvements.

Hotel/Motel Tax Fund - Accounts for the special assessment tax on motel room rentals used for the promotion of the City.

Borger Community Designated Fund – Accounts for the expenditures, grants, appropriations and other revenues for specific community maintenance or improvements as designated by the donors.

Cofield Community Center Fund – Accounts for the expenditures, grants, appropriations and other revenues for the operations, maintenance or improvements of the Community Center

Special Crime Fund - Accounts for the expenditures, grants, appropriations and other revenues seized or forfeited and designated for specific crime prevention or detection program of the police department.

OTHER GOVERNMENTAL FUNDS

Central Supply Fund – Accounts for the purchase of office, maintenance and other supplies and the distribution to the various departments of the City.

Investment Fund – Accounts and is custodian for the City's investments that are allocated to the other Special Revenue funds and the General Fund.

Group Hospitalization Fund - Accounts for the premiums paid and expenses for the employees' insurance coverage.

Interest and Sinking Fund - Accounts for the designated tax funds and the associated principal and interest expenditures related to the City's current bond issuances.

CITY OF BORGER, TEXAS
 COMBINING BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2010

	Tourism Fund	Central Supply Fund	Tub Grinder Fund	Park and Recreation Project Fund	Investment Fund	Group Hospitalization Fund
ASSETS						
Pooled Cash and Cash Equivalents	\$ 29,640	\$ 16,866	\$ (17,074)	\$ (47,065)	\$ -	\$ 35,884
Restricted Pooled Cash and Cash Equivalents	-	-	-	-	2,852,275	-
Investments	-	-	-	-	-	-
Accrued Interest	-	-	-	-	-	-
Inventories	-	58,100	-	-	-	-
Other Receivables	-	17,859	-	3,325	-	-
Due from Other Funds	140,550	111,100	17,000	42,500	-	-
Total Assets	<u>\$ 170,190</u>	<u>\$ 203,925</u>	<u>\$ (74)</u>	<u>\$ (1,240)</u>	<u>\$ 2,852,275</u>	<u>\$ 35,884</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ 186	\$ 3,280	\$ -	\$ -	\$ -	\$ -
Other Payables	-	-	-	-	-	35,884
Due to Other Funds	-	36,671	-	-	2,852,275	-
Total Liabilities	<u>186</u>	<u>39,951</u>	<u>-</u>	<u>-</u>	<u>2,852,275</u>	<u>35,884</u>
FUND BALANCES						
Reserved for Debt Service	-	-	-	-	-	-
Unreserved	170,004	163,974	(74)	(1,240)	-	-
Total Fund Balances	<u>170,004</u>	<u>163,974</u>	<u>(74)</u>	<u>(1,240)</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 170,190</u>	<u>\$ 203,925</u>	<u>\$ (74)</u>	<u>\$ (1,240)</u>	<u>\$ 2,852,275</u>	<u>\$ 35,884</u>

CITY OF BORGER, TEXAS
 COMBINING BALANCE SHEETS - Continued
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2010

	Police/ 100 Fund	Fire Equipment Fund	Police Grants Fund	Emergency Operations Fund	Municipal Court Security Fund	Debt Service I & S Fund	Texas Plains Trails Fund
ASSETS							
Pooled Cash and Cash Equivalents	\$ 6,550	\$ (45)	\$ (114,044)	\$ 3,314	\$ 5,651	\$ -	\$ 10,150
Restricted Pooled Cash and Cash Equivalents	-	-	-	-	-	117,673	-
Investments	-	-	-	-	-	-	-
Accrued Interest	-	-	-	-	-	7,431	-
Inventories	-	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-	-
Due from Other Funds	8,000	1,500	98,000	-	29,200	45,511	25,000
Total Assets	<u>\$ 14,550</u>	<u>\$ 1,455</u>	<u>\$ (16,044)</u>	<u>\$ 3,314</u>	<u>\$ 34,851</u>	<u>\$ 170,615</u>	<u>\$ 35,150</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 337
Other Payables	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	550
Total Liabilities	-	-	-	-	-	-	887
FUND BALANCES							
Reserved for Debt Service	-	-	-	-	-	170,615	-
Unreserved	14,550	1,455	(16,044)	3,314	34,851	-	34,263
Total Fund Balances	<u>14,550</u>	<u>1,455</u>	<u>(16,044)</u>	<u>3,314</u>	<u>34,851</u>	<u>170,615</u>	<u>34,263</u>
Total Liabilities and Fund Balances	<u>\$ 14,550</u>	<u>\$ 1,455</u>	<u>\$ (16,044)</u>	<u>\$ 3,314</u>	<u>\$ 34,851</u>	<u>\$ 170,615</u>	<u>\$ 35,150</u>

CITY OF BORGER, TEXAS
 COMBINING BALANCE SHEETS - Continued
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2010

