

CITY OF BIG SPRING, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2006

Prepared by
Finance Department

Peggy Walker
Director of Finance

City of Big Spring
 Comprehensive Annual Financial Report
 For The Year Ended September 30, 2006

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Introductory Section



July 27, 2007

Honorable Mayor, Members of the
City Council, and Citizens of the
City of Big Spring, Texas

State law requires that every general-purpose local government publish a complete set of audited financial statements within six months of the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended September 30, 2006.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. All amounts in this transmittal letter are in thousands of dollars, unless otherwise stated.

West, Davis & Company, LLP, Certified Public Accountants, have issued an unqualified (“clean”) opinion on the City of Big Spring’s financial statements for the year ended September 30, 2006. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the City

The City of Big Spring, Texas, incorporated in 1907, is the county seat and principal city of Howard County. The city is located 39 miles northeast of Midland, Texas at the intersection of Interstate Highway 20 and U.S Highway 87. The city currently occupies a land area of 18.89 square miles and serves a population of 25,233. The city is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the city council.

The city has operated under the council-manager form of government since 1927. Policy-making and legislative authority are vested in a city council consisting of the mayor and six other members. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the city's manager, attorney and municipal court judge. The city's manager is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the city, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. All council members are elected by district. The mayor is elected at large.

The city provides a full range of services to its citizens, including police and fire protection; construction and maintenance of highways, streets, and other infrastructure; and recreational and cultural activities. Certain water and wastewater services are provided and accounted for through a separate enterprise fund. The city is also financially accountable for a legally separate economic development corporation, which is reported separately within the city's financial statements. Additional information on this legally separate entity can be found in the notes to the financial statements (See Note A.1.).

The city council is required to adopt a final budget by no later than the close of each fiscal year. This annual budget serves as the foundation for the City of Big Spring's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department with the city manager's approval. Transfers between departments need special approval from the city council.

Economic Condition and Outlook

Major industries located within the government's boundaries or in close proximity include manufacturers of mobile housing, plastic bottles, and hydraulic components; five prison facilities (four owned by the city and one federal institution), a large oil refinery, and several financial institutions and insurance companies. Both the state and federal governments are significant economic presences thanks to a major psychiatric hospital and a veteran's health care facility that provides employment to approximately 1,100 healthcare professionals and staff.

Unemployment rates for the last ten years have increased by approximately 30%, from an initial rate of 4.0% in 1997 to a rate of 5.2% in 2006. However, the unemployment rate fell from 5.6% in 2005 to 5.2% in 2006 and rates are expected to remain fairly stable in the near future as overall economic conditions improve throughout the state and region.

During the past three years, the city's expenses related to public safety have increased not only in amount, but also as a percentage of total expenses. Expenses related to public safety totaled \$59,753 in 2004 compared to \$64,737 in 2006, which is over an 8% increase. This increase is due primarily to two reasons: personnel costs associated with the city's police and fire departments and an increase in the number of inmates housed in the city's prison facilities. All prison activities are reported in a special revenue fund, Correctional Center Fund

Property tax revenue has risen by 30.7% in the last five years and sales tax revenue has increased by 33%. Other revenue sources and expense categories have risen proportional to inflation or to compensate for new or increased levels of service that are provided to our citizens.

Long-term Financial Planning

Unreserved, undesignated fund balance in the General Fund (45.8% of total General Fund expenditures) is higher than the policy guidelines set by the Council for budgetary and planning purposes (5% as defined by the city's master plan, which was adopted in 1995). Due to diligence in budgeting and monitoring, this balance has increased significantly over the past ten years. In 1997, General Fund's unreserved, undesignated fund balance represented 1.4% of total expenditures.

Total long-term debt related to governmental activities, comprised of bonds, equipment leases payable and debt related to an energy conservation project, that is not due for a year or more amounts to \$6,224. It is Council's intent to take a bond proposition to the voters in the fall of 2006. Individual propositions on the ballot will include street reconstruction in the downtown district and renovations to the sports complex. The city has been in contact with both developers and investors to discuss revitalization of the downtown district, and the street reconstruction will be part of that revitalization.

