

CITY OF IOWA PARK, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2009

City of Iowa Park, Texas
Annual Financial Report
For The Year Ended September 30, 2009

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Financial Section



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Independent Auditor's Report on Financial Statements

To the Mayor and City Council
City of Iowa Park, Texas
Iowa Park, Texas

Members of the City Council:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Iowa Park, Texas as of September 30, 2009, 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.

The Management's Discussion and Analysis, the budgetary comparison schedule, and the schedule of funding progress on the Texas Municipal Retirement System identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

Edgin, Parkman, Fleming & Fleming, PC

January 13, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Iowa Park, Texas, we offer readers of the City's Annual Financial Report this narrative overview and analysis of the City's financial performance during the fiscal year ended September 30, 2009. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at September 30, 2009 by \$8,813,213 (net assets). Of this amount, \$1,315,888 (unrestricted net assets) may be used to meet the City's obligations.
- During the year, the City's total net assets increased by \$325,776. The City's expenses, which totaled \$5,700,863, were less than the City's program revenues of \$3,576,843 and general revenues of \$2,449,796.
- The total cost of the City's programs increased \$233,696 from last year mainly due to the increased cost of water purchased in the current year.
- The governmental funds reported a fund balance this year of \$916,623, which is a decrease of \$360,530 in comparison with the prior year amount. This decrease is due to the dissolution of the Employee Benefit Trust in the current year.
- At the end of the current fiscal year, the unreserved, undesignated fund balance of the General Fund was \$615,430, or 19% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

All of the City's services are reported in the government-wide financial statements, including general government and water, sewer and sanitation. Property taxes, sales taxes and franchise fees finance most of the general government activities. User charges finance the water, sewer and sanitation activities. Additionally, all capital and debt financing activities are reported here.

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

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

The *statement of activities* details how the City'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 the related cash flows. Therefore, 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 property taxes).

Fund Financial Statements

The City uses fund accounting to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the City's most significant *funds* – not the City as a whole. Some funds are required by State law and or bond covenants. Other funds may be established by the City to control and manage money for particular purposes or to evidence appropriate use of certain taxes, grants, and other special revenues.

The funds of the City can be divided into two categories: governmental funds and proprietary 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 short-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 the City's short-term financing requirements.

Because the focus on *governmental funds* is narrower than that of 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 City's short-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. These reconciliations facilitate the comparison between *governmental funds* and *governmental activities*.

The City's primary governmental fund is the General Fund. Other governmental funds include the Debt Service Fund and the Capital Projects Fund.

A **proprietary fund** is used to account for operations that are financed similar to those in the private sector. This fund provides both long- and short-term financial information. The City maintains only one proprietary fund, the Water and Sewer Fund. The City uses this fund to report the activities for water, sewer and sanitation activities.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Financial Analysis

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. Exhibited below in Table 1 are the City's net assets summarized for both *governmental activities* and *business-type activities*.

Table 1 - City's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 1,046,883	\$ 725,411	\$ 911,498	\$ 975,896	\$ 1,958,381	\$ 1,701,307
Capital assets, net	4,189,207	4,016,705	7,992,061	8,252,964	12,181,268	12,269,669
Total Assets	5,236,090	4,742,116	8,903,559	9,228,860	14,139,649	13,970,976
Current liabilities	115,805	144,417	450,554	351,412	566,359	495,829
Noncurrent liabilities	795,077	839,856	3,965,000	4,140,000	4,760,077	4,979,856
Total Liabilities	910,882	984,273	4,415,554	4,491,412	5,326,436	5,475,685
Net assets:						
Invested in capital assets, net of related debt	3,437,002	3,213,385	4,027,061	4,112,964	7,464,063	7,326,349
Restricted	-	-	33,262	33,262	33,262	33,262
Unrestricted	888,206	544,458	427,682	591,222	1,315,888	1,135,680
Total Net Assets	\$ 4,325,208	\$ 3,757,843	\$ 4,488,005	\$ 4,737,448	\$ 8,813,213	\$ 8,495,291

Investment in capital assets (e.g. land, buildings, furniture, and equipment) less any related debt used to acquire those assets that is still outstanding is \$7,464,063. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in 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 capital assets themselves cannot be used to liquidate these liabilities.

A small portion of the City's net assets, \$33,262, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets of \$1,315,888 may be used to meet the City's ongoing obligations.

Changes in Net Assets

The City's total revenues were \$6,026,639. The governmental activities generated revenues of \$3,468,624, or 57%, including 28% from property taxes and 12% from charges for services. The remaining 43%, or \$2,558,015, comes from the business-type activities which included charges for services. Table 2 shows the City's revenues for the years ended September 30, 2009 and 2008.

Table 2 - City's Revenues

	2009	Percent	2008	Percent
Governmental Activities				
Charges for services	\$ 733,330	12%	\$ 725,147	13%
Operating grants and contributions	295,248	5%	194,820	4%
Property taxes	1,687,368	28%	1,568,786	29%
Sales taxes	369,893	6%	337,199	6%
Franchise fees	326,843	5%	323,313	6%
Investment earnings	9,078	0%	15,187	0%
Miscellaneous	46,864	1%	32,447	1%
Total governmental activities	3,468,624	57%	3,196,899	59%
Business-type activities				
Charges for services	2,548,265	43%	2,239,217	41%
Investment earnings	9,750	0%	21,515	0%
Total business-type activities	2,558,015	43%	2,260,732	41%
Total revenues	\$ 6,026,639	100%	\$ 5,457,631	100%

The total cost of all programs and services was \$5,700,863. The City's expenses cover a range of services with 46% related to the water and sewer system, 11% for police, and 9% for streets. Exhibited below in Table 3 are the City's expenses for the years ended September 30, 2009 and 2008.

Table 3 - City's Expenses

	<u>2009</u>	<u>Percent</u>	<u>2008</u>	<u>Percent</u>
Governmental activities				
Administration	\$ 343,046	6%	\$ 308,091	6%
Police	654,342	11%	652,860	12%
Sanitation	363,499	6%	422,633	8%
Streets	489,615	9%	539,780	10%
Dispatch	213,596	4%	219,377	4%
Parks	235,971	4%	167,838	3%
Swimming pool	145,889	3%	133,080	2%
Other	613,634	11%	589,534	11%
Total governmental activities	<u>3,059,592</u>	<u>54%</u>	<u>3,033,193</u>	<u>56%</u>
Business-type activities				
Water and sewer	<u>2,641,271</u>	<u>46%</u>	<u>2,433,974</u>	<u>44%</u>
Total expenses	<u>\$ 5,700,863</u>	<u>100%</u>	<u>\$ 5,467,167</u>	<u>100%</u>

Governmental Activities

Table 4 presents the various revenue categories and gross costs of each of the City's functional areas for both the current and prior year. Following the table, we provide explanations for the significant or unusual fluctuations between the two years.