	Police Benevolent Fund	Municipal Court Technology Fund	Hotel/Motel Fund	Borger Community Designated Fund	Cofield Community Center Fund	Special Crime Fund	Total Non Major Governmental Funds
ASSETS							
Pooled Cash and Cash Equivalents	\$ 1,008	\$ (12,661)	\$ 57,027	\$ (50,000)	\$ 6	\$ (854)	\$ (75,647)
Restricted Pooled Cash and Cash Equivalents	-	-	-	118,470	-	-	117,673
Investments	-	-	-	-	-	-	2,970,745
Accrued Interest	-	-	-	-	-	-	7,431
Inventories	-	-	-	-	-	-	58,100
Other Receivables	-	1	-	-	-	-	21,185
Due from Other Funds	5,000	4,500	-	-	975	2,775	531,611
Total Assets	<u>\$ 6,008</u>	<u>\$ (8,160)</u>	<u>\$ 57,027</u>	<u>\$ 68,470</u>	<u>\$ 981</u>	<u>\$ 1,921</u>	<u>\$ 3,631,098</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts Payable	\$ -	\$ -	\$ 57,027	\$ -	\$ -	\$ -	\$ 60,830
Other Payables	-	-	-	-	-	-	35,884
Due to Other Funds	-	-	-	-	-	-	2,889,496
Total Liabilities	-	-	57,027	-	-	-	2,986,210
FUND BALANCES							
Reserved for Debt Service	-	-	-	-	-	-	170,615
Unreserved	6,008	(8,160)	-	68,470	981	1,921	474,273
Total Fund Balances	<u>6,008</u>	<u>(8,160)</u>	<u>-</u>	<u>68,470</u>	<u>981</u>	<u>1,921</u>	<u>644,888</u>
Total Liabilities and Fund Balances	<u>\$ 6,008</u>	<u>\$ (8,160)</u>	<u>\$ 57,027</u>	<u>\$ 68,470</u>	<u>\$ 981</u>	<u>\$ 1,921</u>	<u>\$ 3,631,098</u>

CITY OF BORGER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2010

	Tourism Fund	Central Supply Fund	Tub Grinder Fund	Park and Recreation Project Fund	Police/ 100 Fund	Fire Equipment Fund
REVENUES						
Taxes						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Occupancy	-	-	-	-	-	-
Charges for Service	-	10,982	23,424	-	-	-
Penalties, Fines and Forfeitures	-	-	-	-	-	-
Intergovernmental Grants and Subsidies	-	-	-	-	-	-
Other Grants and Contributions	1,000	-	-	33,914	6,431	450
Investment Income	183	-	22	46	10	2
	<u>1,183</u>	<u>10,982</u>	<u>23,446</u>	<u>33,960</u>	<u>6,441</u>	<u>452</u>
Total Revenues						
EXPENDITURES						
<i>Current:</i>						
Public Safety	-	-	-	-	-	499
Public Works	-	-	39,755	-	-	-
Economic Development and Tourism	95,262	-	-	-	-	-
<i>Capital Outlay</i>	-	-	-	-	-	-
<i>Debt Service</i>						
Principal	-	-	-	-	-	-
Interest and Administrative Fees	-	-	-	-	-	-
	<u>95,262</u>	<u>-</u>	<u>39,755</u>	<u>-</u>	<u>-</u>	<u>499</u>
Total Expenditures						
Excess (Deficit) of Revenues over Expenditures	(94,079)	10,982	(16,309)	33,960	6,441	(47)
OTHER FINANCING SOURCES						
Transfers In (Out)	101,727	-	-	-	-	-
	<u>101,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources						
Net Change in Fund Balance	7,648	10,982	(16,309)	33,960	6,441	(47)
Fund Balance (Deficit) - Beginning of Year	162,356	152,992	16,235	(35,200)	8,109	1,502
Fund Balance, End of Year	<u>\$ 170,004</u>	<u>\$ 163,974</u>	<u>\$ (74)</u>	<u>\$ (1,240)</u>	<u>\$ 14,550</u>	<u>\$ 1,455</u>

CITY OF BORGER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - CONTINUED
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2010

	Police Grants Fund	Emergency Operations Fund	Municipal Court Security Fund	Debt Service I & S Fund	Texas Plains Trails Fund	Police Benevolent Fund
REVENUES						
Taxes						
Property	\$ -	\$ -	\$ -	\$ 1,211,151	\$ -	\$ -
Occupancy	-	-	-	-	-	-
Charges for Service	-	-	-	-	-	-
Penalties, Fines and Forfeitures	-	-	5,665	-	-	-
Intergovernmental Grants and Subsidies	29,324	-	-	-	93,750	-
Other Grants and Contributions	-	-	-	-	100	1,000
Investment Income	130	1	37	2,342	32	8
Total Revenues	29,454	1	5,702	1,213,493	93,882	1,008
EXPENDITURES						
<i>Current:</i>						
Public Safety	30,232	344	-	-	-	-
Public Works	-	-	-	-	-	-
Economic Development and Tourism	-	-	-	-	85,197	-
<i>Capital Outlay</i>	144,366	-	-	-	-	-
<i>Debt Service</i>						
Principal	-	-	-	293,814	-	-
Interest and Administrative Fees	-	-	-	242,564	-	-
Total Expenditures	174,598	344	-	536,378	85,197	-
Excess (Deficit) of Revenues over Expenditures	(145,144)	(343)	5,702	677,115	8,685	1,008
OTHER FINANCING SOURCES						
Transfers In (Out)	-	-	-	(1,251,513)	-	-
Total Other Financing Sources	-	-	-	(1,251,513)	-	-
Net Change in Fund Balance	(145,144)	(343)	5,702	(574,398)	8,685	1,008
Fund Balance (Deficit) - Beginning of Year	129,100	3,657	29,149	745,013	25,578	5,000
Fund Balance, End of Year	\$ (16,044)	\$ 3,314	\$ 34,851	\$ 170,615	\$ 34,263	\$ 6,008