Relevant Financial Policies

The city anticipates opening a new section of the current City/County landfill within the next few years, with an anticipated cost of approximately \$2 million. Additionally, the city has begun the planning process for the permitting and opening of a new landfill within the next ten to fifteen years. Costs associated with this process, as well as expenses associated with closure and post-closure of the current landfill, requires that the city begin accumulating funds to cover those expenses. To that end, revenues derived from recent fee increases in sanitation rates, gate fees and commercial tipping fees, as well as annual contributions from Howard County, are being placed in a cash/investment escrow account that the current Council has designated for that purpose.

Major Initiatives

The Colorado River Municipal Water District (CRMWD), located in Big Spring, provides raw water from three lakes and four well fields to three member cities (including Big Spring) and to several non-member cities. CRMWD, in conjunction with its member cities, has completed the feasibility phase and has started the design phase of a reclamation treatment project that will treat and reuse effluent water flowing from the City of Big Spring's wastewater treatment plant. The costs associated with this multi-million dollar project will be passed through to all purchasers of CRMWD's raw water supplies. It is anticipated that the majority of the treated effluent will be used by the ALON, USA oil refinery located on Interstate 20 just one mile east of Big Spring.

In July of 2005, the city contracted with Siemens Building Technologies to perform a detailed energy audit on various aspects of the city's operations, including lighting, heating, ventilation and air conditioning, traffic controllers, treatment plant components and water meters. The results of that audit identified areas where the city could generate energy conservation savings or increased revenues that would pay for the renovations or upgrades through operating budgets instead of capital expenditures. As a result, the city issued lease purchase debt in the amount of \$5,613 in March of 2006. Major components of this project include the installation of an automated water meter reading system and a rebuild of the municipal golf course.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Big Spring for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2005. This was the ninth consecutive year that the city has received this prestigious award. In order to be awarded a Certificate of Achievement, the city had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

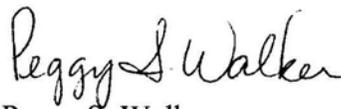
In addition, the city also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2005-06. In order to qualify for the Distinguished Budget Presentation Award, the city's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration departments. We wish to express our appreciation to all members of these departments who assisted and contributed to the preparation of this report. Credit must also be given to the mayor and city council for their unfailing support for maintaining the highest standards of professionalism in the management of the city's finances.

Respectfully submitted,



Gary Fuqua
City Manager



Peggy S. Walker
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Big Spring
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

