

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2010

City of Royse City, Texas

City Manager
Bill Shipp, Jr.

CFO
Joe Stegall



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

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FINANCIAL SECTION





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May 11, 2011

Independent Auditor's Report on Financial Statements

Mayor and City Council
City of Royse City
P.O. Box 638
Royse City, TX 75189

Mayor and 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 Royse City ("City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's non-major governmental funds presented in the accompanying combining and individual fund financial statements and schedules as of and for the year ended September 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the City of Royse City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 Royse City as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated April 1, 2011 on our consideration of the City of Royse City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Pension Trust – TMRS Funding Progress and Contributions, and the budgetary comparison information on pages 5 to 15 and pages 47 to 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Respectfully submitted,

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CITY OF ROYSE CITY, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2010

As management of the City of Royse City, we offer the readers of the City of Royse City's financial statements this narrative overview and analysis of the financial activities of the City of Royse City for the fiscal year ended September 30, 2010. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Royse City exceeded its liabilities at the close of the fiscal year by \$5,450,293 (net assets). Of this amount, \$1,346,042 is restricted for use of impact fees, municipal court use, police use, and debt service. The amount of unrestricted net assets is \$92,866.
- The government's total net assets increased by \$1,000,826, due to increases in both the Government-type activities net assets and Business-type net assets.
- As of the close of the current fiscal year, the City of Royse City's governmental funds reported combined ending fund balances of \$210,883, a decrease of \$203,791, or 87%, excluding prior period adjustments, in comparison with the prior year. None of the fund balance, (\$772,274), is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General fund of (\$754,746) was 14% of total general fund expenditures for the fiscal year.
- The City of Royse City's total bonded debt increased by \$2,949,000 or 15% during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Royse City's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Royse City.

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2010**

Basic Financial Statements

The first two statements (Pages 19 - 21) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Pages 22 - 28) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the utility services offered by the City of Royse City. The final category is the component unit.

The government-wide financial statements are on Pages 19 - 21 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. 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 Royse City, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Royse City can be divided into two categories: governmental funds and proprietary funds.

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2010**

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Royse City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as approved by council; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Royse City has 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 uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 26 – 28 of this report.

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

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2010**

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Royse City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 47 of this report.

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended September 30, 2010 continue the implementation of a new standard of financial reporting for the City of Royse City, and many other units of government across the United States. Prior to the year 2004, the City maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City of Royse City. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the City's financial reports as well as those of many other units of government. While the City of Royse City was required to implement these changes for the fiscal year ended September 30, 2004, other units were required to implement Statement 34 in 2002 and 2003.

CITY OF ROYSE CITY, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
 SEPTEMBER 30, 2010

The City of Royse City Net Assets

Figure 1

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009*	2010	2009	2010	2009
Current and other assets	\$ 888,086	\$ 1,173,798	\$ 6,714,502	\$ 2,512,387	\$ 7,602,588	\$ 3,686,185
Capital assets	11,159,195	11,274,069	10,325,255	10,639,478	21,484,450	21,913,547
Total assets	12,047,281	12,447,867	17,039,757	13,151,865	29,087,038	25,599,732
Current liabilities	524,610	1,075,116	590,867	479,852	1,115,477	1,554,968
Long-term liabilities	9,778,726	10,269,765	12,742,542	9,384,505	22,521,268	19,654,270
Total liabilities	10,303,336	11,344,881	13,333,409	9,864,357	23,636,745	21,209,238
Net assets:						
Invested in capital assets, net of related debt	1,614,477	1,148,113	2,396,908	1,656,558	4,011,385	2,804,671
Restricted	1,057,081	783,509	288,961	-	1,346,042	783,509
Unrestricted	(927,613)	(828,636)	1,020,479	1,630,950	92,866	802,314
Total net assets	\$ 1,743,945	\$ 1,102,986	\$ 3,706,348	\$ 3,287,508	\$ 5,450,293	\$ 4,390,494

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The net assets of the City of Royse City exceeded liabilities by \$5,450,293 as of September 30, 2010. The City's net assets increased by \$1,000,825, excluding prior period adjustments, for fiscal year ended September 30, 2010. However, the largest portion (73.6%) reflects the City's investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City of Royse City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Royse City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Royse City's net assets, 25%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$92,866 is unrestricted.

* As restated - see restatement note in the notes to the financial statements.

CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010

The City of Royse City Changes in Net Assets

Figure 2

	Governmental Activities		Business Activities		Totals	
	2010	2009*	2010	2009	2010	2009*
Revenues:						
Program Revenues:						
Charges for services	\$ 1,343,149	\$ 1,258,956	\$ 3,543,855	\$ 3,040,045	\$ 4,887,004	\$ 4,299,001
Operating Grants and Contributions	122,957	241,564	-	-	122,957	241,564
Capital Grants and Contributions	128,322	-	-	-	128,322	-
General Revenues:						
Property Taxes	3,076,420	3,054,961	-	-	3,076,420	3,054,961
Sales Taxes	848,288	833,880	-	-	848,288	833,880
Franchise Taxes	345,882	330,684	-	-	345,882	330,684
Hotel/Motel Taxes	49,061	25,226	-	-	49,061	25,226
Investment Income	11,341	17,249	8,355	29,745	19,696	46,994
Other	65,219	317,452	95,129	400,000	160,348	717,452
Total Revenues	5,990,639	6,079,972	3,647,339	3,469,790	9,637,978	9,549,762
Expenses:						
Program Expenses						
General Government	2,082,502	1,946,161	-	-	2,082,502	1,946,161
Fire	266,473	256,162	-	-	266,473	256,162
Police	1,544,662	1,475,070	-	-	1,544,662	1,475,070
Streets	292,210	145,083	-	-	292,210	145,083
Municipal Court	345,161	264,075	-	-	345,161	264,075
Community Services	230,222	197,161	-	-	230,222	197,161
Parks	249,544	228,414	-	-	249,544	228,414
Library	103,795	89,873	-	-	103,795	89,873
Community Development	15,112	89,372	-	-	15,112	89,372
Main Street	-	757	-	-	-	757
Environmental Services	99,218	112	-	-	99,218	112
Nondepartmental	-	11,099	-	-	-	11,099
Interest on Long-Term Debt	467,198	519,724	-	505,823	467,198	1,025,547
Water and Sewer	-	-	2,941,055	2,362,106	2,941,055	2,362,106
Total Expenses	5,696,097	5,223,063	2,941,055	2,867,929	8,637,152	8,090,992
Change in Net Assets before Other						
Revenues and Financing Sources (Uses)	294,542	856,909	706,284	601,861	1,000,826	1,458,770
Other Revenues & Financing Sources (Uses):						
Transfers	246,117	(395,493)	(246,117)	395,493	-	-
Total Other Financing Sources (Uses)	246,117	(395,493)	(246,117)	395,493	-	-
Total Change in Net Assets	540,659	461,416	460,167	997,354	1,000,826	1,458,770
Net assets - October 1, as restated	1,102,986	641,570	3,287,508	1,914,252	4,390,494	2,555,822
Prior Period Adjustments	100,300	-	(41,327)	375,902	58,973	375,902
Net assets - September 30	\$ 1,743,945	\$ 1,102,986	\$ 3,706,348	\$ 3,287,508	\$ 5,450,293	\$ 4,390,494

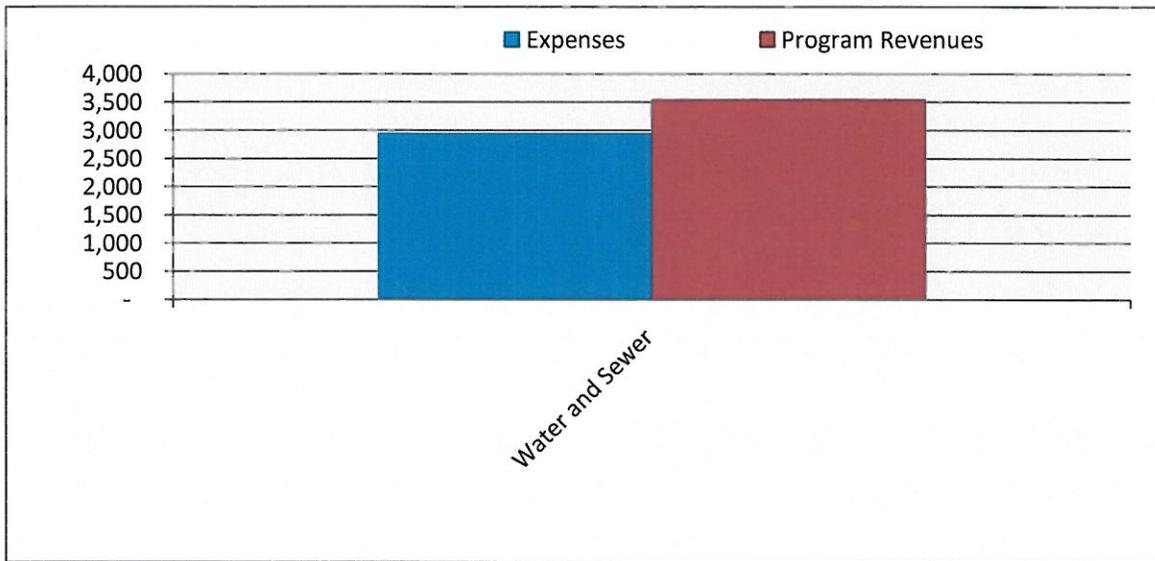
* As restated - see restatement note in the notes to the financial statements.