CITY OF BORGER, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - CONTINUED
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2010

	Municipal Court Technology Fund	Hotel/ Motel Fund	Borger Community Designated Fund	Cofield Community Center Fund	Special Crime Fund	Total Non Major Governmental Funds
REVENUES						
Taxes						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,211,151
Occupancy	-	247,365	-	-	-	247,365
Charges for Service	-	-	-	-	-	34,406
Penalties, Fines and Forfeitures	7,554	-	-	-	-	13,219
Intergovernmental Grants and Subsidies	-	-	-	-	-	123,074
Other Grants and Contributions	-	-	-	-	-	42,895
Investment Income	6	-	9,537	1	3	12,360
	<u>7,560</u>	<u>247,365</u>	<u>9,537</u>	<u>1</u>	<u>3</u>	<u>1,684,470</u>
Total Revenues						
	7,560	247,365	9,537	1	3	1,684,470
EXPENDITURES						
<i>Current:</i>						
Public Safety	15,332	-	-	-	1,000	47,407
Public Works	-	-	-	-	-	39,755
Economic Development and Tourism	-	145,638	-	-	-	326,097
<i>Capital Outlay</i>	-	-	-	-	-	144,366
<i>Debt Service</i>						
Principal	-	-	-	-	-	293,814
Interest and Administrative Fees	-	-	-	-	-	242,564
	<u>15,332</u>	<u>145,638</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,094,003</u>
Total Expenditures						
	(7,772)	101,727	9,537	1	(997)	590,467
Excess (Deficit) of Revenues over Expenditures						
	-	(101,727)	-	-	-	(1,251,513)
OTHER FINANCING SOURCES						
Transfers In (Out)	-	(101,727)	-	-	-	(1,251,513)
Total Other Financing Sources						
	(7,772)	-	9,537	1	(997)	(661,046)
Net Change in Fund Balance						
	(388)	-	58,933	980	2,918	1,305,934
Fund Balance (Deficit) - Beginning of Year						
	\$ (8,160)	\$ -	\$ 68,470	\$ 981	\$ 1,921	\$ 644,888

CITY OF BORGER, TEXAS
 TOURISM FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Contributions	\$ -	\$ -	\$ 1,000	\$ 1,000
Interest Income	1,500	1,500	183	(1,317)
Total Revenues	1,500	1,500	1,183	(317)
EXPENDITURES				
Economic Development and Tourism	173,850	173,850	95,262	78,588
Total Operating Expenses	173,850	173,850	95,262	78,588
Operating Income (Loss)	(172,350)	(172,350)	(94,079)	78,271
OTHER FINANCING SOURCES				
Transfers In	91,350	91,350	101,727	10,377
Total Other Financing Sources	91,350	91,350	101,727	10,377
Net Change in Fund Balance	(81,000)	(81,000)	7,648	88,648
Fund Balance, Beginning of Year	162,356	162,356	162,356	-
Fund Balance, End of Year	<u>\$ 81,356</u>	<u>\$ 81,356</u>	<u>\$ 170,004</u>	<u>\$ 88,648</u>

CITY OF BORGER, TEXAS
TUB GRINDER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Charges for Service	\$ 15,000	\$ 15,000	\$ 23,424	\$ 8,424
Interest Income	1,500	1,500	22	(1,478)
Total Revenues	<u>16,500</u>	<u>16,500</u>	<u>23,446</u>	<u>6,946</u>
EXPENDITURES				
Public Works	<u>38,500</u>	<u>38,500</u>	<u>39,755</u>	<u>(1,255)</u>
Total Operating Expenses	<u>38,500</u>	<u>38,500</u>	<u>39,755</u>	<u>(1,255)</u>
Net Change in Fund Balance	(22,000)	(22,000)	(16,309)	5,691
Fund Balance, Beginning of Year	<u>16,235</u>	<u>16,235</u>	<u>16,235</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (5,765)</u>	<u>\$ (5,765)</u>	<u>\$ (74)</u>	<u>\$ 5,691</u>

CITY OF BORGER, TEXAS
 PARK AND RECREATION PROJECT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Contributions	\$ 33,500	\$ 33,500	33,914	\$ 414
Interest Income	500	500	46	(454)
Total Revenues	34,000	34,000	33,960	(40)
EXPENDITURES				
Parks and Recreation	-	-	-	-
Total Operating Expenses	-	-	-	-
Net Change in Fund Balance	34,000	34,000	33,960	(40)
Fund Balance, Beginning of Year	(35,200)	(35,200)	(35,200)	-
Fund Balance, End of Year	<u>\$ (1,200)</u>	<u>\$ (1,200)</u>	<u>\$ (1,240)</u>	<u>\$ (40)</u>