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



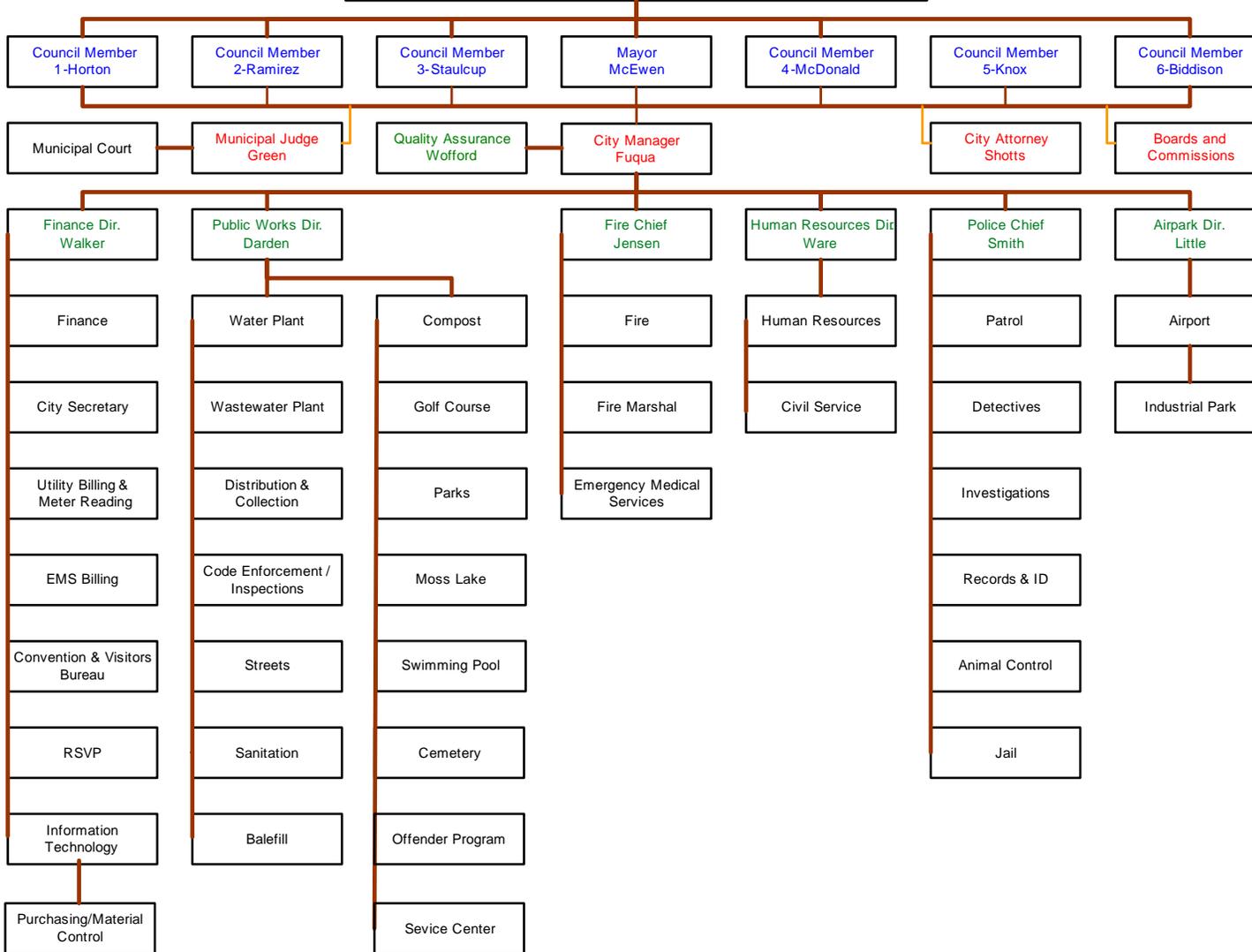
President

Executive Director



Big Spring, Texas

Citizens of Big Spring



CITY OF BIG SPRING
 LIST OF PRINCIPAL OFFICIALS
 SEPTEMBER 30, 2006

Elected Officials

<u>Name</u>	<u>Office</u>
Russ McEwen	Mayor
Gloria McDonald	Mayor Pro Tem - District 4 Council Member
Stephanie Horton	District 1 Council Member
Manuel Ramirez, Jr.	District 2 Council Member
Jo Ann Staulcup	District 3 Council Member
Joann Knox	District 5 Council Member
Greg Biddison	District 6 Council Member

Appointed Officials

<u>Name</u>	<u>Position</u>
Gary Fuqua	City Manager
Peggy S. Walker	Director of Finance / City Secretary
Jean Shotts	City Attorney (Contract)
Todd Darden	Director of Public Works
Lonnie Smith	Chief of Police
Brian Jensen	Fire Chief
Timothy Green	Municipal Judge
Darrell Ware	Director of Human Resources
Jim Little	Airpark Director
Terry Wofford	Quality Assurance Director

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Financial Section

WEST, DAVIS & COMPANY, LLP
11615 Angus Road, Suite 219
Austin, Texas 78759

Independent Auditor's Report on Financial Statements

City Council
City of Big Spring
Big Spring, Texas

Members of the City Council:

We have audited the accompanying basic and combining financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Big Spring as of and for the year ended September 30, 2006, which collectively comprise the City's basic and combining financial statements as listed in the table of contents. These financial statements are the responsibility of City of Big Spring'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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

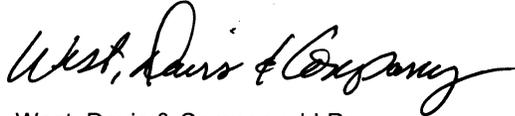
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Big Spring as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, of City of Big Spring and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2007, on our consideration of City of Big Spring's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but

are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the City of Big Spring's basic and combining financial statements. The accompanying supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic and combining financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic and combining financial statements taken as a whole. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic and combining financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "West, Davis & Company".

