

CITY OF ELMENDORF, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2005

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To the City Council
City of Elmendorf, Texas

As a result of my observations concerning the accounting and financial aspects of the records of the City of Elmendorf, Texas, during my audit for the year ended September 30, 2005, I submit the following recommendations for your consideration:

Utility Billings:

I noted that six out of the sixteen individual billing stubs had been over charged for their water usage.

The city was unable to locate the garbage rates for 2005. Therefore, we could not verify that the garbage billings were correct.

Recommendation:

I recommend that more care be exercised when preparing the monthly utility.

Credit Cards:

I noted that during the test month there were three credit card payments that did not get to the bank and I noted that credit cards are not being reconciled to the bank statement.

Recommendation:

I recommend that when the bank reconciliation is prepared that the City also reconcile all credit card charges to the monthly bank statement.

Payroll:

I noted that there are negative vacation/sick balances at September 30, 2005 and the Federal Form 941's salary amounts do not tie to the general ledger.

Recommendation:

I recommend that the City exercise more care with respect to both accumulated unused vacation hours and to accumulated unused sick pay hours. I also recommend that the City reconcile their Federal form 941's on both a quarterly basis and on an annual basis.

Administration:

The minutes need to be more detailed (i.e. amounts, statement of approval/denial, and detailed description of all items to be approved).

There was no depository contract in 2005 and there was no investment policy nor was there an investment officer.

Recommendation:

I recommend that the minutes be more detailed and as a minimum contain dollar amounts, vendor names, and types of items purchased. I also recommend that the City adopt a depository contract, implement an investment policy, and appoint an investment officer.

Expenditures:

I noted that the reimbursement for the petty cash had no vendor invoices to back up the checks issued.

There were several miscellaneous invoices missing.

Recommendation:

I recommend that vendor invoices be provided whenever the City is replenishing the petty cash fund. I also recommend that a vendor's invoice accompany each expenditure before being paid.

Receipts:

I noted that miscellaneous revenues were being lump summed and not all of the summed amounts can be broken out.

Recommendation:

I recommend that miscellaneous revenues be specifically identified before being deposited into the bank.

Municipal Court:

I noted that the municipal court used generic, unnumbered, duplicate receipts, that there were no monthly reports, that receipts were given to the City and deposited in one lump sum without being specifically identified, that there was no docket book or computer docket, and that a list was produced on an excel worksheet for the tickets written and was used as a docket.

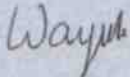
The Municipal Court Judge and City Attorney should provide the City with a invoice for court worked and for City legal fees or, alternately, have a written contract with the City.

Recommendation:

I recommend that the municipal court use official, numbered, duplicate receipts, prepare monthly reports, break down or specifically identify receipts given to the City, use official docket books or use computer docket system. I also recommend that the Municipal Court Judge and City Attorney either provide the City with a statement for court worked and for City legal fees or, alternately, have a written contract with the City.

These comments and recommendations are made in a constructive spirit and in the best interest of the City of Elmendorf, Texas. I will be glad to review and discuss them in more detail with the City personnel at your request.

Sincerely,



Wayne R. Beyer
August 16, 2008

CITY OF ELMENDORF, TEXAS

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
SEPTEMBER 30, 2005

CITY OF ELMENDORF, TEXAS
Annual Financial Report
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Elmendorf, Texas

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elmendorf, Texas, as of and for the year ended September 30, 2005, which collectively comprise the City of Elmendorf, Texas's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Elmendorf, Texas's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

The City's records do not permit the application of other auditing procedures to the beginning of the year utility accounts receivable and to the municipal court fees and fines.

Because I was unable to satisfy myself about the amounts of beginning of the year utility accounts receivable, as discussed in the preceding paragraph, I have not applied audit procedures necessary to satisfy myself about the classifications and amounts comprising the utility accounts receivable at September 30, 2004 and to the municipal court fees and fines. The significant aspects of the balance sheet at that date and the inability to effectively audit the municipal court fees and fines, including classifications and amounts, materially affect the determination of the results of operations and cash flows for the year ended September 30, 2005.

Because of the matter discussed in the preceding paragraph, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the results of operations and cash flows for the year ended September 30, 2005, or on the consistency of application of accounting principles with the preceding year.

In my opinion, the accompanying balance sheet referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elmendorf, Texas, as of September 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Respectfully submitted,

Wayne R. Beyer
Certified Public Accountant
Pleasanton, Texas
August 16, 2008

Management's Discussion and Analysis

As management of the City of Elmendorf, Texas, we offer readers of the City of Elmendorf, Texas's financial statements this narrative overview and analysis of the financial activities of the City of Elmendorf, Texas for the fiscal year ended September 30, 2005.

Financial Highlights

- The assets of the City of Elmendorf, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$186,395 (net assets). Of this amount, \$56,305 or 30% (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$153,212. This increase is mainly attributable to an increase in charges for services of \$95,641 and a decrease in expenses of \$21,832.
- The City of Elmendorf, Texas had no restricted net assets at September 30, 2005.
- The City of Elmendorf, Texas's total debt decreased by \$20,980 (39 percent) during the current fiscal year. The key factor in this decrease was payoff of existing debt of \$20,980.

Overview of the Financial Statements

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

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

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

The *statement for activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City of Elmendorf, Texas that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Elmendorf, Texas include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Elmendorf, Texas include a Water and Sewer System.

The government-wide financial statements include only the City of Elmendorf, Texas itself (known as the *primary government*.)

The government-wide financial statements can be found on pages 13-14 for this report.

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

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

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

The City of Elmendorf, Texas maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The City of Elmendorf, Texas adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary funds: The City of Elmendorf, Texas maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Elmendorf, Texas uses enterprise funds to account for its Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer operations, which is considered to be a major fund of the City of Elmendorf, Texas. The basic proprietary fund financial statements can be found on pages 20-24 of this report.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Elmendorf, Texas, assets exceeded liabilities by \$186,395 at the close of the most recent fiscal year.

A portion of the City of Elmendorf, Texas's net assets (70 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Elmendorf, Texas uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Elmendorf, Texas's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF ELMENDORF, TEXAS
NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other Assets	\$52,367	\$20,589	\$44,005	\$44,005	\$96,372	\$64,594
Capital Assets:	106,926	116,103	56,143	62,113	163,069	178,216
Total Assets	159,293	136,692	100,148	106,118	259,441	242,810
Long-term liabilities	32,979	53,959	0	0	32,979	53,959
Other liabilities (Payable from Restricted Assets)	0	0	6,305	6,305	6,305	6,305
Other liabilities	5,002	12,454	28,760	16,880	33,762	29,334
Total Liabilities	37,981	66,413	35,065	23,185	73,046	89,598
Invested in Capital Assets, Net of Related debt	73,947	62,144	56,143	62,113	130,090	124,257
Unrestricted	47,365	8,135	8,940	20,820	56,305	28,955
Total Net Assets	\$121,312	\$70,279	\$65,083	\$82,933	\$186,395	\$153,212

The remaining balance of *unrestricted net assets* (\$56,305) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's total net assets increased by \$153,212. This increase is mainly attributable to an increase in charges for services of \$95,641 and a decrease in expenses of \$21,832.