Table 4 - Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 733,330	\$ 725,147	\$ 2,548,265	\$ 2,239,217	\$ 3,281,595	\$ 2,964,364
Operating grants and contributions	295,248	194,820	-	-	295,248	194,820
General revenues:						
Property taxes	1,687,368	1,568,786	-	-	1,687,368	1,568,786
Sales taxes	369,893	337,199	-	-	369,893	337,199
Franchise fees	326,843	323,313	-	-	326,843	323,313
Investment earnings	9,078	15,187	9,750	21,515	18,828	36,702
Miscellaneous	46,864	32,447	-	-	46,864	32,447
Transfers	165,572	50,000	(165,572)	(50,000)	-	-
Total revenues	3,634,196	3,246,899	2,392,443	2,210,732	6,026,639	5,457,631
Expenses:						
Administration	343,046	308,091	-	-	343,046	308,091
Public works director	82,466	80,574	-	-	82,466	80,574
Code enforcement	34,968	37,077	-	-	34,968	37,077
Streets	489,615	539,780	-	-	489,615	539,780
Sanitation	363,499	422,633	-	-	363,499	422,633
Parks	235,971	167,838	-	-	235,971	167,838
Swimming pool	145,889	133,080	-	-	145,889	133,080
Police	654,342	652,860	-	-	654,342	652,860
Dispatch	213,596	219,377	-	-	213,596	219,377
Animal control	50,797	39,456	-	-	50,797	39,456
Municipal Court	71,352	71,101	-	-	71,352	71,101
Fire	98,878	89,543	-	-	98,878	89,543
Narcotics division	48,110	40,774	-	-	48,110	40,774
Library	101,353	104,438	-	-	101,353	104,438
RAC - Youth Center	18,042	24,688	-	-	18,042	24,688
Friendly Door	430	550	-	-	430	550
Economic development	73,403	66,535	-	-	73,403	66,535
Interest and fees on long-term debt	33,835	34,798	-	-	33,835	34,798
Water and sewer	-	-	2,641,271	2,433,974	2,641,271	2,433,974
Total expenses	3,059,592	3,033,193	2,641,271	2,433,974	5,700,863	5,467,167
Increase (decrease) in net assets	\$ 574,604	\$ 213,706	\$ (248,828)	\$ (223,242)	\$ 325,776	\$ (9,536)

- Charges for services increased by \$317,231 due to increases in water, sewer and sanitation rates.
- Operating grants and contributions increased by \$100,428 due to receiving a grant for a new fire truck in the current year.
- Property tax revenues increased \$118,582 due to a rise in the appraised values within the City.
- Sanitation expenses decreased \$59,134 due to the City's third-party contractor assuming responsibility for most of the commercial billing within the City.
- Parks expenses increased \$68,133 due to additional salaries and supplies purchased.
- Water and sewer expenses increased \$207,297 due to increases in the cost of water purchased for resale during the year.

Table 5 presents the net cost of the City's governmental functions (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by local tax dollars, state aid, and other miscellaneous general revenues.

Table 5 - Net Cost of Governmental Activities

	Governmental Activities			
	2009	Percent	2008	Percent
Administration	\$ 332,229	16%	\$ 297,712	14%
Public works director	82,466	4%	80,574	4%
Code enforcement	18,503	1%	17,243	1%
Streets	436,055	21%	474,878	22%
Sanitation	(12,061)	-1%	(2,392)	0%
Parks	182,472	9%	157,756	7%
Swimming pool	37,755	2%	(36,002)	-2%
Police	653,862	32%	652,167	31%
Dispatch	180,437	9%	219,377	10%
Animal control	50,797	3%	39,456	2%
Municipal Court	(47,854)	-2%	(23,983)	-1%
Fire	(79,517)	-4%	55,418	3%
Narcotics division	48,110	2%	40,774	2%
Library	91,674	5%	86,694	4%
RAC - Youth Center	18,042	1%	24,688	1%
Friendly Door	430	0%	550	0%
Economic development	62,614	3%	53,316	3%
Interest and fees	(25,000)	-1%	(25,000)	-1%
Total governmental activities	\$ 2,031,014	100%	\$ 2,113,226	100%

Financial Analysis of the City's Funds

As previously stated, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

Governmental Funds

The focus of the City's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved and undesignated fund balance* may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of September 30, 2009, the City's governmental funds reported a combined ending fund balance of \$916,623, a decrease of \$360,530 from the previous year. \$296,251 of this amount is reserved for debt service in the Debt Service Fund. \$4,942 has been designated for capital projects by the City Council. The remaining \$615,430 is unreserved and undesignated in the General Fund.

General Fund

At the end of the current fiscal year, the ending fund balance for the General Fund was \$620,295, \$615,430 of which was unreserved and undesignated. The total fund balance represents 19% of the total General Fund expenditures for the year ended September 30, 2009. The fund balance decreased \$360,530 in the current fiscal year.

General Fund revenues totaled \$3,470,302, an increase of \$378,119 or 12% over the preceding year. This increase resulted from an increase in property tax collections and intergovernmental revenue received during the current year.

General Fund expenditures totaled \$3,276,873, a decrease of \$25,708 or 1% from the preceding year. This decrease was mostly due to a decrease in swimming pool expenditures as the construction of the new City swimming pool was completed in the prior year.

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget seven times. Actual expenditures were \$104,847 below final budget amounts. This was mostly due to savings in the street department due to budgeted drainage improvements not being completed as well as savings on street projects during the year.

On the other hand, revenues were \$208,532 above the final budgeted amount due to positive budget variances in most revenue categories. The two most significant variances were in fines and forfeitures (\$60,008) and other revenues (\$66,537).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2009, the City had invested in a broad range of capital assets totaling \$12,181,268, net of accumulated depreciation, including buildings, systems, equipment and construction in progress. See Table 6 below.