CITY OF BORGER, TEXAS
POLICE CLUB 100 FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Contributions	\$ -	\$ -	6,431	\$ 6,431
Interest Income	200	200	10	(190)
Total Revenues	<u>200</u>	<u>200</u>	<u>6,441</u>	<u>6,241</u>
EXPENDITURES				
Public Safety	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total Operating Expenses	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Net Change in Fund Balance	(2,800)	(2,800)	6,441	9,241
Fund Balance, Beginning of Year	<u>8,109</u>	<u>8,109</u>	<u>8,109</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,309</u>	<u>\$ 5,309</u>	<u>\$ 14,550</u>	<u>\$ 9,241</u>

CITY OF BORGER, TEXAS
POLICE GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Grants and Contributions	\$ -	\$ 81,000	\$ 29,324	\$ (51,676)
Interest Income	1,000	1,000	130	(870)
Total Revenues	<u>1,000</u>	<u>82,000</u>	<u>29,454</u>	<u>(52,546)</u>
EXPENDITURES				
<i>Current:</i>				
Public Safety	7,000	7,000	30,232	(23,232)
<i>Capital Outlay</i>	100,000	181,000	144,366	36,634
Total Operating Expenses	<u>107,000</u>	<u>188,000</u>	<u>174,598</u>	<u>13,402</u>
Net Change in Fund Balance	(106,000)	(106,000)	(145,144)	(39,144)
Fund Balance, Beginning of Year	<u>129,100</u>	<u>129,100</u>	<u>129,100</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 23,100</u>	<u>\$ 23,100</u>	<u>\$ (16,044)</u>	<u>\$ (39,144)</u>

CITY OF BORGER, TEXAS
 EMERGENCY OPERATIONS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Interest Income	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 1</u>	<u>(99)</u>
Total Revenues	100	100	1	(99)
EXPENDITURES				
Public Safety	<u>19,950</u>	<u>19,950</u>	<u>344</u>	<u>19,606</u>
Total Operating Expenses	<u>19,950</u>	<u>19,950</u>	<u>344</u>	<u>19,606</u>
Net Change in Fund Balance	(19,850)	(19,850)	(343)	19,507
Fund Balance, Beginning of Year	<u>3,657</u>	<u>3,657</u>	<u>3,657</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (16,193)</u></u>	<u><u>\$ (16,193)</u></u>	<u><u>\$ 3,314</u></u>	<u><u>\$ 19,507</u></u>

CITY OF BORGER, TEXAS
MUNICIPAL COURT SECURITY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Penalties, Fines and Forfeitures	\$ 3,500	\$ 3,500	\$ 5,665	\$ 2,165
Interest Income	300	300	37	(263)
Total Revenues	<u>3,800</u>	<u>3,800</u>	<u>5,702</u>	<u>1,902</u>
EXPENDITURES				
Public Safety	<u>3,800</u>	<u>3,800</u>	<u>-</u>	<u>3,800</u>
Total Operating Expenses	<u>3,800</u>	<u>3,800</u>	<u>-</u>	<u>3,800</u>
Net Change in Fund Balance	-	-	5,702	5,702
Fund Balance, Beginning of Year	<u>8,109</u>	<u>8,109</u>	<u>8,109</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 8,109</u>	<u>\$ 8,109</u>	<u>\$ 13,811</u>	<u>\$ 5,702</u>

CITY OF BORGER, TEXAS
INTEREST AND SINKING SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Property Taxes	\$ 199,766	\$ 1,149,173	\$ 1,211,151	\$ 61,978
Interest Income	750	6,250	2,342	(3,908)
Total Revenues	<u>200,516</u>	<u>1,155,423</u>	<u>1,213,493</u>	<u>58,070</u>
EXPENDITURES				
<i>Debt Service</i>				
Principal	199,880	1,149,862	293,814	856,048
Interest and Administrative Fees	636	1,236	242,564	(241,328)
Total Operating Expenses	<u>200,516</u>	<u>1,151,098</u>	<u>536,378</u>	<u>614,720</u>
Net Change in Fund Balance	-	(1,925)	677,115	(556,650)
OTHER FINANCING USES				
Transfers Out	-	-	<u>(1,251,513)</u>	(1,251,513)

CITY OF BORGER, TEXAS
 TEXAS PLAINS TRAILS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental Grants and Subsidies	\$ 75,300	\$ 75,300	\$ 93,750	\$ 18,450
Contributions	4,305	4,305	100	\$ (4,205)
Interest Income	-	-	32	32
Total Revenues	<u>79,605</u>	<u>79,605</u>	<u>93,882</u>	<u>14,277</u>
EXPENDITURES				
Economic Development and Tourism	<u>79,605</u>	<u>79,605</u>	<u>85,197</u>	<u>(5,592)</u>
Total Operating Expenses	<u>79,605</u>	<u>79,605</u>	<u>85,197</u>	<u>(5,592)</u>
Net Change in Fund Balance	-	-	8,685	19,869
Fund Balance, Beginning of Year	<u>25,578</u>	<u>25,578</u>	<u>25,578</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 25,578</u>	<u>\$ 25,578</u>	<u>\$ 34,263</u>	<u>\$ 19,869</u>