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2010**

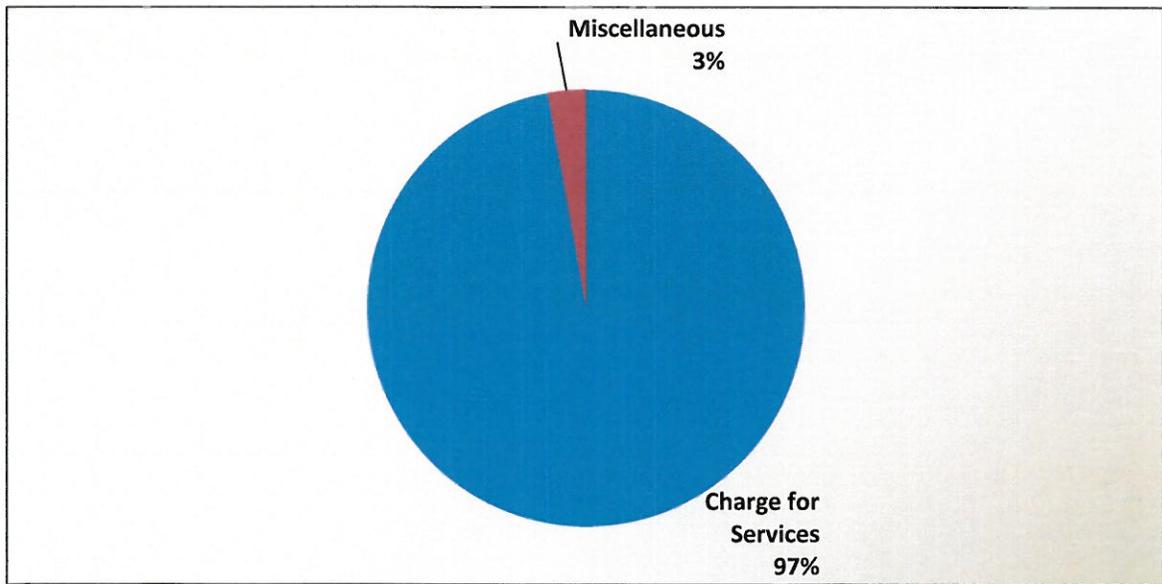
Business-type Activities - Business-type activities decreased the City of Royse City's net assets by \$460,167. A key element of this increase is as follows:

Program revenues exceeded program expenses by 20% in the current year.

**Expenditures and Program Revenues - Business Activities
(amounts expressed in thousands)**



Revenues By Source - Business Activities



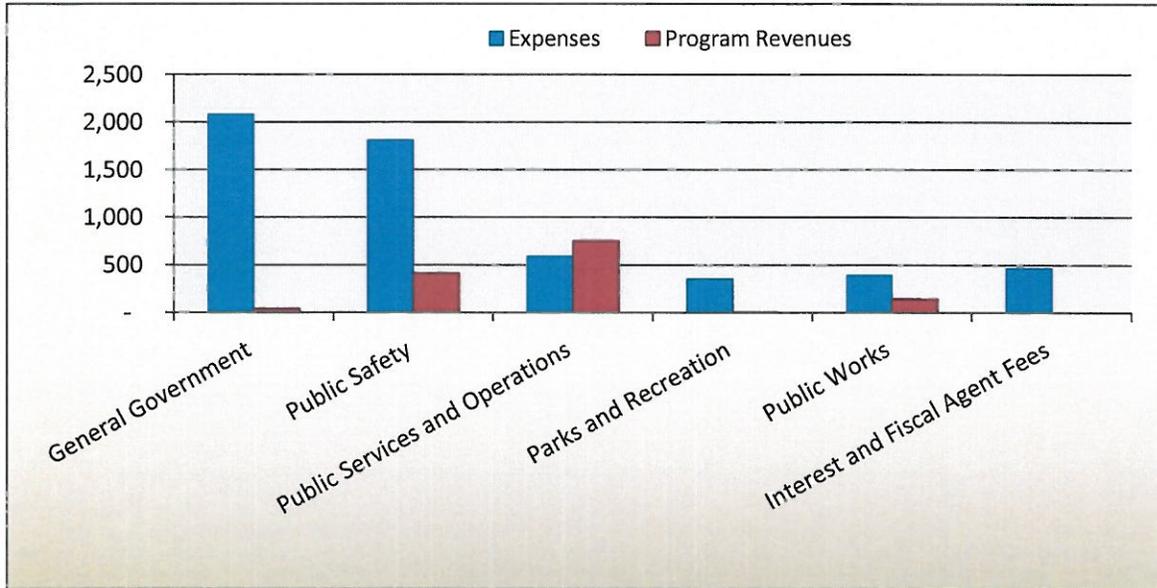
**CITY OF ROYSE CITY, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2010**

Governmental-type activities - Governmental-type activities increased the City's net assets \$540,659. A key element of this increase is as follows:

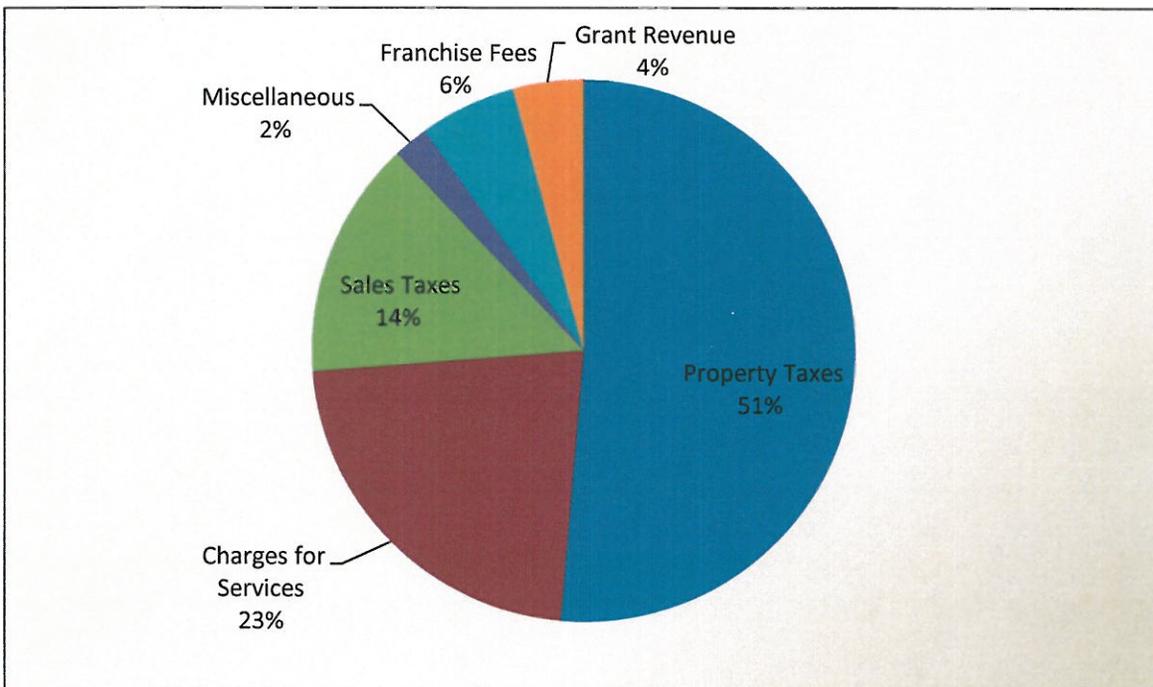
Property tax revenue increased 11.6%

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues By Source - Governmental Activities



**CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010**

Financial Analysis of the City's Funds

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

Governmental Funds - The focus of the City of Royse City governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Royse City' financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Royse City. At the end of the current fiscal year, unreserved fund balance of the General Fund was (\$754,746). As a measure of the general fund's liquidity, it may be useful to compare the unrestricted fund balance to total fund expenditures. Unreserved fund balance represents -14% of total General Fund expenditures.

At September 30, 2010, the governmental funds of the City of Royse City reported a combined fund balance of \$210,883, a 49% decrease from last year, including prior period adjustments.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget for several items. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were higher than the budgeted amounts mainly in the area of property taxes and public works. Expenditures were also higher than budgeted amounts mainly in the area of fire department and capital outlays.

Proprietary Funds - The City of Royse City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the proprietary funds at the end of the fiscal year amounted to \$1,020,479.

CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010

Capital Asset and Debt Administration

Capital assets - The City of Royse City's investment in capital assets for its governmental and business-type activities as of September 30, 2010, totals \$21,484,450 (net of accumulated depreciation). These assets include land, buildings, infrastructure, improvements, machinery & equipment, vehicles and construction in progress. The decrease in the City of Royse City's capital assets for governmental activities was 1%. The capital assets for the business-type activities decreased by 3%.