Table 6 - Capital Assets, Net

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 102,459	\$ 102,459	\$ 631,320	\$ 631,320	\$ 733,779	\$ 733,779
Buildings and improvements	1,700,433	1,674,678	236,878	247,717	1,937,311	1,922,395
System improvements	-	-	6,997,278	7,204,479	6,997,278	7,204,479
Machinery and equipment	915,867	853,731	126,585	169,449	1,042,452	1,023,180
Infrastructure	1,470,448	1,385,837	-	-	1,470,448	1,385,837
Totals	\$ 4,189,207	\$ 4,016,705	\$ 7,992,061	\$ 8,252,965	\$ 12,181,268	\$ 12,269,670

Capital assets, net of accumulated depreciation, decreased \$88,402 or 1% from the previous year. Additional information about the City's capital assets is presented in the notes to the financial statements.

Long-term Obligations

At September 30, 2009, the City had \$4,760,077 in long-term obligations outstanding as shown in Table 8 below.

Table 8 - Long-term Obligations

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Capital leases payable	\$ 27,205	\$ 53,320	\$ -	\$ -	\$ 27,205	\$ 53,320
Certificates of obligation	725,000	750,000	3,965,000	4,140,000	4,690,000	4,890,000
Compensated absences	42,872	36,537	-	-	42,872	36,537
Totals	\$ 795,077	\$ 839,857	\$ 3,965,000	\$ 4,140,000	\$ 4,760,077	\$ 4,979,857

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Appraised value used for the 2009-10 budget preparation is up to \$224,128,317 from \$219,841,928 in the prior year, an increase of 1.9%.

General Fund expenditures are budgeted to decrease 1.1% to \$3,242,740 from final 2008-09 expenditures of \$3,276,873.

Revenues in the General Fund's budget are \$3,242,740, a decrease of 1.2% below the final 2008-09 budget of \$3,261,770.

If these estimates are realized, the City's General Fund's fund balance will not change appreciably by September 30, 2010.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall.

Basic Financial Statements

CITY OF IOWA PARK, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 383,295	\$ 332,190	\$ 715,485
Investments	193,396	382,116	575,512
Property taxes receivable (net)	14,454	--	14,454
Sales taxes receivable	55,461	--	55,461
Customer accounts receivable	41,565	251,305	292,870
Due from component units	200,835	--	200,835
Other accounts receivable	(90)	--	(90)
Internal balances	157,967	(157,967)	--
Restricted assets:			
Cash and cash equivalents	--	33,223	33,223
Investments	--	39	39
Deferred charges	--	70,592	70,592
Capital assets, net of accumulated depreciation	4,189,207	7,992,061	12,181,268
Total assets	5,236,090	8,903,559	14,139,649
Liabilities			
Accounts payable	82,690	228,171	310,861
Accrued payroll	36,993	17,299	54,292
Other accrued payables	(3,878)	70,100	66,222
Due to primary government	--	--	--
Customer meter deposits	--	134,984	134,984
Long-term liabilities:			
Portion due within one year	61,492	180,000	241,492
Portion due after one year	733,585	3,785,000	4,518,585
Total liabilities	910,882	4,415,554	5,326,436
Net Assets			
Invested in capital assets, net of related debt	3,437,002	4,027,061	7,464,063
Restricted for debt service	--	33,262	33,262
Unrestricted	888,206	427,682	1,315,888
Total net assets	\$ 4,325,208	\$ 4,488,005	\$ 8,813,213

The accompanying notes are an integral part of this statement.

Component Units	
Iowa Park 4A Development Corporation	Iowa Park 4B Development Corporation
\$ 207,234	\$ 160,416
61,604	75,026
--	--
27,730	27,730
--	--
--	--
--	9,513
--	--
--	--
--	--
691,624	--
<u>988,192</u>	<u>272,685</u>
--	--
--	--
7,950	--
112,000	88,835
--	--
18,084	--
206,953	--
<u>344,987</u>	<u>88,835</u>
466,587	--
--	--
176,618	183,850
<u>\$ 643,205</u>	<u>\$ 183,850</u>

CITY OF IOWA PARK, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Administration department	\$ 343,046	\$ 10,817	\$ --
Public works director	82,466	--	--
Code enforcement	34,968	16,465	--
Streets	489,615	53,560	--
Sanitation	363,499	375,560	--
Parks	235,971	169	53,330
Swimming pool	145,889	108,134	--
Police	654,342	480	--
Dispatch	213,596	--	33,159
Animal control	50,797	--	--
Municipal court	71,352	119,206	--
Fire	98,878	34,125	144,270
Narcotics division	48,110	--	--
Library	101,353	4,025	5,654
RAC - Youth Center	18,042	--	--
Friendly Door	430	--	--
Economic development	73,403	10,789	--
Interest and fees on long-term debt	33,835	--	58,835
Total governmental activities	3,059,592	733,330	295,248
Business-type Activities:			
Water and Sewer	2,641,271	2,548,265	--
Total primary government	\$ 5,700,863	\$ 3,281,595	\$ 295,248
Component Units:			
4A Development Corporation	\$ 67,380	\$ --	\$ --
4B Development Corporation	117,079	--	--
Total Component Units	\$ 184,459	\$ --	\$ --

General Revenues and Transfers:
 Property taxes
 Sales taxes
 Franchise fees
 Investment earnings
 Miscellaneous
 Transfers
 Total General Revenues and Transfers
 Change in Net Assets
 Net Assets - Beginning
 Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Governmental Activities	Business-type Activities	Total	Component Units	
			Iowa Park 4A Development Corporation	Iowa Park 4B Development Corporation
\$ (332,229)	\$ --	\$ (332,229)	\$ --	\$ --
(82,466)	--	(82,466)	--	--
(18,503)	--	(18,503)	--	--
(436,055)	--	(436,055)	--	--
12,061	--	12,061	--	--
(182,472)	--	(182,472)	--	--
(37,755)	--	(37,755)	--	--
(653,862)	--	(653,862)	--	--
(180,437)	--	(180,437)	--	--
(50,797)	--	(50,797)	--	--
47,854	--	47,854	--	--
79,517	--	79,517	--	--
(48,110)	--	(48,110)	--	--
(91,674)	--	(91,674)	--	--
(18,042)	--	(18,042)	--	--
(430)	--	(430)	--	--
(62,614)	--	(62,614)	--	--
25,000	--	25,000	--	--
(2,031,014)	--	(2,031,014)	--	--
--	(93,006)	(93,006)	--	--
(2,031,014)	(93,006)	(2,124,020)	--	--
--	--	--	(67,380)	--
--	--	--	--	(117,079)
--	--	--	(67,380)	(117,079)
1,687,368	--	1,687,368	--	--
369,893	--	369,893	163,422	163,422
326,843	--	326,843	--	--
9,078	9,750	18,828	4,968	1,185
46,864	--	46,864	9,600	--
165,572	(165,572)	--	--	--
2,605,618	(155,822)	2,449,796	177,990	164,607
574,604	(248,828)	325,776	110,610	47,528
3,750,604	4,736,833	8,487,437	532,595	136,322
\$ 4,325,208	\$ 4,488,005	\$ 8,813,213	\$ 643,205	\$ 183,850