CITY OF BORGER, TEXAS
MUNICIPAL COURT TECHNOLOGY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Penalties, Fines and Forfeitures	\$ 7,000	\$ 7,000	\$ 7,554	\$ 554
Interest Income	195	195	6	(189)
Total Revenues	<u>7,195</u>	<u>7,195</u>	<u>7,560</u>	<u>365</u>
EXPENDITURES				
Public Safety	<u>7,195</u>	<u>7,195</u>	<u>15,332</u>	<u>(8,137)</u>
Total Operating Expenses	<u>7,195</u>	<u>7,195</u>	<u>15,332</u>	<u>(8,137)</u>
Net Change in Fund Balance	-	-	(7,772)	(7,772)
Fund Balance, Beginning of Year	<u>(388)</u>	<u>(388)</u>	<u>(388)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (388)</u></u>	<u><u>\$ (388)</u></u>	<u><u>\$ (8,160)</u></u>	<u><u>\$ (7,772)</u></u>

CITY OF BORGER, TEXAS
HOTEL MOTEL TAX FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Occupancy Taxes	<u>\$ 215,000</u>	<u>\$ 215,000</u>	<u>\$ 247,365</u>	<u>\$ 32,365</u>
Total Revenues	215,000	215,000	247,365	32,365
EXPENDITURES				
Economic Development and Tourism	<u>123,650</u>	<u>123,650</u>	<u>145,638</u>	<u>(21,988)</u>
Total Operating Expenses	<u>123,650</u>	<u>123,650</u>	<u>145,638</u>	<u>(21,988)</u>
Operating Income (Loss)	91,350	91,350	101,727	10,377
OTHER FINANCING USES				
Transfers Out	<u>(91,350)</u>	<u>(91,350)</u>	<u>(101,727)</u>	<u>(10,377)</u>
Total Other Financing Uses	<u>(91,350)</u>	<u>(91,350)</u>	<u>(101,727)</u>	<u>(10,377)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

ENTERPRISE FUNDS

BUDGET VS ACTUAL

Water and Sewer Utility Fund - The Water and Sewer Utility Fund is used to accounts for the billings and collections of water and wastewater services to the residents of the City. All activities necessary to provide such services are accounted for in this fund including administration, operations billing and maintenance.

CITY OF BORGER, TEXAS
 BUDGETARY COMPARISON
 WATER AND SEWER UTILITY FUND
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Charges for Service	\$ 3,630,000	\$ 3,630,000	\$ 3,648,307	\$ 18,307
Industrial Water Sales	1,725,000	1,725,000	2,143,296	418,296
Late Charges	68,000	68,000	72,536	4,536
Tapping and Surcharge Fees	40,000	40,000	38,620	(1,380)
Other and Miscellaneous	44,500	44,500	43,939	(561)
Total Operating Revenues	<u>5,507,500</u>	<u>5,507,500</u>	<u>5,946,698</u>	<u>439,198</u>
OPERATING EXPENSES				
<i>Current</i>				
Salaries and Wages	1,299,793	1,309,978	1,366,899	(56,921)
Employee Benefits	493,760	472,416	465,418	6,998
Utilities	583,500	576,100	434,449	141,651
Departmental Operating Costs	1,600,800	1,565,318	1,411,778	153,540
Professional and Technical Services	118,100	99,970	62,472	37,498
Repairs and Maintenance	198,025	221,120	294,949	(73,829)
Other Purchased Services	57,175	55,430	57,013	(1,583)
Property and Facility	12,150	15,750	17,077	(1,327)
General and Administrative Supplies	137,190	148,265	124,296	23,969
Rental and Lease Agreements	7,700	6,700	5,264	1,436
<i>Capital Outlay</i>	153,157	153,157	555,620	(402,463)
<i>Debt Service</i>				
Principal Payments	876,500	913,646	993,615	(79,969)
Total Operating Expenses	<u>5,537,850</u>	<u>5,537,850</u>	<u>5,788,850</u>	<u>(251,000)</u>
Operating Income (Loss)	(30,350)	(30,350)	157,848	188,198
NONOPERATING REVENUES (EXPENSES)				
Investment Income	30,350	30,350	6,012	(24,338)
Loss on Disposal of Assets	-	-	(1,452)	(1,452)
Interest Expense	-	-	(349,244)	(349,244)
Total Nonoperating Revenues (Expenses)	<u>30,350</u>	<u>30,350</u>	<u>(344,684)</u>	<u>(375,034)</u>
Income Before Transfers	-	-	(186,836)	(186,836)
TRANSFERS				
Transfers In	-	-	1,251,513	1,251,513
Transfers Out	-	-	-	-
Total Operating Transfers	<u>-</u>	<u>-</u>	<u>1,251,513</u>	<u>1,251,513</u>
Net Income	-	-	1,064,677	1,064,677
Net Assets, Beginning of Year -As Previously Stated	14,942,811	14,942,811	14,942,811	-
Prior Period Adjustment	353,296	353,296	353,296	-
Net Assets, Beginning of Year - As Adjusted	<u>15,296,107</u>	<u>15,296,107</u>	<u>15,296,107</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 15,296,107</u>	<u>\$ 15,296,107</u>	<u>\$ 16,360,784</u>	<u>\$ 1,064,677</u>
Reconciliation of Net Loss for Budgetary Basis to Statement of Activities for Water Utility Fund				
Net Income - Budgetary Basis			\$ 1,064,677	
Amounts reported in the Statement of Activities are different because:				
Depreciation is reported in the Proprietary Funds Statement of Activities but is not a budget expenditure item			(971,981)	
Debt Service Expenditures reduce Water Fund liabilities and are not considered current year expenses			993,615	
Capital Outlay is a budet expenditure but is reported on the Proprietary Funds Statement of Net Assets			<u>555,620</u>	
Net Income - Financial Statement Basis			<u>\$ 1,641,931</u>	