West, Davis & Company, LLP
May 31, 2007

Management's Discussion and Analysis

City of Big Spring, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Big Spring, we offer readers of our City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with the letter of transmittal, the independent auditor's report, and the basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The assets of the City of Big Spring exceeded its liabilities at September 30, 2006, by \$115,714 (net assets). Of this amount, \$10,601 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$2,569, primarily due to a reduction in the amount invested in capital assets in governmental activities. These capital assets increased by \$347 but were offset by a net increase in accumulated depreciation of \$2,740.
- At September 30, 2006, the City's governmental funds reported combined ending fund balances of \$11,043, an increase of \$2,404 from the prior year. Over 96%, or \$10,657, of this total amount is available for spending at the government's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$6,356, or 46% of total General Fund expenditures.
- The City's total debt increased by \$9,941 during fiscal year 2005-06, caused by two primary factors. Accounts payable balances increased by \$4,773 (primarily consisting of payables to the management contractor of the prisons) and noncurrent liabilities increased by \$5,013, due to a fifteen year energy conservation project implemented in the current fiscal year, on which debt service will be repaid through energy savings, operating efficiencies, capital avoidance costs and increased revenues.
- Resources available for appropriation in 2006-07 were \$842 more than anticipated in the revised budget for the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental

activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to departments within the City or to external customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets provides an analysis of the City's overall financial condition and operations. The primary purpose of this analysis is to show whether the City is better or worse off as a result of the year's activities. The Statement of Net Assets includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are separated into two categories: those provided by outside parties who share the costs of some programs, such as the Department of Transportation's assistance in safe driving, and revenues provided by the taxpayers. All the City's assets are reported whether they serve the current year or future years. Liabilities are included regardless of whether they must be paid in the current or future years.

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

In the Statement of Net Assets and the Statement of Activities, the following activities are presented.

- **Governmental activities**—Most of the City's basic services are reported here, including general government, public safety, highways and streets, sanitation, and recreation and parks. Property taxes, sales taxes, user fees, and licenses and permits finance most of these activities.
- **Business-type activities**—The City accounts for business-type activities in its proprietary funds, where user fees and charges are intended to recover all or a significant portion of overall costs.
- **Component Unit**—The City has one component unit which is funded primarily through sales tax revenue for the purpose of economic development, primarily the generation and retention of business activities and jobs.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Laws and contracts require the City to establish certain funds to account for specific activities, such as grants received through the Department of Justice. The City's administration establishes other funds to help it control and manage resources for particular purposes. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

- **Governmental funds**—Most of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- **Proprietary funds**—The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the full accrual method, which is the same accounting method employed in the Statement of Net Assets and the Statement of Activities. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The City of Big Spring adopts annual appropriated budgets for its general fund and correctional center fund (major funds). Budgetary comparison schedules have been provided for these funds to demonstrate budgetary compliance.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The City of Big Spring's assets exceeded liabilities by \$115,714 at September 30, 2006. The largest portion of the City's net assets (91 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings and equipment), less any related debt used to acquire these assets that is still outstanding. These assets are used to provide services to the citizens and are not available for future appropriation. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table I
City of Big Spring, Texas

NET ASSETS
(in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Assets:						
Cash and Cash Equivalents	\$ 10,092	\$ 7,153	\$ 4,984	\$ 3,077	\$ 15,076	\$ 10,230
Receivables	1,699	1,410	1,007	1,198	2,706	2,608
Due from Other Governments	10,464	5,861	6	30	10,470	9,876
Capital Assets	75,968	78,284	37,328	37,028	113,296	115,312
Other Assets	907	1,314	(323)	(595)	584	719
Total Assets	99,130	94,022	43,002	40,738	142,132	138,745
Liabilities:						
Accounts Payable and Other Current Liabilities	10,138	5,726	694	802	10,832	6,528
Long-term Liabilities	7,032	4,743	7,574	4,593	14,606	9,336
Other Liabilities	451	300	529	314	980	614
Total Liabilities	17,621	10,769	8,797	5,709	26,418	16,478
Net Assets:						
Invested in Capital Assets	73,519	76,117	31,220	31,426	104,739	107,543
Restricted	362	389	11	342	373	731
Unrestricted	7,628	6,747	2,974	3,261	10,602	10,008
Total Net Assets	\$ 81,509	\$ 83,253	\$ 34,205	\$ 35,029	\$ 115,714	\$ 118,282

An additional portion of the City's net assets (less than 1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$10,602) may be used to meet the City's ongoing obligations to citizens and creditors.