CITY OF IOWA PARK, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
<i>Cash and cash equivalents</i>	\$ 87,321	\$ 295,974	\$ 383,295
<i>Investments</i>	193,396	--	193,396
<i>Property taxes receivable (net)</i>	14,454	--	14,454
<i>Sales tax receivable</i>	55,461	--	55,461
<i>Customer accounts receivable</i>	41,565	--	41,565
<i>Other accounts receivable</i>	(90)	--	(90)
<i>Due from other funds</i>	157,967	--	157,967
<i>Due from component units</i>	200,835	--	200,835
Total assets	<u>\$ 750,909</u>	<u>\$ 295,974</u>	<u>\$ 1,046,883</u>
Liabilities and Fund Balances:			
Liabilities:			
<i>Accounts payable</i>	\$ 82,690	\$ --	\$ 82,690
<i>Accrued payroll</i>	36,993	--	36,993
<i>Other accrued payables</i>	(3,523)	(354)	(3,877)
<i>Deferred revenues</i>	14,454	--	14,454
Total liabilities	<u>130,614</u>	<u>(354)</u>	<u>130,260</u>
Fund balances:			
<i>Reserved for debt service</i>	--	296,251	296,251
<i>Designated for capital projects</i>	4,865	77	4,942
<i>Unreserved-undesignated</i>	615,430	--	615,430
Total fund balances	<u>620,295</u>	<u>296,328</u>	<u>916,623</u>
Total liabilities and fund balances	<u>\$ 750,909</u>	<u>\$ 295,974</u>	<u>\$ 1,046,883</u>

The accompanying notes are an integral part of this statement.

CITY OF IOWA PARK, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2009

Total fund balances - governmental funds balance sheet (Exhibit A-3)		\$	916,623
Amounts reported for governmental activities in the statement of net assets (Exhibit A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets at year-end consist of:			
Gross capital assets	\$	6,250,957	
Related accumulated depreciation		<u>2,061,750</u>	4,189,207
Property taxes receivable are not available to pay for current period expenditures and therefore are deferred in the funds.			14,455
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. The long-term liability at year-end consists of:			
Certificates of obligation		725,000	
Capital leases payable		27,205	
Compensated absences		<u>42,872</u>	<u>(795,077)</u>
Net assets of governmental activities - statement of net assets (Exhibit A-1)		\$	<u>4,325,208</u>

The accompanying notes are an integral part of this statement.

CITY OF IOWA PARK, TEXASSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue:			
<i>Ad valorem tax collection</i>	\$ 1,689,046	\$ --	\$ 1,689,046
<i>Franchise taxes</i>	369,893	--	369,893
<i>City sales taxes</i>	326,843	--	326,843
<i>Licenses and permits</i>	16,945	--	16,945
<i>Fines and forfeitures</i>	121,608	--	121,608
<i>Revenues from use of money and property</i>	14,283	--	14,283
<i>Charges for current services</i>	571,378	--	571,378
<i>Other revenues</i>	182,877	--	182,877
<i>Intergovernmental revenues</i>	177,429	--	177,429
Total revenues	<u>3,470,302</u>	<u>--</u>	<u>3,470,302</u>
Expenditures:			
<i>Administration department</i>	330,932	--	330,932
<i>Public works director</i>	82,466	--	82,466
<i>Code enforcement</i>	34,968	--	34,968
<i>Streets</i>	526,893	--	526,893
<i>Sanitation</i>	363,499	--	363,499
<i>Parks</i>	301,852	--	301,852
<i>Swimming pool</i>	114,680	--	114,680
<i>Police</i>	635,558	--	635,558
<i>Dispatch</i>	232,883	--	232,883
<i>Animal control</i>	48,492	--	48,492
<i>Municipal court</i>	82,106	--	82,106
<i>Fire</i>	235,283	--	235,283
<i>Narcotics division</i>	45,237	--	45,237
<i>Library</i>	97,242	--	97,242
<i>RAC - Youth Center</i>	12,345	--	12,345
<i>Friendly Door</i>	430	--	430
<i>Economic development</i>	73,172	--	73,172
Debt service:			
<i>Principal</i>	25,000	--	25,000
<i>Interest charges</i>	33,835	--	33,835
Total expenditures	<u>3,276,873</u>	<u>--</u>	<u>3,276,873</u>
Excess (deficiency) of revenues over (under) expenditures	<u>193,429</u>	<u>--</u>	<u>193,429</u>
Other financing sources (uses):			
<i>Transfers to other funds</i>	(553,959)	--	(553,959)
Total other financing sources (uses)	<u>(553,959)</u>	<u>--</u>	<u>(553,959)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(360,530)</u>	<u>--</u>	<u>(360,530)</u>
Fund balances, beginning of year	980,825	296,328	1,277,153
Fund balances, end of year	<u>\$ 620,295</u>	<u>\$ 296,328</u>	<u>\$ 916,623</u>

The accompanying notes are an integral part of this statement.

CITY OF IOWA PARK, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Net change in fund balances - total governmental funds (Exhibit A-5) \$ (360,530)

Amounts reported for governmental activities in the statement of activities (Exhibit A-2)
are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense. The net difference between the two is as follows:

Capital outlay during the year	\$ 399,607	
Depreciation expense for the year	222,730	176,877

Proceeds from the sale of capital assets are recorded as revenues when received in the governmental funds. In the Statement of Activities, the difference between the proceeds and the book value of the capital asset is reported as a gain (loss) from sale. (4,375)

Because property taxes receivable will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year. (1,678)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Bond and capital lease principal payments in the current year were: 51,115

Included in long-term debt are obligations for accrued compensated absences. The changes in these obligations are not included in the governmental fund financial statements, but are included in the government-wide financial statements. The change in this long-term obligation was: (6,336)

The City dissolved its Employee Benefits Trust Fund in the current year. This fund had been an internal service fund. A large transfer to the internal service fund was required in order to fund the deficit that had accumulated in the fund. This transfer was recorded in the current period in the governmental funds. However, the liability had been accrued over the years in the Statement of Activities. The difference between the amount accrued in prior years and the amount transferred was: 719,531

Change in net assets of governmental activities - statement of activities (Exhibit A-2) \$ 574,604

The accompanying notes are an integral part of this statement.