Major capital asset transactions during the year include the following additions:

- Purchase of a new fire truck
- Roadway projects and improvements

Figure 3

**City of Royse City
Capital Assets
September 30, 2010
(net of accumulated depreciation)**

	Governmental		Business-type		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 904,165	\$ 904,165	\$ 216,827	\$ 216,827	\$ 1,120,992	\$ 1,120,992
Construction in Progress	-	-	273,529	221,710	273,529	221,710
Certificate of Convenience	-	-	200,500	200,500	200,500	200,500
Infrastructure	-	-	9,520,686	9,824,243	9,520,686	9,824,243
Buildings & Improvements	9,302,067	9,371,913	9,994	8,760	9,312,061	9,380,673
Machinery & Equipment	254,433	234,451	28,721	60,379	283,154	294,830
Vehicles	698,530	763,540	74,998	107,059	773,528	870,599
Total	\$11,159,195	\$11,274,069	\$10,325,255	\$10,639,478	\$21,484,450	\$21,913,547

More detailed information about the City's capital assets is presented in Note E to the financial statements.

Long-Term Debt - As of September 30, 2010 the City of Royse City had total long-term debt outstanding of \$22,346,000, an increase of \$2,949,000 or 15% in comparison with the prior year.

**City of Royse City
General Obligation Bonds and Certificates of Obligation
As of September 30, 2010**

	Governmental		Business-type		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 509,958	\$ 656,998	\$ 751,042	\$ 255,002	\$ 1,261,000	\$ 912,000
Certificates of Obligation	9,025,000	9,380,000	12,060,000	9,105,000	21,085,000	18,485,000
Total	\$ 9,534,958	\$10,036,998	\$12,811,042	\$ 9,360,002	\$22,346,000	\$19,397,000

More detailed information about the City's long-term obligations is presented in Note G to the financial statements.

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2010**

Economic Factors and Next Year's Budgets and Rates

The approved budget for the General Fund FY 2010-2011 reflects a 23% increase from the current year budgeted revenue. This is due to increases in property and franchise tax revenues. The Water and Sewer Funds reflect similar budgets to Fiscal Year 2010.

The adopted tax rate for FY 2010-2011 will remain at \$0.6576 per \$100 valuation.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in the government's finances. Questions concerning the information found in this report or requests for additional financial information should be directed to the City Clerk, P.O. Box 638, Royse City, TX 75189.



BASIC FINANCIAL STATEMENTS



CITY OF ROYSE CITY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>EDC</u>
ASSETS				
Cash and cash equivalents	\$ 547,471	\$ 11,031	\$ 558,502	\$ 765,315
Receivables (net of allow for uncollectibles)	269,270	277,509	546,779	58,981
Receivables - EDC	29,836	-	29,836	-
Deferred charges	161,594	419,604	581,198	-
Internal Balances	(743,172)	743,172	-	-
Inventories	1,935	57,273	59,208	-
Restricted assets:				
Cash and cash equivalents	621,152	5,205,913	5,827,065	-
Non-depreciable capital assets:				
Land	904,165	216,827	1,120,992	-
Construction in progress	-	273,529	273,529	-
Intangible asset	-	200,500	200,500	-
Depreciable capital assets (net):				
Machinery & equipment	254,433	28,721	283,154	-
Vehicles	698,530	74,998	773,528	-
Building & improvements	9,302,067	9,994	9,312,061	-
Infrastructure	-	9,520,686	9,520,686	-
Total Assets	<u>12,047,281</u>	<u>17,039,757</u>	<u>29,087,038</u>	<u>824,296</u>
LIABILITIES				
Accounts payable	298,929	79,974	378,903	-
Accounts payable - City	-	-	-	29,836
Escrow payable	-	150,000	150,000	-
Accrued expenses	171,973	9,319	181,292	-
Customer deposits	-	267,103	267,103	-
Accrued interest payable	53,708	84,471	138,179	-
Noncurrent Liabilities:				
Due within one year:				
Compensated absences	6,297	566	6,863	-
Capital lease	67,683	20,884	88,567	-
Notes payable	24,000	-	24,000	-
Bonds payable	143,514	72,486	216,000	-
Certificates of obligation	370,000	155,000	525,000	-
Due in more than one year:				
Compensated absences	56,670	5,094	61,764	-
Capital lease	77,372	21,929	99,301	-
Notes payable	96,000	-	96,000	-
Bonds payable	375,574	647,607	1,023,181	-
Certificates of obligation	8,561,616	11,818,976	20,380,592	-
Total Liabilities	<u>10,303,336</u>	<u>13,333,409</u>	<u>23,636,745</u>	<u>29,836</u>
NET ASSETS				
Investment in Capital Assets, net of related debt	1,614,477	2,396,908	4,011,385	-
Restricted for:				
Debt service	952,780	-	952,780	-
Impact fee use	-	288,961	288,961	-
Police	73,509	-	73,509	-
Municipal court use	30,792	-	30,792	-
Unrestricted	(927,613)	1,020,479	92,866	794,460
Total Net Assets	<u>\$ 1,743,945</u>	<u>\$ 3,706,348</u>	<u>\$ 5,450,293</u>	<u>\$ 794,460</u>

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

CITY OF ROYSE CITY, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 2,082,502	\$ 37,191	\$ 121,503	\$ 128,322
Police	1,544,662	332,073	1,454	-
Fire	266,473	78,629	-	-
Streets	292,210	140,677	-	-
Municipal court	345,161	12,168	-	-
Community services	230,222	730,996	-	-
Parks	249,544	1,676	-	-
Library	103,795	1,847	-	-
Community development	15,112	171	-	-
Main street	-	7,446	-	-
Environmental services	99,218	275	-	-
Interest on long-term debt	467,198	-	-	-
Total governmental activities	5,696,097	1,343,149	122,957	128,322
Business-type Activities:				
Water and sewer	2,941,055	3,543,855	-	-
Total business-type activities	2,941,055	3,543,855	-	-
Total primary government	\$ 8,637,152	\$ 4,887,004	\$ 122,957	\$ 128,322
Component Units				
Economic Development Corporation	178,459	-	-	-
Total component units	\$ 178,459	\$ -	\$ -	\$ -

General revenues:

Property taxes
Sales taxes
Franchise taxes
Hotel/Motel taxes
Investment income
Miscellaneous
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning as restated
Prior Period Adjustment
Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Activities	Total	EDC
\$ (1,795,486)	\$ -	\$ (1,795,486)	\$ -
(1,211,135)	-	(1,211,135)	-
(187,844)	-	(187,844)	-
(151,533)	-	(151,533)	-
(332,993)	-	(332,993)	-
500,774	-	500,774	-
(247,868)	-	(247,868)	-
(101,948)	-	(101,948)	-
(14,941)	-	(14,941)	-
7,446	-	7,446	-
(98,943)	-	(98,943)	-
(467,198)	-	(467,198)	-
<u>(4,101,669)</u>	<u>-</u>	<u>(4,101,669)</u>	<u>-</u>
-	602,800	602,800	-
-	602,800	602,800	-
<u>\$ (4,101,669)</u>	<u>\$ 602,800</u>	<u>\$ (3,498,869)</u>	<u>\$ -</u>
-	-	-	(178,459)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (178,459)</u>
\$ 3,076,420	\$ -	\$ 3,076,420	\$ -
848,288	-	848,288	282,375
345,882	-	345,882	-
49,061	-	49,061	-
11,341	8,355	19,696	457
65,219	95,129	160,348	102,851
246,117	(246,117)	-	-
<u>4,642,328</u>	<u>(142,633)</u>	<u>4,499,695</u>	<u>385,683</u>
540,659	460,167	1,000,826	207,224
1,102,986	3,287,508	4,390,494	568,816
100,300	(41,327)	58,973	18,420
<u>\$ 1,743,945</u>	<u>\$ 3,706,348</u>	<u>\$ 5,450,293</u>	<u>\$ 794,460</u>

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

CITY OF ROYSE CITY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General Fund	Debt Service	2007 Capital Projects	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 467,424	\$ -	\$ -	\$ 80,047	\$ 547,471
Receivables (net of allowances for uncollectibles)	232,941	36,329	-	-	269,270
Receivables - EDC	29,836	-	-	-	29,836
Due from other funds	-	299,969	-	-	299,969
Restricted - Cash and cash equivalents	-	485,355	44,282	91,515	621,152
Inventory	1,935	-	-	-	1,935
Total Assets	732,136	821,653	44,282	171,562	1,769,633
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	254,780	-	-	44,149	298,929
Accrued expenses	171,973	-	-	-	171,973
Due to other funds	1,043,141	-	-	-	1,043,141
Deferred revenues	16,988	27,719	-	-	44,707
Total Liabilities	1,486,882	27,719	-	44,149	1,558,750
Fund Balances					
Reserved for:					
Debt service	-	793,934	-	-	793,934
Capital projects	-	-	44,282	-	44,282
Police	-	-	-	63,217	63,217
Municipal court use	-	-	-	23,104	23,104
Unreserved-Designated for:					
Hotel/Motel Use	-	-	-	58,620	58,620
Unreserved-Undesignated reported in:	(754,746)	-	-	(17,528)	(772,274)
Total Fund Balances	(754,746)	793,934	44,282	127,413	210,883
Total Liabilities and Fund Balances	\$ 732,136	\$ 821,653	\$ 44,282	\$ 171,562	\$ 1,769,633