SUPPLEMENTAL INFORMATION

CITY OF BORGER, TEXAS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
September 30, 2010

YEAR	BALANCE			COLLECTIONS	BALANCE
	10/01/09	ADJUSTMENTS	9/30/10		
1998 & PRIOR	\$ 42,346	\$ -	\$ -	\$ 42,346	
1999	\$ 3,699	\$ -	\$ -	\$ 3,699	
2000	\$ 3,664	\$ -	\$ -	\$ 3,664	
2001	\$ 11,213	\$ -	\$ -	\$ 11,213	
2002	\$ 5,540	\$ (55)	\$ -	\$ 5,485	
2003	\$ 7,472	\$ (39)	\$ 98	\$ 7,335	
2004	\$ 10,454	\$ -	\$ 64	\$ 10,390	
2005	\$ 12,824	\$ -	\$ 157	\$ 12,667	
2006	\$ 21,908	\$ -	\$ 460	\$ 21,448	
2007	\$ 35,041	\$ -	\$ 610	\$ 34,431	
2008	\$ 66,992	\$ -	\$ 2,656	\$ 64,337	
DELENQUENTS	\$ 221,152	\$ (93)	\$ 4,044	\$ 217,015	
CURRENT (2009)	\$ 131,924	\$ (37)	\$ 11,626	\$ 120,261	
TOTALS	\$ 353,076	\$ (130)	\$ 15,670	\$ 337,276	

CITY OF BORGER, TEXAS
GENERAL FUND
SCHEDULE OF ASSET VALUATION, M&O/I&S TAX RATE, LEVY, AND
COLLECTIONS FOR THE PAST TEN FISCAL YEARS

YEAR ENDING SEPT 30	ASSESSED VALUATION	M&O RATE	I&S RATE	COMBINED TAX RATE	TAX LEVY	TAXES COLLECTED	PERCENT COLLECTED
2000	\$ 341,186,164	\$ 0.36000	\$ -	\$ 0.36000	\$ 1,228,270	\$ 1,224,572	99.70%
2001	\$ 343,741,440	\$ 0.36000	\$ -	\$ 0.36000	\$ 1,237,469	\$ 1,233,805	99.70%
2002	\$ 345,808,050	\$ 0.36000	\$ 0.05883	\$ 0.41883	\$ 1,448,348	\$ 1,437,135	99.23%
2003	\$ 346,719,610	\$ 0.36000	\$ 0.05883	\$ 0.41883	\$ 1,452,166	\$ 1,446,680	99.62%
2004	\$ 339,081,890	\$ 0.36000	\$ 0.13400	\$ 0.49400	\$ 1,675,065	\$ 1,667,730	99.56%
2005	\$ 343,747,290	\$ 0.37000	\$ 0.13254	\$ 0.50254	\$ 1,727,468	\$ 1,717,078	99.40%
2006	\$ 344,866,990	\$ 0.38846	\$ 0.12928	\$ 0.51774	\$ 1,785,514	\$ 1,772,847	99.29%
2007	\$ 355,773,799	\$ 0.40206	\$ 0.17833	\$ 0.58039	\$ 2,064,876	\$ 2,043,428	98.96%
2008	\$ 377,466,838	\$ 0.38958	\$ 0.19039	\$ 0.57997	\$ 2,189,194	\$ 2,154,763	98.43%
2009	\$ 412,107,000	\$ 0.33973	\$ 0.25233	\$ 0.59206	\$ 2,439,921	\$ 2,375,584	97.36%
2010	\$ 418,880,018	\$ 0.33310	\$ 0.28251	\$ 0.61561	\$ 2,578,667	\$ 2,458,407	95.34%
AVERAGE COLLECTION RATE PERCENT							98.78%

CITY OF BORGER, TEXAS
WATER AND SEWER UTILITIES SYSTEM
CUSTOMER STATISTICS

NUMBER OF CUSTOMERS AS OF:	WATER	SEWER
September 30, 2000	5,995	5,621
September 30, 2001	5,739	5,547
September 30, 2002	5,816	5,549
September 30, 2003	5,830	5,445
September 30, 2004	5,705	5,386
September 30, 2005	5,621	5,395
September 30, 2006	5,769	5,410
September 30, 2007	5,731	5,355
September 30, 2008	5,778	5,393
September 30, 2009	5,750	5,367
September 30, 2010	5,712	5,321