CITY OF IOWA PARK, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2009

	Enterprise Fund Water and Sewer Fund	Nonmajor Internal Service Fund Employee Benefit Trust
Assets		
<i>Cash and cash equivalents</i>	\$ 332,190	\$ --
<i>Investments</i>	382,116	--
<i>Customer accounts receivable</i>	251,305	--
<i>Restricted assets:</i>		
<i>Cash and cash equivalents</i>	33,223	--
<i>Investments</i>	39	--
<i>Deferred charges</i>	70,592	--
<i>Capital assets, net of accumulated depreciation</i>	7,992,061	--
Total assets	9,061,526	--
Liabilities		
<i>Accounts payable</i>	228,171	--
<i>Accrued payroll</i>	17,299	--
<i>Other accrued payables</i>	70,100	--
<i>Due to other funds</i>	157,967	--
<i>Customer meter deposits</i>	134,984	--
<i>Long-term liabilities:</i>		
<i>Portion due within one year</i>	180,000	--
<i>Portion due after one year</i>	3,785,000	--
Total liabilities	4,573,521	--
Net Assets		
<i>Invested in capital assets, net of related debt</i>	4,027,061	--
<i>Restricted for debt service</i>	33,262	--
<i>Unrestricted</i>	427,682	--
Total net assets	\$ 4,488,005	\$ --

The accompanying notes are an integral part of this statement.

CITY OF IOWA PARK, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Enterprise Fund Water and Sewer Fund	Nonmajor Internal Service Fund Employee Benefit Trust
Operating revenues:		
<i>Water revenues</i>	\$ 2,090,433	\$ --
<i>Sewer revenues</i>	375,697	--
<i>Tap fees</i>	3,200	--
<i>Contact fees</i>	35,393	--
<i>Other revenues</i>	43,542	--
Total operating revenues	2,548,265	--
Operating expenses:		
<i>Administration and support services</i>	698,352	--
<i>Water treatment and distribution</i>	1,211,316	--
<i>Sewer collection and treatment</i>	286,385	--
<i>Depreciation and amortization expense</i>	287,820	--
Total operating expenses	2,479,180	--
Operating income (loss)	69,085	--
Nonoperating revenues (expenses):		
<i>Interest earned</i>	9,750	--
<i>Interest paid on long-term debt</i>	(162,091)	--
Total nonoperating revenues (expenses)	(152,341)	--
Income (loss) before transfers	(83,256)	--
Transfers	(298,285)	852,244
Change in net assets	(381,541)	852,244
Net assets, beginning of year	4,869,546	(852,244)
Net assets, end of year	\$ 4,488,005	\$ --
<i>Reconciliation to government-wide statements</i>		
Change in fund net assets	\$ (381,541)	
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds	132,713	
Change in net assets of business-type activities	\$ (248,828)	

The accompanying notes are an integral part of this statement.

CITY OF IOWA PARK, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Enterprise Fund Water and Sewer Fund	Nonmajor Internal Service Fund Employee Benefit Trust
Cash flows from operating activities:		
Cash received from customers	\$ 2,514,836	\$ --
Cash payments to employees for services	(437,044)	--
Cash payments to other suppliers for goods and services	(1,660,034)	--
Net cash provided by operating activities	417,758	--
Cash flows from noncapital financing activities:		
Transfers to other funds	(298,285)	--
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(175,000)	--
Interest and fiscal agent fees paid on long-term debt	(164,903)	--
Acquisition of capital assets	(26,181)	--
Interfund loan repayments	100,000	--
Interfund loans received	157,967	--
Net cash used for capital & related financing activities	(108,117)	--
Cash flows from investing activities:		
Sale of investments	43,684	--
Interest on investments	9,750	--
Net cash provided by investing activities	53,434	--
Net increase in cash and cash equivalents	64,790	--
Cash and cash equivalents at beginning of year	300,623	--
Cash and cash equivalents at end of year	\$ 365,413	\$ --
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income	\$ 69,085	\$ --
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	287,820	--
Change in assets and liabilities:		
Increase in customer accounts receivable	(38,289)	--
Increase (decrease) in accounts payable	97,128	--
Decrease in other accrued payables	(2,846)	--
Increase in customer meter deposits	4,860	--
Total adjustments	348,673	--
Net cash provided by operating activities	\$ 417,758	\$ --

The accompanying notes are an integral part of this statement.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

A. Summary of Significant Accounting Policies

The combined financial statements of the City of Iowa Park, Texas (City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

Blended component units, although legally separate entities, are in substance, part of the City's operations and data from these units are combined with data presented by the City. Discretely presented component units, on the other hand, are reported in separate columns in the financial statements to emphasize they are legally separate from the City. Each blended and discretely presented component unit has a September 30th year end.

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Discretely Presented Component Units

The Iowa Park 4A Development Corporation is a non-profit corporation formed in March 2003 for the purpose of promoting economic development for the City in order to retain and expand existing business, expand and diversify the tax base of the City, attract new business and investment to the City, enhance existing job opportunities, create new job opportunities and improve the quality of life and environment for the citizens of the City. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4A and utilizes the modified accrual basis of accounting. The Iowa Park 4A Development Corporation is considered to be a part of the City's financial reporting entity because the City Council appoints its Board of Directors, approves its budgets, and exercises final authority over its operations.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

The Iowa Park 4B Development Corporation is a non-profit corporation formed in March 2003 for the purpose of promoting economic development for the City in order to retain and expand existing business, expand and diversify the tax base of the City, attract new business and investment to the City, enhance existing job opportunities, create new job opportunities and improve the quality of life and environment for the citizens of the City. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4B and utilizes the modified accrual basis of accounting. The Iowa Park 4B Development Corporation is considered to be a part of the City's financial reporting entity because the City Council appoints its Board of Directors, approves its budgets, and exercises final authority over its operations. During the year ended September 30, 2009, the Corporation funded \$58,835 to the City for debt service payments related to the swimming pool. These items are recorded as "Other revenues" by the City.