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

**CITY OF ROYSE CITY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

Total fund balances - governmental funds balance sheet	\$ 210,883
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,221,082
Accumulated depreciation has not been included in the governmental fund financial statements.	(2,061,887)
Certain bond related items are expensed at the fund level, but are capitalized at the government-wide level and amortized over the life of the asset.	161,594
Other assets not available to pay for current-period expenditures and, therefore are deferred in the funds.	44,707
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,715,758)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(62,967)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an expenditure is reported when due.	(53,709)
	<hr/>
Net assets of governmental activities - statement of net assets	<u><u>\$ 1,743,945</u></u>

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

CITY OF ROYSE CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Debt Service	2007 Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property, including P&I	\$ 1,281,490	\$ 1,851,931	\$ -	\$ -	\$ 3,133,421
Sales	848,288	-	-	-	848,288
Franchise	345,882	-	-	-	345,882
Hotel/Motel	-	-	-	49,061	49,061
Fines and fees	563,669	-	-	12,159	575,828
Licenses and permits	24,020	-	-	-	24,020
Refuse collection fees	711,867	-	-	-	711,867
Donations	5,626	-	-	9,818	15,444
Investment income	9,657	1,273	292	119	11,341
Miscellaneous	19,456	-	-	45,763	65,219
Total Revenues	3,809,955	1,853,204	292	116,920	5,780,371
EXPENDITURES					
Current:					
Administrative	1,805,868	-	-	-	1,805,868
Police	1,438,974	-	-	31,775	1,470,749
Fire department	202,765	-	-	1,225	203,990
Streets	142,114	-	(1,905)	-	140,209
Municipal court	344,752	-	-	(2,588)	342,164
Community services	202,478	-	-	-	202,478
Parks	222,374	-	-	-	222,374
Library	90,778	-	-	-	90,778
Museum	15,171	-	-	-	15,171
Senior citizens center	80,797	-	-	-	80,797
Main street	73,752	-	-	3,506	77,258
Environmental services	99,218	-	-	-	99,218
Community development	-	-	-	15,112	15,112
Miscellaneous	-	-	-	1,529	1,529
Debt service:					
Principal retirement	440,719	502,040	-	-	942,759
Interest	13,351	453,169	-	-	466,520
Capital outlays	220,661	-	52,592	47,320	320,573
Total Expenditures	5,393,772	955,209	50,687	97,879	6,497,547
Excess (deficiency) of revenues over (under) expenditures	(1,583,817)	897,995	(50,395)	19,041	(717,176)
Other Revenues and Financing Sources (uses)					
Transfers	1,043,697	(805,269)	-	7,689	246,117
Insurance refund	17,443	-	-	-	17,443
Grant revenue	239,825	-	-	10,000	249,825
Total other financing sources (uses)	1,300,965	(805,269)	-	17,689	513,385
Net Change in fund balances	(282,852)	92,726	(50,395)	36,730	(203,791)
Fund Balances, October 1, as restated	(652,450)	701,208	94,677	90,683	234,118
Prior Period Adjustments	180,556	-	-	-	180,556
Fund Balances, September 30	\$ (754,746)	\$ 793,934	\$ 44,282	\$ 127,413	\$ 210,883

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

**CITY OF ROYSE CITY, 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, 2010**

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ (203,791)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2010 capital outlays is to increase net assets.</p>	320,573
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net assets.</p>	(440,910)
<p>Current year long-term debt principal payments on bonds payable and capital leases are expenditures in the fund financial statements but are shown as reduction in long-term debt in the government-wide financial statements.</p>	942,759
<p>Changes to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net assets.</p>	(4,447)
<p>Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due.</p>	(677)
<p>Amortization of bond issuance costs is not recognized in the governmental funds. The effect of recording current years amortization is to decrease net assets.</p>	(15,847)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.</p>	<u>(57,001)</u>
Change in net assets - governmental funds	<u><u>\$ 540,659</u></u>

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

CITY OF ROYSE CITY, TEXAS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2010

	<u>Water & Sewer</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 11,031
Receivables (net of allow for uncollectibles)	277,509
Due from other funds	743,172
Inventories	57,273
Total Current Assets	<u>1,088,985</u>
Noncurrent Assets:	
Cash and cash equivalents - Restricted	5,205,913
Deferred charges	419,604
Capital assets:	
Land	216,827
Intangible asset	200,500
Machinery & equipment	223,081
Buildings	39,551
Vehicles	261,364
Infrastructure	11,270,111
Construction in progress	273,529
Less: accumulated depreciation	<u>(2,159,708)</u>
Total capital assets (net of accumulated depreciation)	<u>10,325,255</u>
Total Noncurrent Assets	<u>15,950,772</u>
Total Assets	<u><u>17,039,757</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Current Liabilities:	
Accounts payable	79,974
Escrow payable	150,000
Customer deposits	267,103
Accrued interest	84,471
Accrued expenses	9,319
Compensated absences - current	566
Capital leases - current	20,884
Certificates of obligation - current	155,000
Bonds payable - current	72,486
Total Current Liabilities	<u>839,803</u>
Noncurrent Liabilities:	
Compensated absences	5,094
Capital leases	21,929
Certificates of obligation	11,818,976
Bonds payable	647,607
Total Noncurrent Liabilities	<u>12,493,606</u>
Total Liabilities	<u><u>13,333,409</u></u>

NET ASSETS	
Invested in capital assets (net of related debt)	2,396,908
Restricted for:	
Impact fee use	288,961
Unrestricted	1,020,479
Total Net Assets	<u><u>\$ 3,706,348</u></u>

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

**CITY OF ROYSE CITY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Water & Sewer</u>
OPERATING REVENUES:	
Charges for services - water	\$ 2,163,814
Charges for services - sewer	1,148,017
Water impact fees	125,000
Penalty and reconnect fees	107,024
Other services	95,129
Total Operating Revenues	<u>3,638,984</u>
OPERATING EXPENSES:	
Water operations	1,241,267
Sewer operations	845,722
Other operations	(970)
Depreciation/amortization	331,716
Total Operating Expenses	<u>2,417,735</u>
Operating Income (Loss)	<u>1,221,249</u>
NON-OPERATING REVENUES (EXPENSES):	
Bond issuance costs	(32,092)
Interest revenue	8,355
Interest expense	(491,228)
Total Non-Operating Revenues (Expenses)	<u>(514,965)</u>
Transfers	(246,117)
Change in Net Assets	460,167
Net Assets, October 1	3,287,508
Prior Period Adjustments	(41,327)
Net Assets, September 30	<u>\$ 3,706,348</u>

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

**CITY OF ROYSE CITY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Business-Type Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,237,128
Cash received from other sources	220,129
Cash paid to employees	(309,174)
Cash paid to suppliers	(1,730,731)
Net cash provided by operating activities	<u>1,417,352</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(246,117)
Internal balances	(744,994)
Net cash used for non-capital financing activities	<u>(991,111)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(228,189)
Bond proceeds	4,157,875
Principal paid	(799,838)
Interest paid	(467,654)
Net cash provided by capital & related financing activities	<u>2,662,194</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	8,355
Net cash provided by investing activities	<u>8,355</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,096,790
Cash and Cash Equivalents at Beginning of Year	2,120,154
Cash and Cash Equivalents at End of Year	<u>\$ 5,216,944</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operation Activities:	
Operating Income (Loss)	<u>\$ 1,221,249</u>
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	331,716
Prior Period Adjustment	(41,327)
Change in Assets and Liabilities:	
(Increase) decrease in assets	
Accounts receivable	(181,727)
Increase (decrease) in liabilities	
Accounts payable	(64,395)
Escrow payable	150,000
Customer deposits	1,836
Total adjustments	<u>196,103</u>
Net cash provided by operating activities	<u>\$ 1,417,352</u>

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

CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

A. Summary of Significant Accounting Policies

The combined financial statements of the City of Royse City, Texas (the "City") have been prepared in conformity with accounting principles 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 is a municipal corporation governed by an elected mayor and six-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by Government Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity," as amended by GASB 39 "Determining Whether Certain Organizations are Component Units".

Under GASB 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB 39 added clarification to GASB 14 by including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, 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 separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

Discretely presented component units. The Royse City Economic Development Corporation is a discretely presented component unit of the City. The EDC is governed by a board of seven members, all of whom are appointed by the City Council of the City of Royse City and whom can be removed from office by the City Council at its will. The EDC was incorporated in the state of Texas in 1998. The nature and significance of the relationship between the primary government and the EDC is such that exclusion would cause the City's financial statements to be misleading or incomplete. There are no separate financial statements issued for the EDC.

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, except for fiduciary activities. 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. 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 ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting
 - a. Basis of Presentation (continued)

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 non-major 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. Non-operating revenues, such as subsidies and investment earnings result from nonexchange transactions or ancillary activities.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support City programs, these funds are not included in the government-wide statements.

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

- b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus and 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 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.

The City reports the following major governmental funds:

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

The *Debt Service Fund* accounts for the resources accumulated and payments made for the principal and interest on long-term obligation debt of governmental funds.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. Such resources are derived principally from bond proceeds.

CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting

b. Measurement Focus, Basis of Accounting (continued)

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water, sewer and environmental waste services are charges to customers for sales and services. Operating expenses for Proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

The City reports the following major enterprise fund:

The *Water and Sewer Fund* accounts for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Currently, the City does not have any agency or fiduciary funds.

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.