CITY OF BORGER
SCHEDULE OF INSURANCE COVERAGE
September 30, 2010

ID		Coverage	Contents
1	Animal Shelter-W. 3rd. Street 5/10 Mi W of Cedar	\$ 214,700	\$ 7,500
4	Booster Pump Station -1800A S Florida	\$ 114,000	\$ 10,000
5	Camex Mixing Basin-1350 Ft SW of Int Carbon Rd/Hwy 136	\$ 30,000	
6	City Hall-600 N Main	\$ 1,362,400	\$ 600,000
7	Elevated Water Tank-1800B South Florida	\$ 465,600	
8	Elevated Water Tank-FM 1551	\$ 1,320,100	
9	Elevated Water Tank-521 East 10th	\$ 1,167,800	
10	F/SL3 Refuse Containers Various Locations	\$ 234,630	
11	Fire Station-200/204 N Cedar	\$ 1,034,400	\$ 110,000
14	Pavillion 200 Pine Street (Huber Park)	\$ 66,500	
15	Police Station-613 N Weatherly	\$ 801,100	\$ 250,000
16	Radio Control Building & Tower-206 West Sixth	\$ 25,000	\$ 50,000
18	Recreation Building-1228 S Main	\$ 145,000	
19	Sludge Press Building-1302 West Third	\$ 198,114	
21	Vehicle Service Center-801 N Florida	\$ 503,900	\$ 200,000
22	Warehouse-901 Whittenburg	\$ 300,000	\$ 150,000
23	Wastewater Treatment Plant-1302 West Third Street	\$ 47,500	\$ 25,000
24	Wastewater Plant Equipment-1302 W 3rd Street	\$ 1,573,160	
25	Water Treatment Plant-1800 S Florida	\$ 1,612,530	\$ 75,000
27	Transfer Station-920 N Florida	\$ 930,700	\$ 160,000
28	Scale House-920 N Florida	\$ 65,400	\$ 5,000
29	Recycle Office-920 N Florida	\$ 7,800	\$ 500
31	Ground Water Store Tank-1600 Sterling	\$ 252,800	
34	10666 McCall RD-Radar System	\$ 260,000	
35	901 N Florida-Police Storage	\$ 23,600	\$ 16,000
36	901 N Florida-Public Works Storage	\$ 23,600	\$ 150,000
37	1/8 Mile West of City-55k Water Tank	\$ 1,396,300	
38	1/8 Mile West of City-Chlorinator Building	\$ 6,600	\$ 14,000
39	1/8 Mile West of City-Radio Tower	\$ 50,000	\$ 15,000
40	7 Miles West of City-Degussa Pump Station	\$ 75,000	
41	7 Miles West of City-Water Well #16	\$ 15,000	
42	7 Miles West of City-Water Well #17	\$ 15,000	
43	7 Miles West of City-Water Well #19	\$ 15,000	
44	1205 Brain - Cofield Community Center	\$ 221,500	\$ 50,000
45	1205 Brain - BBQ Pit	\$ 1,500	
46	1835 S. Florida - Radio Tower w/Radio House	\$ 100,000	\$ 20,000
47	1/8 Mile West of City on HWY 136 - Radio Tower	\$ 8,400	
48	1/8 Mile West of City on HWY 136 - Radio Tower Bdg w/ fence	\$ 8,400	
49	417 N. Main - Gazebo	\$ 18,000	
50	Corner 4th & Main - Planter Box	\$ 25,000	
51	515 N. Main - Gazebo	\$ 18,000	
52	516 N. Main - Gazebo	\$ 18,000	