Blended Component Unit

On June 22, 1992, an "Agreement and Declaration of Trust" was made and entered into between the City and the Employee Benefit Trust Committee, acting as trustee to administer the Employee Benefit Trust (Trust). The Employee Benefit Trust Committee consists of four Trustees selected by the City, who may, but need not be, beneficiaries of the health and welfare program funded by the Trust, and/or officers or employees of the City. The purpose of the Employee Benefit Trust is to provide health and welfare benefits, which may include life, accidental death and dismemberment, disability, medical and dental insurance, and any other benefits as determined by the Trustee Committee. The Trust is funded through contributions by the City and employees who choose to participate. It may be terminated in writing, at any time, by either party. The Employee Benefit Trust Fund is presented in the accompanying financial statements as an internal service fund. The Employee Benefit Trust was dissolved during the year ended September 30, 2009.

Excluded from Reporting Entity

The activities of the Firemen's Relief and Retirement Fund, in the City's professional judgment, are not a part of the City and thus are excluded from the accompanying financial statements. The Iowa Park Firemen's Relief and Retirement Fund is established and controlled through various state of Texas legislative enactments. This Fund is administered locally by a Board, independent of the City Council. City management and the City Council do not influence or control the administration and financial affairs of the Fund, and the net assets of the Fund are not the property of the City.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Other governmental funds is a summarization of all the non-major governmental funds.

The City reports the following major enterprise fund:

Water and Sewer Fund. This fund accounts for water and sewer services to residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

Additionally, the City reports an internal service fund. Internal service funds are used to account for the financing of materials and services provided by one department of the City to other departments of the City on a cost-reimbursement basis. The City used an internal service fund to report the activities of the employee health insurance program. However, this fund was dissolved during the year ended September 30, 2009.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF IOWA PARK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

At September 30, 2009, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$ 86,173
Allowance for uncollectible taxes	(71,719)
Net property taxes receivable	<u>\$ 14,454</u>

c. Inventories and Prepaid Items

Inventories on the balance sheet are stated at weighted average cost. Inventory items are recorded as expenditures when they are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$1,000 is used.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and improvements	20-50
System improvements	10-50
Machinery and equipment	3-25
Infrastructure	50

e. **Receivable and Payable Balances**

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables, other than delinquent property taxes receivable, which are not scheduled for collection within one year of year end. Of the \$86,173 outstanding at September 30, 2009, it is expected that the City will collect approximately \$20,000 during the 2009-2010 fiscal year. This is similar to the delinquent taxes collected for the year ended September 30, 2009.

f. **Interfund Activity**

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

g. **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

B. Compliance and Accountability

1. **Finance-Related Legal and Contractual Provisions**

For the year ended September 30, 2009, the City overexpended five functional areas of the General Fund (see Note M). The City will be more diligent in monitoring its actual expenditures compared to the City's adopted budget during the year.

2. **Deficit Fund Balance or Fund Net Assets of Individual Funds**

There are no funds with deficit fund balance or deficit net assets as of September 30, 2009.

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

CITY OF IOWA PARK, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

Cash Deposits:

At September 30, 2009, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,045,644 and the bank balance was \$1,124,300. However, included in this amount was \$330,159 being held for the City's component units as described below. The City's cash deposits at September 30, 2009 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name, except for \$503,547 held at one of the City's depositories.

At September 30, 2009, the carrying amount of the 4A Development Corporation's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$33,423 and the bank balance was \$35,874. Additionally, \$173,811 was being held in the City's depository as of September 30, 2009. The Corporation's cash deposits at September 30, 2009 and during the year ended September 30, 2009, were entirely covered by FDIC insurance or by pledged collateral held by the component unit's agent bank in the component unit's name.

At September 30, 2009, the carrying amount of the 4B Development Corporation's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,068 and the bank balance was \$4,065. Additionally, \$156,348 was being held in the City's depository as of September 30, 2009. The Corporation's cash deposits at September 30, 2009 and during the year ended September 30, 2009, were entirely covered by FDIC insurance or by pledged collateral held by the component unit's agent bank in the component unit's name.

Investments:

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The City's investments at September 30, 2009 are shown below.

Investment or Investment Type	Weighted Maturity (Months)	Fair Value
Primary Government:		
US Government Securities	127.27	\$ 115,207
Certificates of deposit	3.33	460,305
Texpool	1.00	44,769
Total primary government investments		620,281
Iowa Park 4A Development Corporation:		
US Government Securities	171.07	61,604
Iowa Park 4B Development Corporation:		
Certificates of deposit	2.5	75,026
Total investments		\$ 756,911

Texpool is a public funds investment pool administered by the Treasurer of the State of Texas pursuant to the Interlocal Cooperation Act passed in 1989 by the 71st Texas Legislature. This Act authorized the City to delegate to Texpool the authority to make investment purchases and to hold legal title as custodian of the investment securities. All Texpool investments are in the possession of the Texas Treasury Safekeeping Trust Company and held in its book-entry safekeeping account at the Federal Reserve Bank of Dallas. The Texas Treasury Safekeeping Trust Company was created in 1986 by the 69th Texas Legislature to enable the Treasurer of the State of Texas to manage, safekeep, and invest public funds of state agencies and political subdivisions more efficiently and economically.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

D. Capital Assets

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

Primary government	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 102,459	\$ --	\$ --	\$ 102,459
Capital assets being depreciated:				
Buildings and improvements	2,190,713	69,826	--	2,260,539
Machinery and equipment	2,153,425	215,075	61,198	2,307,302
Infrastructure	1,465,950	114,706	--	1,580,656
Total capital assets being depreciated	5,810,088	399,607	61,198	6,148,497
Less accumulated depreciation for:				
Buildings and improvements	516,035	44,071	--	560,106
Machinery and equipment	1,299,694	148,564	56,823	1,391,435
Infrastructure	80,113	30,095	--	110,208
Total accumulated depreciation	1,895,842	222,730	56,823	2,061,749
Total capital assets being depreciated, net	3,914,246	176,877	4,375	4,086,748
Governmental activities capital assets, net	\$ 4,016,705	\$ 176,877	\$ 4,375	\$ 4,189,207

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 631,320	\$ --	\$ --	\$ 631,320
Capital assets being depreciated:				
Buildings and improvements	435,507	--	--	435,507
System improvements	11,437,032	24,282	--	11,461,314
Machinery and equipment	1,231,354	1,898	25,000	1,208,252
Total capital assets being depreciated	13,103,893	26,180	25,000	13,105,073
Less accumulated depreciation for:				
Buildings and improvements	187,790	10,839	--	198,629
System improvements	4,232,553	231,483	--	4,464,036
Machinery and equipment	1,061,906	40,803	21,042	1,081,667
Total accumulated depreciation	5,482,249	283,125	21,042	5,744,332
Total capital assets being depreciated, net	7,621,644	(256,945)	3,958	7,360,741
Business-type activities capital assets, net	\$ 8,252,964	\$ (256,945)	\$ 3,958	\$ 7,992,061