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

There was a decrease of \$2,804 in investment in capital assets (\$2,598 in governmental activities and \$206 in business-type activities) as infrastructure and other capital assets continue to depreciate at a faster rate than replacement and debt service reductions. Unrestricted net assets of governmental activities increased by \$881, due primarily to increases in sales tax revenue, property tax collections, and an increase in charges for services.

Governmental Activities. Governmental activities resulted in a decrease of \$1,744 in the City's net assets, accounting for 68 percent of the total decline in net assets. Key elements of this decrease are as follows:

- Total revenues increased by \$1,676 over the prior year, primarily as a result of increases

in sales tax and gross receipts tax, \$711 and \$477 respectively. However, other revenue categories remained relatively static and were not sufficient to cover increased expenses.

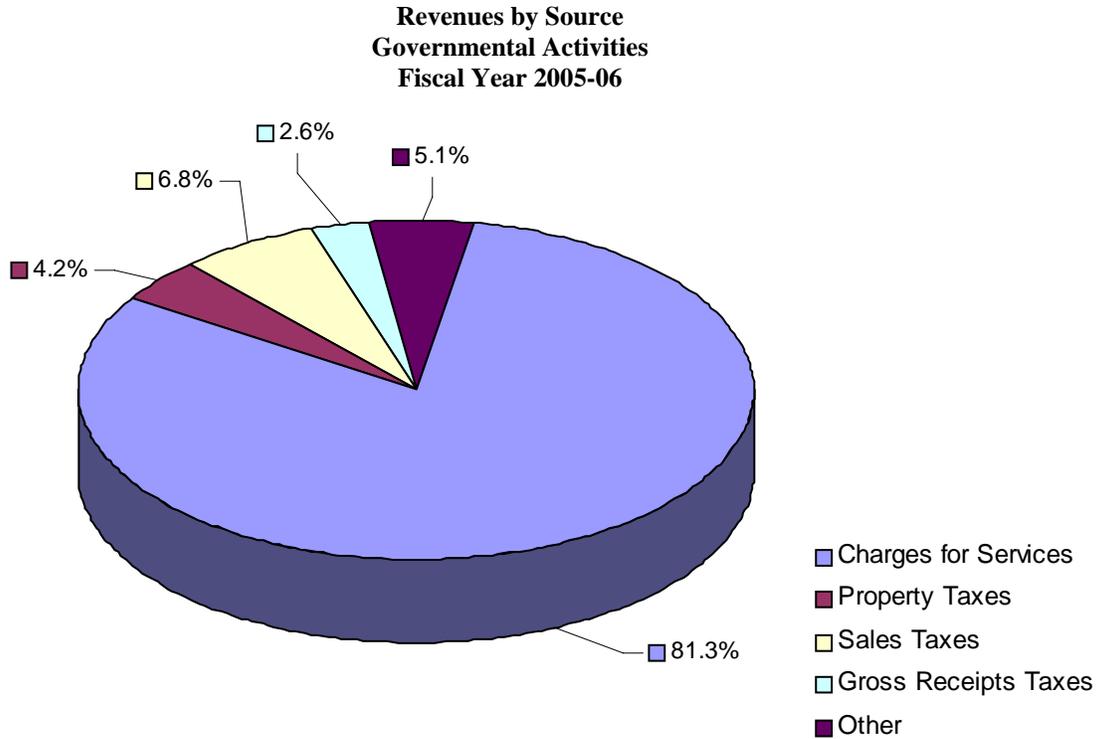
- Expenses were higher than the prior year in every category, resulting in total expenses of \$74,288 and an overall increase in expenses of \$3,149.