CITY OF BORGER
SCHEDULE OF INSURANCE COVERAGE
September 30, 2010

ID		Coverage	Contents
53	517 N. Main - Planter Box	\$ 25,000	
54	500 N. Main - Planter Box	\$ 25,000	
55	430 N. Main - Planter Box	\$ 50,000	
56	415 N. Main - Planter Box	\$ 25,000	
57	414 N. Main - Gazebo	\$ 18,000	
58	416 N. Main - Planter Box	\$ 25,000	
59	613 N. Main - Planter Box	\$ 25,000	
60	617 N. Main - Gazebo	\$ 18,000	
61	616 N. Main - Gazebo	\$ 18,000	
62	618 N. Main - Planter Box	\$ 25,000	
63	601 N. Main - Planter Box	\$ 25,000	
64	531 N. Main - Planter Box	\$ 25,000	
65	514 N. Main - Planter Box	\$ 25,000	
66	514 N. Main - Wanda Klause Center City Park	\$ 80,000	
67	1 Mile W. of FM687 & HWY 152 - Water Well #1	\$ 15,000	
68	1 1/4 Mile W. of FM687 & HWY 152 - Water Well #2	\$ 15,000	
69	1 1/2 Mile W. of FM687 & HWY 152 - Water Well #3	\$ 15,000	
70	1 1/4 Mile W. of FM687 & HWY 152 /N. 1/4 Mile - Water Well #4	\$ 15,000	
71	1 1/4 Mile W. of FM687 & HWY 152 /N. 1/2 Mile - Water Well #5	\$ 15,000	
72	1 1/2 Mile W. of FM687 & HWY 152 /N. 1/4 Mile - Water Well #6	\$ 15,000	
73	1 1/4 Mile W. of FM687 & HWY 152 /N. 3/4 Mile - Water Well #7	\$ 15,000	
74	1 1/8 Mile W. of FM687 & HWY 152 /N. 3/4 Mile - Water Well #8	\$ 15,000	
75	1 1/4 Mile W. of FM687 & HWY 152 /N. 1 Mile - Water Well #9	\$ 15,000	
76	1 1/8 Mile W. of FM687 & HWY 152 /N. 1 Mile - Water Well #10	\$ 15,000	
77	1 1/4 Mile W. of FM687 & HWY 152 /N. 1 1/4 Mile - Water Well #11	\$ 15,000	
78	1/4 Mile W. of FM687 & HWY 152 /N. 1/4 Mile - Water Well #12	\$ 40,000	
79	1/4 Mile W. of FM687 & HWY 152 /S. 500 Feet - Water Well #13	\$ 40,000	
80	1/8 Mile W. of FM687 & HWY 152 - 1M Gallon Storage Tank	\$ 500,000	
81	1/8 Mile W. of FM687 & HWY 152 - Cl2 Building	\$ 30,000	
82	1 Mile W. of FM687 & HWY 152 @ Water Well #1 - Cntl Bldg	\$ 75,000	
83	Various Locations - MESH System	\$ 150,000	
84	Various Locations - Remote Camara System	\$ 100,000	
85	Johnson Park Youth Center	\$ 4,000,000	\$ 250,000
		\$ 20,281,034	\$ 2,158,000

Total amount of coverage for buildings and contents:

\$ 22,439,034

CITY OF BORGER
 SCHEDULE OF INSURANCE COVERAGE
 September 30, 2010

Coverage Extensions

Valuable Paper & Records & EDP Media	\$ 10,000
Accounts Receivable	\$ 10,000
Loss of Revenues, Extra Expense and Rents	\$ 25,000
Personal Effects	\$ 5,000
Leasehold Interest	\$ 5,000
Outdoor Trees & Shrubs (\$250 Each)	\$ 10,000
Newly Aquired Property	\$ 1,000,000
Employee Honesty Bond-Blanket	\$ 25,000
Pollutant Cleanup and Removal	\$ 20,000

Automobile & Vehicle Coverages

Vehicle - 147 Items	\$ 3,704,913
Auto Liability - 147 Items	
Auto Medical Payments - 129 Items	
Auto Physical Damage - 139 Items	
Hired & Non-owned Auto - 138 FTE's	

Equipment Coverages

Moble Equipment - 43 Items	\$ 1,217,988
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Liability Coverages

	Deductable	Limits
Workers Compensation	\$ -	\$ 5,000,000
General Liability	\$ -	\$ 5,000,000
Law Enforcement Liability	\$ 1,000	\$ 3,000,000
Errors & Ommissions Liability	\$ 5,000	\$ 3,000,000
Supplemental Sewarge Backup	\$ 250	\$ 50,000
Automobile Medical Payments	\$ -	\$ 25,000
Automobile Liability	\$ -	\$ 1,000,000
Automobile Physical Damage	\$ 1,000	Per Schedule

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COMPLIANCE

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JW Anderson & Associates, PC

Certified Public Accountants

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

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

We have audited the basic financial statements of City of Borger, Texas as of and for the year ended September 30, 2010, and have issued our report thereon dated May 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, members of the City Council, others within the City and applicable state, federal or other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

J W Anderson & Associates, PC

JW ANDERSON & ASSOCIATES, PC
A Professional Corporation
Lubbock, Texas
May 31, 2011

City of Borger, Texas

Official Roster
September 30, 2010

City Council

Jeff Brain

Mayor

Leon DeWeese

Council

Robert Vinyard

Council

Marvin Dickson

Council

Charles Gillingham

Council

Administrative Officials

Eddie Edwards

City Manager

Scott Radach

Finance Director

City of Borger, Texas
EXIT CONFERENCE
September 30, 2010

The contents of this report were discussed with the City of Borger representatives on December 3, 2010. The following individuals attended the conference:

City of Borger

Eddie Edwards, City Manager
Scott Radach, Finance Director

J.W. Anderson & Associates, PC

Larry Anderson, President
Scott Northam, Audit Manager

The financial statements of the City of Borger were prepared from original books and records provided by and with assistance from the management of the City and J.W. Anderson & Associates, PC.

Although Statement of Auditing Standards No. 112 - *Communicating Internal Control Related Matters Identified in an Audit* strongly emphasizes that the City prepare its own financial statements, the consensus between the City management and the auditors was that it would be more time and cost efficient for the auditors to prepare the financial statements and the related notes. Accordingly, the City has designated a competent management-level individual to oversee the auditors' services and have made all management decisions and performed all management functions. The City has reviewed, approved, and accepted responsibility for the accompanying financial statements and related notes, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with generally accepted accounting principles and that the records are current and in balance.