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Depreciation was charged to functions in governmental activities as follows:

Governmental activities:		
Administration	\$	5,778
Animal control		2,305
Dispatch		4,822
Economic development		231
Fire		23,895
Library		4,111
Municipal court		823
Narcotics division		2,873
Parks		18,154
Police		18,784
RAC		5,697
Street		99,169
Swimming pool		36,088
Total	\$	<u>222,730</u>

Discretely presented component units

Activity for the Iowa Park 4A Development Corporation for the year ended September 30, 2009 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 24,795	\$ --	\$ --	\$ 24,795
Capital assets being depreciated:				
Buildings	675,840	--	--	675,840
Less accumulated depreciation for:				
Buildings	9,011	--	--	9,011
Total capital assets being depreciated, net	666,829	--	--	666,829
4A Development Corporation capital assets, net	\$ 691,624	\$ --	\$ --	\$ 691,624

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and from other funds at September 30, 2009 were as follows:

Due to	Due from	Amount	Purpose
General Fund	Water and Sewer Fund	\$ 157,967	Utility payments not transferred

This interfund payable is expected to be repaid within one year.

Balances due to and from component units at September 30, 2009 consisted of the following:

Due to	Due from	Amount	Purpose
General Fund	Iowa Park 4A Development Corp.	\$ 112,000	Short-term loan
General Fund	Iowa Park 4B Development Corp.	30,000	Short-term loan
General Fund	Iowa Park 4B Development Corp.	58,835	Fund debt service payments
		<u>\$ 200,835</u>	

All of these amounts are expected to be repaid within one year.

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

2. Transfers To and From Other Funds

Transfers to and from other funds during the year ended September 30, 2009 were as follows:

Transfer To	Transfer From	Amount	Purpose
Internal Service Fund	General Fund	\$ 553,959	Fund deficit net assets
Internal Service Fund	Enterprise Fund	298,285	Fund deficit net assets
		\$ 852,244	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended September 30, 2009 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Capital leases payable	\$ 53,320	\$ --	\$ 26,115	\$ 27,205	\$ 27,205
Certificates of obligation	750,000	--	25,000	725,000	30,000
Compensated absences	36,537	9,990	3,655	42,872	4,287
Total governmental activities	\$ 839,857	\$ 9,990	\$ 54,770	\$ 795,077	\$ 61,492

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type activities:					
Certificates of obligation	\$ 4,140,000	\$ --	\$ 175,000	\$ 3,965,000	\$ 180,000

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Component unit:					
Note payable	\$ 446,716	\$ --	\$ 221,689	\$ 225,027	\$ 18,084

For governmental activities, compensated absences are generally liquidated by the General Fund.

2. Certificates of Obligation, Series 2006

On July 1, 2006 the City issued Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2006 in the amount of \$800,000. The interest rate on the bonds ranges from 3.85% to 4.85%. Debt service requirements for the Certificates are shown below.

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2010	\$ 30,000	\$ 32,860	\$ 62,860
2011	30,000	31,690	61,690
2012	30,000	30,490	60,490
2013	35,000	29,260	64,260
2014	35,000	27,790	62,790
2015-2019	195,000	115,315	310,315
2020-2024	255,000	65,308	320,308
2025-2026	115,000	8,487	123,487
Total	\$ 725,000	\$ 341,200	\$ 1,066,200

CITY OF IOWA PARK, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

3. Certificates of Obligation, Series 2005

On April 15, 2005 the City issued Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation in the amount of \$4,630,000. The interest rate on the bonds ranges from 3.00% to 4.40%. Debt service requirements for the Certificates are shown below.

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2010	\$ 180,000	\$ 158,690	\$ 338,690
2011	190,000	151,978	341,978
2012	195,000	144,759	339,759
2013	200,000	137,103	337,103
2014	210,000	128,903	338,903
2015-2019	1,195,000	507,555	1,702,555
2020-2024	1,465,000	233,350	1,698,350
2025	330,000	7,260	337,260
Total	\$ 3,965,000	\$ 1,469,598	\$ 5,434,598

4. Capital leases payable

In December 2005 the City entered into a non-cancellable capital lease for the purchase of a motor grader. The lease is for a period of 48 months and requires four annual principal and interest payments of \$28,342. The lease carries an effective interest rate of 4.10%.

The gross amount of capital assets acquired under capital lease shown on the Statement of Net Assets is \$132,449. Accumulated depreciation on the asset totals \$72,532 as of September 30, 2009. Therefore the net amount of assets acquired under capital lease shown on the Statement of Net Assets is \$59,917.

Debt service requirements on the capital leases payable as of September 30, 2009 are shown below.

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2010	\$ 27,205	\$ 1,137	\$ 28,342

5. Note payable

On January 19, 2006 the Iowa Park 4A Development Corporation issued a note payable in the amount of \$500,000. The original note carried monthly installment payments of \$4,533 with an interest rate of 7% and final payment of \$443,125 due on February 1, 2009. This note was refinanced during the year ended September 30, 2009. The remaining principal at the time of the refinance, \$227,059, plus interest at 5% was to be repaid in 120 monthly installments of \$2,410, with the last payment being due on August 1, 2019. Debt service requirements on this note are shown below.