The City pools cash from all fund types to increase the amount of funds available for investment. Investments held by the City that have a remaining maturity of greater than one year from purchase are carried at fair value. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool. Each fund may liquidate its equity in the pool on demand.

b. Receivable and Payable Balances

Trade and property tax receivables are shown net of an allowance for uncollectibles.

c. Property Taxes

Property taxes attach as an enforceable lien on property located in the City as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. The Central Appraisal District of Rockwall County assesses, collects, and manages the City's property taxes.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2010, the City had a tax rate of \$0.66 per \$100 assessed valuation.

**CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

d. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of the other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent cash and cash equivalents and investments set aside for repayment of customer's water/sewer deposits, impact fees, specific capital additions and various bond covenants. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

e. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Vehicles	4-20
Office Furniture and equipment	5
Machinery and equipment	10
Buildings and Improvements	7-50
Infrastructure	40

f. Compensated absences

It is the City's policy to pay a separating employee with at least six months of continuous service unused vacation leave not to exceed 80 hours. The rate of pay will be determined by the salary rate in effect at the time of separation. As such, there is an accrual at the close of the fiscal year end in the government-wide and proprietary fund financial statements for the amount due to all employees as of September 30, 2010. No unused sick leave will be paid out upon termination of employment.

g. Long-term Obligations

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

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

CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

h. Fund Equity

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

i. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statements in order to provide an understanding of City operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

j. 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.

k. Use of Estimates

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

l. Program Revenues

Certain revenues such as charges for services and impact fees are included in program revenues.

m. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

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

Following are funds having a deficit fund balance or fund net assets at year end, along with remarks which address such deficits.

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
General Fund	\$ (754,746)	Continuing deficit from prior years

**CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

B. Compliance and Accountability

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures. The General Fund budget appears on page 26 and other informational budgets are presented in the combining and individual fund statements.

The following procedures are followed in establishing the budgetary data:

- No later than the first City Council meeting each August, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance. If the Council takes no action on or prior to such day, the budget, as submitted by the City Manager, shall be deemed to have been adopted by the City Council.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Manager and/or Director of Finance are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

Budgets are legally adopted on a modified accrual basis of accounting. The majority of the City's Capital Projects are budgeted on an annual basis. For budgeted capital projects not expended during the fiscal year, the City will roll those balances into the following year's fiscal budget.

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

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 banks dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2010, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,385,567 and the bank balance was \$6,501,688. The City's cash deposits at September 30, 2010 and during the year ended September 30, 2010, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized. Cash and investments as of September 30, 2010 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:

Primary Government	
Cash and cash equivalents	\$ 882,549
Investments	5,503,018
Total cash and cash equivalents	<u>\$ 6,385,567</u>
Cash on hand	\$ 450
Savings and checking accounts	882,099
Investments	5,503,018
Total cash and cash equivalents	<u>\$ 6,385,567</u>

**CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

C. Deposits and Investments (continued)

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 general purpose 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.

Currently all of the City's investments are with LOGIC Investments.

LOGIC is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. Together, these organizations bring to the LOGIC program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management. LOGIC is a local government investment cooperative created under the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The fund is rated AAAM by Standard & Poor's.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2010, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity - days</u>
LOGIC	\$ 5,503,018	48
	<u>\$ 5,503,018</u>	

As of September 30, 2010 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
LOGIC	\$ 5,503,018	AAA or AAA-m	AAA-m
	<u>\$ 5,503,018</u>		

Concentration of Credit Risk

With the exception of U.S. Treasury securities, certificates of deposit and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies and instrumentalities.

As of September 30, 2010, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

D. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Water & Sewer	Total
Receivables:				
Taxes	\$ 205,519	\$ 37,070	\$ -	\$ 242,589
Fees and Charges	27,876	-	436,054	463,930
Gross Receivables	233,395	37,070	436,054	706,519
Less: allowance for uncollectibles	(454)	(741)	(158,545)	(159,740)
Net Total Receivables	<u>\$ 232,941</u>	<u>\$ 36,329</u>	<u>\$ 277,509</u>	<u>\$ 546,779</u>

E. Capital Assets

Capital asset activity for the period ended September 30, 2010 was as follows:

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 904,165	-	\$ -	\$ -	\$ 904,165
Construction-In-Progress	-	-	-	-	-
Total capital assets not being depreciated:	<u>904,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>904,165</u>
Capital assets, being depreciated:					
Buildings and improvements	9,788,109	-	132,927	-	9,921,036
Machinery & Equipment	565,316	27,198	84,285	-	676,799
Vehicles	1,615,721	-	103,361	-	1,719,082
Total capital assets being depreciated:	<u>11,969,146</u>	<u>27,198</u>	<u>320,573</u>	<u>-</u>	<u>12,316,917</u>
Total Fixed Assets	<u>12,873,311</u>	<u>27,198</u>	<u>320,573</u>	<u>-</u>	<u>13,221,082</u>
Less accumulated depreciation for:					
Buildings and Improvements	(416,196)	(2,261)	(200,512)	-	(618,969)
Machinery & Equipment	(330,865)	(17,004)	(74,497)	-	(422,366)
Vehicles	(852,181)	(2,470)	(165,901)	-	(1,020,552)
Total accumulated depreciation:	<u>(1,599,242)</u>	<u>(21,735)</u>	<u>(440,910)</u>	<u>-</u>	<u>(2,061,887)</u>
Total capital assets being depreciated, net	<u>10,369,904</u>	<u>5,463</u>	<u>(120,337)</u>	<u>-</u>	<u>10,255,030</u>
Governmental activities capital assets, net	<u>\$ 11,274,069</u>	<u>\$ 5,463</u>	<u>\$ (120,337)</u>	<u>\$ -</u>	<u>\$ 11,159,195</u>

CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

E. Capital Assets (continued)

Business-type Activities	<u>Beginning Balances</u>	<u>Prior Period Adjustments</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:					
Land	\$ 216,827	\$ -	\$ -	\$ -	\$ 216,827
Construction-In-Progress	221,710	-	51,819	-	273,529
Certificate of convenience	200,500	-	-	-	200,500
Total capital assets not being depreciated:	<u>639,037</u>	<u>-</u>	<u>51,819</u>	<u>-</u>	<u>690,856</u>
Capital assets being depreciated:					
Infrastructure	11,262,001	-	8,110	-	11,270,111
Buildings & improvements	39,551	-	-	-	39,551
Machinery & Equipment	180,173	-	-	-	180,173
Office Furniture & Equipment	42,908	-	-	-	42,908
Vehicles	261,364	-	-	-	261,364
Total capital assets being depreciated:	<u>11,785,997</u>	<u>-</u>	<u>8,110</u>	<u>-</u>	<u>11,794,107</u>
Total Fixed Assets	<u>12,425,034</u>	<u>-</u>	<u>59,929</u>	<u>-</u>	<u>12,484,963</u>
Less accumulated depreciation for:					
Infrastructure	(1,437,758)	(29,999)	(281,668)	-	(1,749,425)
Buildings & improvements	(30,791)	2,697	(1,463)	-	(29,557)
Machinery & Equipment	(138,650)	(6,182)	(9,934)	-	(154,766)
Office Furniture & Equipment	(24,052)	(9,862)	(5,680)	-	(39,594)
Vehicles	(154,305)	910	(32,971)	-	(186,366)
Total accumulated depreciation:	<u>(1,785,556)</u>	<u>(42,436)</u>	<u>(331,716)</u>	<u>-</u>	<u>(2,159,708)</u>
Total capital assets being depreciated, net	<u>10,000,441</u>	<u>(42,436)</u>	<u>(323,606)</u>	<u>-</u>	<u>9,634,399</u>
Business-type activities capital assets, net	<u>\$ 10,639,478</u>	<u>\$ (42,436)</u>	<u>\$ (271,787)</u>	<u>\$ -</u>	<u>\$ 10,325,255</u>

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

Governmental activities:	
General Government and Administration	\$ 81,586
Fire Department	62,483
Police Department	73,913
Streets	152,000
Municipal Court	2,997
Community Services	27,744
Parks	27,170
Library	13,017
Total depreciation expense - governmental activities	<u>\$ 440,910</u>
Business-type activities:	
Water and Sewer	\$ 331,716
Total depreciation expense - business-type activities	<u>\$ 331,716</u>

F. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Tax revenues which are reported as deferred revenue in the governmental funds are recorded as revenue in the government-wide financial statements. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	General Fund
Tax Revenue	<u>\$ 44,707</u>

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

G. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2010, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
General Obligation Bonds & Certificates of Obligation	\$ 10,036,998	\$ -	\$ (502,040)	\$ 9,534,958	\$ 513,514
Less deferred amounts:					
For issuance discounts	(99,221)	-	5,837	(93,384)	-
For issuance premiums	11,412	-	(2,282)	9,130	-
Total bonds payable	9,949,189	-	(498,485)	9,450,704	513,514
Capital Leases	200,576	27,198	(82,719)	145,055	67,683
Compensated Absences	-	62,967	-	62,967	6,297
Notes Payable	120,000	-	-	120,000	24,000
Governmental activity Long-term liabilities	<u>\$ 10,269,765</u>	<u>\$ 90,165</u>	<u>\$ (581,204)</u>	<u>\$ 9,778,726</u>	<u>\$ 611,494</u>

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable:					
General Obligation Bonds & Certificates of Obligation	\$ 9,360,002	\$ 4,245,000	\$ (793,960)	\$ 12,811,042	\$ 227,486
Less deferred amounts:					
For issuance discounts	(46,714)	(56,769)	6,120	(97,363)	-
For issuance premiums	8,511	-	(1,138)	7,373	-
On refunding	-	(30,356)	3,373	(26,983)	-
Total Bonds Payable	9,321,799	4,157,875	(785,605)	12,694,069	227,486
Capital Leases	62,706	-	(19,893)	42,813	20,885
Compensated Absences	-	5,660	-	5,660	566
Business-type activity Long-term liabilities	<u>\$ 9,384,505</u>	<u>\$ 4,163,535</u>	<u>\$ (805,498)</u>	<u>\$ 12,742,542</u>	<u>\$ 248,937</u>

Changes in Governmental Bonded Debt by Series

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding September 30,		Retired	Amounts Outstanding September 30, 2010	Due Within One Year
			2009	Increase			
GO Bonds, Series 1976	5.00%	\$ 150,000	\$ 47,000	\$ -	\$ (6,000)	\$ 41,000	\$ 6,000
GO Bonds, Series 2005	3.25-4.00%	1,149,476	609,998	-	(141,040)	468,958	137,514
CO, Series 2006	4.03%	1,875,000	1,800,000	-	(75,000)	1,725,000	80,000
CO, Series 2007A	4.25-4.75%	7,850,000	7,580,000	-	(280,000)	7,300,000	290,000
Total Bonds and CO's payable		<u>\$ 11,024,476</u>	<u>\$ 10,036,998</u>	<u>\$ -</u>	<u>\$ (502,040)</u>	<u>\$ 9,534,958</u>	<u>\$ 513,514</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2011	\$ 513,514	\$ 429,676	\$ 943,190
2012	525,988	408,302	934,290
2013	488,098	387,168	875,266
2014	504,572	366,761	871,333
2015	490,786	340,707	831,493
2016-2020	2,547,000	1,365,006	3,912,006
2021-2025	3,140,000	753,772	3,893,772
2026-2027	1,325,000	90,632	1,415,632
Totals	<u>\$ 9,534,958</u>	<u>\$ 4,142,024</u>	<u>\$ 13,676,982</u>

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

G. Long-Term Obligations (continued)

\$150,000 1976 General Obligation Refunding Bond issued for the exclusive purpose of paying the City's obligations.

\$1,630,000 2005 General Obligation Refunding Bond were issued for the purpose of providing funds to refund all of the issuer's outstanding combination tax and revenue certificates of obligation, Series 1992 and 2000.

\$1,875,000 Certificate of Obligation, Series 2006 were issued for the purpose of paying obligations in connection with: (i) acquiring, renovating, improving and equipping a building located at 305 N. Arch Street, Royse City, Texas to be used as a City Hall, including related infrastructure and the acquisition of land and interests in land therefore; (ii) constructing, installing and equipping City park improvements; and (iii) legal, fiscal, design and engineering fees in connection with such projects (the "Projects").

\$7,850,000 Certificate of Obligation, Series 2007A, were issued for the purpose of paying obligations in connection with constructing and improving streets and roads including related drainage, sidewalks, signalization, landscaping, lighting and signage; (ii)acquiring, constructing and installing sanitary sewer additions, extensions and improvements; (iii) the acquisition o land and interests in land and properties for such projects; and (iv) paying legal, fiscal and engineering fees in connection with these projects.

Changes in Business-type Bonded Debt by Series

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding		Retired	Amounts Outstanding September 30, 2010	Due Within One Year
			September 30, 2009	Increase			
GO Bonds, Series 2005	3.25-4.00%	\$ 480,524	\$ 255,002	\$ -	\$ (58,960)	\$ 196,042	\$ 57,486
GO Bonds, Series 2010	2.00-3.75%	555,000	-	555,000	-	555,000	15,000
CO, Series 2005	3.25-4.50%	5,015,000	4,550,000	-	(585,000)	3,965,000	-
CO, Series 2007B	5.49-6.38%	4,695,000	4,555,000	-	(150,000)	4,405,000	155,000
CO, Series 2010	2.00-4.50%	3,690,000	-	3,690,000	-	3,690,000	-
Total Bonds and CO's payable		\$ 14,435,524	\$ 9,360,002	\$ 4,245,000	\$ (793,960)	\$ 12,811,042	\$ 227,486

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	Total
2011	\$ 227,486	\$ 677,768	\$ 905,254
2012	316,012	610,638	926,650
2013	373,902	597,071	970,973
2014	437,428	581,075	1,018,503
2015	506,214	562,030	1,068,244
2016-2020	3,490,000	2,393,477	5,883,477
2021-2025	3,845,000	1,507,318	5,352,318
2026-2030	3,615,000	469,817	4,084,817
Totals	\$ 12,811,042	\$ 7,399,194	\$ 20,210,236

\$1,630,000 2005 General Obligation Refunding Bond were issued for the purpose of providing funds to refund all of the issuer's outstanding combination tax and revenue certificates of obligation, Series 1992 and 2000.

\$555,000 2010 General Obligation Refunding Bond were issued for the purpose of refunding certain outstanding obligations of the issuer (2005 CO).

\$5,015,000 Certificate of Obligation, Series 2005 were issued for the purpose of paying for improvements to the City's Waterworks System, and for paying legal, fiscal and professional fees in connection.

\$4,695,000 Certificate of Obligation, Series 2007B were issued for the purpose of paying obligations incurred in connection with (i) acquiring, constructing and installing waterworks additions, extensions and improvements; (ii) the acquisition of land and interests in land and properties for such projects; and (iii) paying for legal, fiscal and engineering fees in connection with these projects.

\$3,690,000 Certificate of Obligation, Series 2010 were issued for the purpose of paying obligations incurred in connection with (i) acquiring, constructing, installing and equipping additions, extensions and improvements to the City's waterworks and sewer system, including a water storage tank, and the acquisition of land and properties for such projects; and (ii) paying legal, fiscal and engineering fees in connection with these projects.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

G. Long-Term Obligations (continued)

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued vacation leave for which employees are entitled to be paid upon termination.. The retirement of this liability is typically paid from the General Fund or Proprietary Fund, based on the assignment of an employee at date of termination.

Capital Leases

The City has the following lease agreements:

\$790,000 Equipment Lease Purchase Agreement for financing the purchase of equipment dated November 17, 2005. It is payable in annual installments of \$182,243, including interest. The lease is secured by equipment and has a carrying value of \$150,082 at September 30, 2010.

\$51,017 Equipment Lease Purchase Agreement for financing the purchase of equipment dated February 21, 2007. It is payable in annual installments of \$11,855, including interest. The lease is secured by equipment and has a carrying value of \$21,976 at September 30, 2010.

\$13,366 Equipment Lease Purchase Agreement for financing the purchase of equipment dated February 3, 2009. It is payable in annual installments of \$13,366, including interest at a rate of 3.7%. The lease is secured by equipment and has a carrying value of \$0 at September 30, 2010.

\$27,198 Equipment Lease Purchase Agreement for financing the purchase of equipment dated December 9, 2008. It is payable in annual installments of \$6,804, including interest at a rate of 8.5%. The lease is secured by equipment and has a carrying value of \$17,378 at September 30, 2010.

Capital Lease repayment requirements are as follows:

Year Ending September 30:	General Fund	Proprietary Fund	Total Requirements
2011	\$ 75,237	\$ 22,996	\$ 98,233
2012	75,237	22,996	98,233
2013	6,804	-	6,804
Totals	157,278	45,992	203,270
Amounts Representing Interest	(12,223)	(3,179)	(15,402)
Present Value of Minimum Lease Payments	\$ 145,055	\$ 42,813	\$ 187,868

Notes Payable

The City incurred a note payable to Sanitation Solutions in the amount of \$120,000. The note calls for five annual payments of \$24,000. Payments begin October 1, 2010.

Debt service requirements as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2011	\$ 19,952	\$ 4,048	\$ 24,000
2012	20,703	3,297	24,000
2013	21,482	2,518	24,000
2014	22,291	1,709	24,000
2015	23,130	870	24,000
Totals	\$ 107,558	\$ 12,442	\$ 120,000

**CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

H. 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, PO Box 149153, Austin, TX 78714-9153 or by calling 800.924.8677; in addition, the report is available on the TMRS' website at www.TMRS.com.

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

Deposit Rate: 7%
 Matching Ratio (City to Employee): 2-1
 A member is vested after 5 yrs
 Members can retire at certain ages, based on the years of service with the City.
 The Service Retirement Eligibilities for the City are: 5 yrs/age 60, 20 yrs/any age.

2. Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of 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 percentage, which are the obligations 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 percentage 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) actuarially liability (asset) over the remainder of the plan's 25-year - closed period - amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation (asset) are as follows:

City of Royse City			
Schedule of Actuarial Liabilities and Funding Progress			
Actuarial Valuation Date	<u>12/31/07</u>	<u>12/31/08</u>	<u>12/31/09</u>
Actuarial Value of Assets	\$ 1,071,878	\$ 1,308,365	\$ 1,597,312
Actuarial Accrued Liability	1,834,600	1,963,264	2,396,021
Percentage Funded	58.4%	66.6%	66.7%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	762,722	654,899	798,709
Annual Covered Payroll	2,333,042	1,725,686	1,935,740
UAAL as a Percentage of Covered Payroll	32.7%	38.0%	41.3%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	138,398	155,910	180,873
Contributions Made	(38,398)	(155,910)	(180,873)
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Actuarial cost method	Unit Credit	Unit Credit	Unit Credit
Amortization method	Level %	Level %	Level %
Asset Valuation method	Amortized Cost	Amortized Cost	10yr Smoothed Market
Amortization period	25 years-closed	24 years-closed	23 years-closed
Actuarial assumptions:			
Investment rate of return	7.00%	7.50%	7.50%
Inflation rate	3.00%	3.00%	3.00%
Projected salary increase	varies	varies	varies

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

I. Other Postemployment Benefits

Supplemental Death Benefits Fund

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

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 periods 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. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2010, 2009, 2008, and 2007 were \$3,685, \$3,470, \$5,224 and \$5,368, respectively, which equaled the required contributions each year.

J. Health Care Coverage

During the year ended September 30, 2010, employees of the City were covered by a health and vision insurance plan. The City contributed \$569.49 per month per employee for employee coverage for health insurance. The City contributed \$4.62 per employee (100% of the cost per employee) for vision insurance. Employees, at their option, authorized payroll withholdings for dental coverage. Health insurance is provided by BCBS and vision insurance is provided by Humana.

K. Insurance Coverage

Below is a schedule of insurance in force.

Company	Policy Number	Description of Coverage	Amount of Coverage	Period Covered	Premium	Deductible
Automobile Coverage:						
TX Municipal League Joint Self Ins Fund	5142	Automotive	\$ 2,000,000 per occurrence	10/01/09 to 10/01/10	\$ 13,158	\$ 2,500
TX Municipal League Joint Self Ins Fund	5142	Automobile- Phys. Damage	Per Schedule & Endorsements	10/01/09 to 10/01/10	\$ 6,216	\$ 2,500
Liability Coverage:						
TX Municipal League Joint Self Ins Fund	5142	General	\$ 1,000,000 per occurrence	10/01/09 to 10/01/10	\$ 4,694	\$ 5,000
TX Municipal League Joint Self Ins Fund	5142	Law Enforcement	\$ 2,000,000 per claim	10/01/09 to 10/01/10	\$ 9,853	\$ 5,000
TX Municipal League Joint Self Ins Fund	5142	Errors & Omissions	\$ 2,000,000 per claim	10/01/09 to 10/01/10	\$ 8,179	\$ 5,000
Property Coverage:						
TX Municipal League Joint Self Ins Fund	5142	Real and Personal	\$ 5,921,221	10/01/09 to 10/01/10	\$ 6,472	\$ 2,500
TX Municipal League Joint Self Ins Fund	5142	Mobile Equipment	\$ 358,085	10/01/09 to 10/01/10	\$ 1,529	\$ 1,000
TX Municipal League Joint Self Ins Fund	5142	Boiler and Machinery	\$ 100,000 Per Accident	10/01/09 to 10/01/10	Included	\$ 2,500

**CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

L. 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. The City had 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 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.

M. Litigation

The City is party to various legal proceedings arising in the ordinary course of its operations. Management, based on the Council's opinion, believes the City has adequate legal defenses and/or insurance coverage with respect to each of these actions and does not believe that they will materially alter the City's financial position.

N. Restricted Assets

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

<u>Purpose</u>	<u>Cash & Cash Equivalents</u>
Capital Projects	\$ 44,282
Court	18,006
Debt Service	485,355
Police Use	73,509
	<u>\$ 621,152</u>

The balances of restricted asset accounts in the proprietary fund are as follows:

<u>Purpose</u>	<u>Cash & Cash Equivalents</u>
Capital Projects	\$ 4,916,952
Impact Fees	288,961
	<u>\$ 5,205,913</u>

O. Additional Water and Sewer Information

The following information is included at the request of the Texas Water Development Board for the year under audit. Water Accountability Report:

Gallons Pumped	525,024,000
Gallons Billed	462,021,000

The City has a contract with North Texas Municipal Water District (NTMWD) to purchase substantially all of its water. Under the contract, the City pays NTMWD a rate based on water usage. The rates charged are subject to minimum annual contract payments. Contract payments for water for the year ended September 30, 2010 were \$773,165.

P. Interfund Transactions

<u>Major Funds</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ (27,852)	\$ 1,071,549
Debt Service Fund	(805,269)	-
Water/Sewer Fund	(802,653)	556,536
Capital Improvements Fund	-	7,689
Total Major Funds	<u>\$ (1,635,774)</u>	<u>\$ 1,635,774</u>

Transfers are used to 1) transfer debt service payments and 2) fund general administrative operations.

CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Q. Prior Period Adjustment

The City of Royse City had a prior period adjustment in the Governmental Funds of \$100,300 to correct the allocation of EDC expenses, to adjust the receivable for sales tax revenue, to adjust compensated absences and to adjust depreciation. The City had a prior period adjustment in the Proprietary Funds of \$(41,327) to adjust compensated absences and to adjust depreciation.

R. Restatement Note

In the current year the Economic Development Corporation was reorganized into a discretely presented component unit. The beginning net assets in the component unit and governmental funds have been restated to reflect the change. Beginning net assets have been reduced by \$568,816 in the governmental funds and beginning net assets in the component unit have been increased by a corresponding amount.

Additionally, in the current year, the City created five new special revenue funds to record revenue related to specific sources. As such, beginning net assets in these funds and the general fund have been restated to reflect the change. Beginning net assets have been reduced by \$8,382 in the general fund and beginning net assets in the special revenue funds have been increased by the total corresponding amount.

S. New Accounting Pronouncements

In March 2009, GASB issued Statement No. 54. "*Fund Balance Reporting and Governmental Fund Type Definitions*". This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The City is in the process of reviewing and evaluating this statement and its potential impact on the City's financial statements.

T. Subsequent Events

Management has reviewed the activities and transactions from October 1, 2010 through May 11, 2011. Nothing came to their attention that appeared to require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF ROYSE CITY, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property, including P&I	\$ 1,265,457	\$ 1,265,457	\$ 1,281,490	\$ 16,033
Sales	901,500	901,500	848,288	(53,212)
Franchise	366,290	366,290	345,882	(20,408)
Fines and fees	685,800	685,800	563,669	(122,131)
Licenses and permits	32,000	32,000	24,020	(7,980)
Refuse collection fees	700,000	700,000	711,867	11,867
Donations	5,954	5,954	5,626	(328)
Investment income	4,000	4,000	9,657	5,657
Miscellaneous	25,000	25,000	19,456	(5,544)
Total Revenues	<u>3,986,001</u>	<u>3,986,001</u>	<u>3,809,955</u>	<u>(176,046)</u>
EXPENDITURES				
Current:				
Administrative	2,165,450	2,137,598	1,805,868	331,730
Police	1,373,554	1,396,637	1,438,974	(42,337)
Fire department	224,759	228,691	202,765	25,926
Streets	189,066	190,491	142,114	48,377
Municipal court	259,858	267,369	344,752	(77,383)
Community services	194,192	217,162	202,478	14,684
Parks	241,570	245,599	222,374	23,225
Library	89,869	93,360	90,778	2,582
Museum	18,300	18,300	15,171	3,129
Senior citizens center	76,629	79,723	80,797	(1,074)
Main street	78,603	83,965	73,752	10,213
Environmental services	111,612	112,312	99,218	13,094
Debt Service:				
Principal retirement	485,683	470,383	440,719	29,664
Interest	-	-	13,351	(13,351)
Capital outlays	-	-	220,661	(220,661)
Total Expenditures	<u>5,509,145</u>	<u>5,541,590</u>	<u>5,393,772</u>	<u>147,818</u>
Excess of revenues over (under) expenditures	<u>(1,523,144)</u>	<u>(1,555,589)</u>	<u>(1,583,817)</u>	<u>(28,228)</u>
Other Financing Sources (uses)				
Transfers	1,057,598	1,071,549	1,043,697	(27,852)
Insurance refund	-	-	17,443	17,443
Grant revenue	117,000	117,000	239,825	122,825
Total other financing sources and uses	<u>1,174,598</u>	<u>1,188,549</u>	<u>1,300,965</u>	<u>112,416</u>
Net Change in Fund Balances	(348,546)	(367,040)	(282,852)	84,188
Fund Balances/Equity, October 1	(652,450)	(652,450)	(652,450)	
Prior period adjustments	-	-	180,556	
Fund Balances/Equity, September 30	<u>\$ (1,000,996)</u>	<u>\$ (1,019,490)</u>	<u>\$ (754,746)</u>	

CITY OF ROYSE CITY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

SCHEDULE OF PENSION TRUST - TMRS FUNDING PROGRESS AND CONTRIBUTIONS
 LAST THREE FISCAL YEARS (UNAUDITED)