Year Ending September 30,	4A Development Corporation		
	Principal	Interest	Total
2010	\$ 18,084	\$ 10,841	\$ 28,925
2011	19,009	9,915	28,924
2012	19,982	8,943	28,925
2013	21,004	7,921	28,925
2014	22,079	6,846	28,925
2015-2019	124,869	16,090	140,959
Total	\$ 225,027	\$ 60,556	\$ 285,583

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

6. Debt Service Requirements

Total debt service requirements on long-term debt at September 30, 2009 are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2010	\$ 57,205	\$ 33,998	\$ 91,203
2011	30,000	31,690	61,690
2012	30,000	30,490	60,490
2013	35,000	29,260	64,260
2014	35,000	27,790	62,790
2015-2019	195,000	115,315	310,315
2020-2024	255,000	65,308	320,308
2025-2026	115,000	8,487	123,487
Total	\$ 752,205	\$ 342,338	\$ 1,094,543

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2010	\$ 180,000	\$ 158,690	\$ 338,690
2011	190,000	151,978	341,978
2012	195,000	144,759	339,759
2013	200,000	137,103	337,103
2014	210,000	128,903	338,903
2015-2019	1,195,000	507,555	1,702,555
2020-2024	1,465,000	233,350	1,698,350
2025	330,000	7,260	337,260
Total	\$ 3,965,000	\$ 1,469,598	\$ 5,434,598

Year Ending September 30,	4A Development Corporation		
	Principal	Interest	Total
2010	\$ 18,084	\$ 10,841	\$ 28,925
2011	19,009	9,915	28,924
2012	19,982	8,943	28,925
2013	21,004	7,921	28,925
2014	22,079	6,846	28,925
2015-2019	124,869	16,090	140,959
Total	\$ 225,027	\$ 60,556	\$ 285,583

G. Restricted Assets - Water and Sewer Fund

Restricted assets in the Water and Sewer Fund, held for specific purposes in accordance with bond ordinances, are comprised of the following:

For Debt Service:	
Cash and Cash Equivalents	\$ 33,223
Investments	39
Total	\$ 33,262

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

H. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2009, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

I. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the City at September 30, 2009.

J. Accumulated Unpaid Vacation Leave Benefits

All full-time employees accumulate vacation benefits based on length of service, up to 20 days per year. The maximum allowable accumulation is 17 days. Upon leaving the City, employees will be paid for unused vacation days which they have accrued.

At September 30, 2009 the City has accrued \$42,873 of liability for vacation leave. This liability is recorded as a long-term liability in the government-wide financial statements.

K. Pension Plan

1. Plan Description

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

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

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

2. Contributions

The contribution rate for the employees is 6%, and the City matching ratio is currently 1.5 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e December 31, 2008 valuation is effective for rates beginning January 2010).

CITY OF IOWA PARK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/08
Actuarial Value of Assets	\$ 2,612,024
Actuarial Accrued Liability	\$ 3,669,525
Percentage Funded	71.2%
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	\$ 1,057,501
Annual Covered Payroll	\$ 1,408,974
UAAL as a Percentage of Covered Payroll	75.1%
Net Pension Obligation (NPO) at the Beginning of the Period	\$ --
Annual Pension Cost: Annual required contribution (ARC)	\$ 145,768
Contributions Made	\$ (145,768)
NPO at the end of the period	\$ --
Two preceding years:	
12/31/07:	
Annual Pension Cost	\$ 117,182
Percentage of Annual Pension Costs Contributed	100%
NPO at the end of the period	--
12/31/06:	
Annual Pension Cost	\$ 100,653
Percentage of Annual Pension Costs Contributed	100%
NPO at the end of the period	--

3. Actuarial Assumptions

- Actuarial Cost Method - Projected Unit Credit
- Amortization Method - Level Percent of Payroll
- Remaining Amortization Period - 29 years; closed period
- Asset Valuation Method - Amortized Cost
- Investment Rate of Return - 7.5%
- Projected Salary Increases - Varies greatly by age and service
- Includes inflation at 3.0%
- Cost-of-living adjustments - 2.1%

L. Group-Term Life Insurance Plan

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

CITY OF IOWA PARK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. During calendar year 2008 this rate was 0.05% and during calendar year 2009 this rate was 0.06%. 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 life insurance during employees' entire careers.

The City's contribution to the TMRS SDBF for the years ended September 30, 2009, 2008, and 2007 were \$799, \$647, and \$620, respectively, which equaled the required contributions each year.

M. Expenditures in Excess of Budgeted Amounts

During the year ended September 30, 2009, the City had expenditures in excess of the budgeted amounts in the General Fund as follows:

Administration department	\$	9,262
Parks		88,612
Swimming pool		21,180
Police		598
Animal control		4,602

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF IOWA PARK, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Ad valorem tax collection	\$ 1,662,000	\$ 1,662,000	\$ 1,689,046	\$ 27,046
Franchise taxes	337,000	337,000	369,893	32,893
City sales taxes	305,000	305,000	326,843	21,843
Licenses and permits	23,400	23,400	16,945	(6,455)
Fines and forfeitures	61,600	61,600	121,608	60,008
Revenues from use of money and property	23,100	23,100	14,283	(8,817)
Charges for current services	555,900	555,900	571,378	15,478
Other revenues	116,340	116,340	182,877	66,537
Intergovernmental revenues	--	177,430	177,429	1
Total revenues	3,084,340	3,261,770	3,470,302	208,532
Expenditures:				
Administration department	308,480	321,670	330,932	(9,262)
Public works director	87,610	87,610	82,466	5,144
Code enforcement	36,920	36,920	34,968	1,952
Streets	626,910	626,910	526,893	100,017
Sanitation	398,600	398,600	363,499	35,101
Parks	142,030	213,240	301,852	(88,612)
Swimming pool	84,500	93,500	114,680	(21,180)
Police	629,960	634,960	635,558	(598)
Dispatch	222,060	238,880	232,883	5,997
Animal control	43,890	43,890	48,492	(4,602)
Municipal court	90,610	107,610	82,106	25,504
Fire	86,300	246,600	235,283	11,317
Narcotics division	67,530	67,530	45,237	22,293
Library	100,580	106,180	97,242	8,938
RAC - Youth Center	15,400	15,400	12,345	3,055
Friendly Door	700	700	430	270
Economic development	82,680	82,680	73,172	9,508
Debt service:				
Principal	25,000	25,000	25,000	--
Interest charges	33,840	33,840	33,835	5
Total expenditures	3,083,600	3,381,720	3,276,873	104,847
Excess (deficiency) of revenues over (under) expenditures	740	(119,950)	193,429	313,379
Other financing sources (uses):				
Transfers to other funds	--	(553,960)	(553,959)	1
Total other financing sources (uses)	--	(553,960)	(553,959)	1
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	740	(673,910)	(360,530)	313,380
Fund balances, beginning of year	980,825	980,825	980,825	--
Fund balances, end of year	\$ 981,565	\$ 306,915	\$ 620,295	\$ 313,380

CITY OF IOWA PARK, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 YEAR ENDED SEPTEMBER 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/06	\$ 2,352,180	\$ 2,999,708	\$ 647,528	78.4%	\$ 1,239,782	52.2%
12/31/07	2,433,868	3,341,884	908,016	72.8%	1,293,364	70.2%
12/31/08	2,612,024	3,669,525	1,057,501	71.2%	1,408,974	75.1%