Fiscal Year	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) -Unit Credit	(3) Unfunded Actuarial Accrued Liability UAAL (2)-(1)	(4) Funded Percent (1)/(2)	(5) Covered Payroll	(6) UAAL as Percent of Covered Payroll (3)/(5)	(7)		(8) Actual Contributions	Percent Contributed (8)/(7)
								Annual Required Contributions	Contributions		
2008	12/31/2007	\$ 1,071,878	\$ 1,834,600	\$ 762,722	58.4%	\$ 2,333,042	32.7%	\$ 138,398	\$ 138,398	\$ 138,398	100%
2009	12/31/2008	\$ 1,308,365	\$ 1,963,264	\$ 654,899	66.6%	\$ 1,725,686	38.0%	\$ 155,910	\$ 155,910	\$ 155,910	100%
2010	12/31/2009	\$ 1,597,312	\$ 2,396,021	\$ 798,709	66.7%	\$ 1,935,740	41.3%	\$ 180,873	\$ 180,873	\$ 180,873	100%

SUPPLEMENTARY INFORMATION



CITY OF ROYSE CITY, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 1,788,362	\$ 1,788,362	\$ 1,851,931	\$ 63,569
Investment Income	-	-	1,273	1,273
Total Revenues	<u>1,788,362</u>	<u>1,788,362</u>	<u>1,853,204</u>	<u>64,842</u>
EXPENDITURES				
Debt Service:				
Principal Retirement	1,788,362	1,788,362	502,040	1,286,322
Interest and Fiscal Agent Fees	-	-	453,169	(453,169)
Total debt service	<u>1,788,362</u>	<u>1,788,362</u>	<u>955,209</u>	<u>833,153</u>
Total Expenditures	<u>1,788,362</u>	<u>1,788,362</u>	<u>955,209</u>	<u>833,153</u>
Excess of revenues over expenditures	-	-	897,995	897,995
Other Financing Sources (uses)				
Transfers	-	-	(805,269)	(805,269)
Total Other Financing Sources and uses	<u>-</u>	<u>-</u>	<u>(805,269)</u>	<u>(805,269)</u>
Net Change in Fund Balances	-	-	92,726	92,726
Fund Balances/Equity, October 1	701,208	701,208	701,208	
Fund Balances/Equity, September 30	<u>\$ 701,208</u>	<u>\$ 701,208</u>	<u>\$ 793,934</u>	

CITY OF ROYSE CITY, TEXAS
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	Hotel/ Motel	Court Technology	Court Security	Citizen Police Academy	Police Forfeiture	State Police	Conservation Grant
ASSETS							
Cash and cash equivalents	\$ 58,620	\$ 2,966	\$ 2,132	\$ -	\$ (4,875)	\$ (899)	\$ -
Cash and cash equivalents - Restricted	-	10,311	7,695	-	50,692	22,817	-
Total Assets	58,620	13,277	9,827	-	45,817	21,918	-
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	-	-	-	-	3,564	954	39,631
Total Liabilities	-	-	-	-	3,564	954	39,631
Fund Balances							
Reserved for:							
Municipal court use	-	13,277	9,827	-	-	-	-
Police	-	-	-	-	42,253	20,964	-
Unreserved-Designated for:							
Hotel/Motel Use	58,620	-	-	-	-	-	-
Unreserved-Undesignated reported in:	-	-	-	-	-	-	(39,631)
Total Fund Balances	58,620	13,277	9,827	-	42,253	20,964	(39,631)
Total Liabilities and Fund Balances	\$ 58,620	\$ 13,277	\$ 9,827	\$ -	\$ 45,817	\$ 21,918	\$ -

(continued)

CITY OF ROYSE CITY, TEXAS
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	Library Grant	Library	Senior Center	Main Street	Police	Fire	Animal	Total
ASSETS								
Cash and cash equivalents	\$ 10,000	\$ 400	\$ 1,250	\$ 4,026	\$ 2,595	\$ 3,557	\$ 275	\$ 80,047
Cash and cash equivalents - Restricted	-	-	-	-	-	-	-	91,515
Total Assets	10,000	400	1,250	4,026	2,595	3,557	275	171,562
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	-	-	-	-	-	-	-	44,149
Total Liabilities	-	-	-	-	-	-	-	44,149
Fund Balances								
Reserved for:								
Municipal court use	-	-	-	-	-	-	-	23,104
Police	-	-	-	-	-	-	-	63,217
Unreserved-Designated for:								
Hotel/Motel Use	-	-	-	-	-	-	-	58,620
Unreserved-Undesignated reported in:	10,000	400	1,250	4,026	2,595	3,557	275	(17,528)
Total Fund Balances	10,000	400	1,250	4,026	2,595	3,557	275	127,413
Total Liabilities and Fund Balances	\$ 10,000	\$ 400	\$ 1,250	\$ 4,026	\$ 2,595	\$ 3,557	\$ 275	\$ 171,562

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

CITY OF ROYSE CITY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Hotel/ Motel	Court Technology	Court Security	Citizen Police Academy	Police Forfeiture	State Police	Conservation Grant
REVENUES							
Taxes:							
Hotel/Motel	\$ 49,061	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and Fees	-	7,004	5,155	-	-	-	-
Donations	-	-	-	-	-	-	-
Investment Income	-	6	3	-	68	42	-
Miscellaneous	-	-	-	-	22,976	22,787	-
Total Revenues	49,061	7,010	5,158	-	23,044	22,829	-
EXPENDITURES							
Current:							
Police	-	-	-	-	28,557	1,853	-
Fire Department	-	-	-	-	-	-	-
Municipal Court	-	(1,477)	(1,111)	-	-	-	-
Main Street	-	-	-	-	-	-	-
Community Development	15,112	-	-	-	-	-	-
Miscellaneous	500	-	-	1,017	-	12	-
Capital Outlays	-	7,689	-	-	-	-	39,631
Total Expenditures	15,612	6,212	(1,111)	1,017	28,557	1,865	39,631
Excess (deficiency) of revenues over (under) expenditures	33,449	798	6,269	(1,017)	(5,513)	20,964	(39,631)
Other Revenues and Financing Sources (uses)							
Transfers	-	7,689	-	-	-	-	-
Grant Revenue	-	-	-	-	-	-	-
Sources (uses)	-	7,689	-	-	-	-	-
Net Change in Fund Balances	33,449	8,487	6,269	(1,017)	(5,513)	20,964	(39,631)
Fund Balances, October 1	25,171	4,790	3,558	1,017	47,766	-	-
Fund Balances, September 30	\$ 58,620	\$ 13,277	\$ 9,827	\$ -	\$ 42,253	\$ 20,964	\$ (39,631)

(continued)

CITY OF ROYSE CITY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Library Grant	Library	Senior Center	Main Street	Police	Fire	Animal	Total
REVENUES								
Taxes:								
Hotel/Motel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,061
Fines and Fees	-	-	-	-	-	-	-	12,159
Donations	-	75	-	7,143	2,225	100	275	9,818
Investment Income	-	-	-	-	-	-	-	119
Miscellaneous	-	-	-	-	-	-	-	45,763
Total Revenues	-	75	-	7,143	2,225	100	275	116,920
EXPENDITURES								
Current:								
Police	-	-	-	-	1,365	-	-	31,775
Fire Department	-	-	-	-	-	1,225	-	1,225
Municipal Court	-	-	-	-	-	-	-	(2,588)
Main Street	-	-	-	3,506	-	-	-	3,506
Community Development	-	-	-	-	-	-	-	15,112
Miscellaneous	-	-	-	-	-	-	-	1,529
Capital Outlays	-	-	-	-	-	-	-	47,320
Total Expenditures	-	-	-	3,506	1,365	1,225	-	97,879
Excess (deficiency) of revenues over (under) expenditures	-	75	-	3,637	860	(1,125)	275	19,041
Other Revenues and Financing Sources (uses)								
Transfers	-	-	-	-	-	-	-	7,689
Grant Revenue	10,000	-	-	-	-	-	-	10,000
Sources (uses)	10,000	-	-	-	-	-	-	17,689
Net Change in Fund Balances	10,000	75	-	3,637	860	(1,125)	275	36,730
Fund Balances, October 1	-	325	1,250	389	1,735	4,682	-	90,683
Fund Balances, September 30	\$ 10,000	\$ 400	\$ 1,250	\$ 4,026	\$ 2,595	\$ 3,557	\$ 275	\$ 127,413

**CITY OF ROYSE CITY, TEXAS
 BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNIT
 SEPTEMBER 30, 2010**

	<u>EDC</u>
ASSETS	
Cash and Cash Equivalents	\$ 765,315
Receivables (net of allowances for uncollectibles)	<u>58,981</u>
Total Assets	<u><u>824,296</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts Payable - City	<u>29,836</u>
Total Liabilities	<u>29,836</u>
Fund Balances	
Reserved for:	
Community Development	<u>794,460</u>
Total Fund Balances	<u>794,460</u>
Total Liabilities and Fund Balances	<u><u>\$ 824,296</u></u>

**CITY OF ROYSE CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>EDC</u>
REVENUES	
Taxes:	
Sales	\$ 282,375
Investment Income	457
Miscellaneous	<u>102,851</u>
Total Revenues	<u>385,683</u>
EXPENDITURES	
Current:	
Administrative	126,054
Community Development	<u>52,405</u>
Total Expenditures	<u>178,459</u>
Excess (deficiency) of revenues over (under) expenditures	207,224
Net Change in Fund Balances	207,224
Fund Balances, October 1, as restated	568,816
Prior Period Adjustments	<u>18,420</u>
Fund Balances, September 30	<u>\$ 794,460</u>