Table II
City of Big Spring, Texas

CHANGES IN NET ASSETS
(in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for Services	\$ 58,948	\$ 58,596	\$ 10,972	\$ 9,819	\$ 69,920	\$ 68,415
Operating Grants & Contributions	390	232	-	-	390	232
General Revenues						
Property Taxes	3,075	3,002	-	-	3,075	3,002
Sales Taxes	4,969	4,258	-	-	4,969	4,258
Gross Receipts Taxes	1,864	1,387	-	-	1,864	1,387
Grants and Contributions Not						
Restricted to Specific Programs	1,769	2,172	209	130	1,978	2,302
Investment Earnings	390	248	143	78	533	326
Miscellaneous	1,140	973	266	588	1,406	1,561
Total Revenues	<u>72,545</u>	<u>70,868</u>	<u>11,590</u>	<u>10,615</u>	<u>84,135</u>	<u>81,483</u>
Expenses:						
Water & Sewer	-	-	8,838	8,468	8,838	8,468
Airport/Industrial Park	-	-	1,951	1,892	1,951	1,892
Emergency Medical Services	-	-	1,626	1,585	1,626	1,585
General Government	2,292	1,742	-	-	2,292	1,742
Public Safety	64,737	63,358	-	-	64,737	63,358
Highways & Streets	2,383	2,005	-	-	2,383	2,005
Sanitation	1,887	1,440	-	-	1,887	1,440
Recreation & Parks	1,120	987	-	-	1,120	987
Economic Development	1,568	1,316	-	-	1,568	1,316
Other	301	291	-	-	301	291
Total Expenses	<u>74,288</u>	<u>71,139</u>	<u>12,415</u>	<u>11,945</u>	<u>86,703</u>	<u>83,084</u>
Increase (decrease) in net assets	(1,743)	(271)	(825)	(1,330)	(2,568)	(1,601)
Net assets at 10/1/05	<u>83,253</u>	<u>83,524</u>	<u>35,029</u>	<u>36,359</u>	<u>118,282</u>	<u>119,883</u>
Net assets at 9/30/06	<u>\$ 81,510</u>	<u>\$ 83,253</u>	<u>\$ 34,204</u>	<u>\$ 35,029</u>	<u>\$ 115,714</u>	<u>\$ 118,282</u>

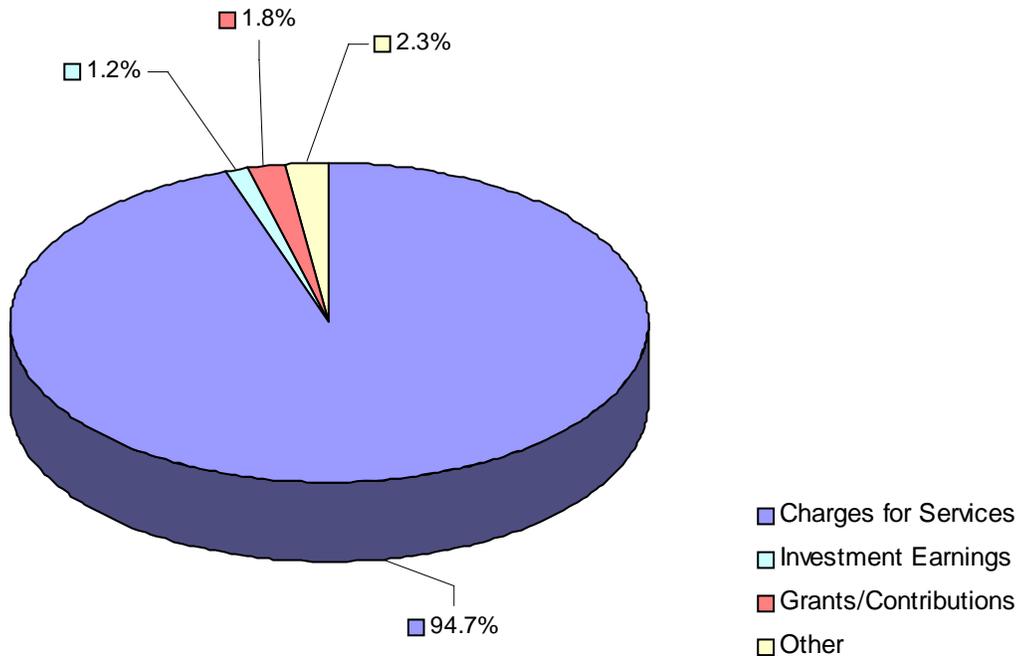
Governmental activities this year totaled \$74,288, an increase of \$3,149 over the prior year. The majority of this increase is directly related to the number of prisoners housed at our correctional facilities and is offset by a proportionate increase in charges for services. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$9,909, or 13 percent, because the largest portion of the costs were paid by those who directly benefited from the programs (\$58,948), by other governments and organizations that subsidized certain programs with grants and contributions (\$2,159), by miscellaneous revenue sources (\$1,528) and by a reduction in net assets (\$1,744).



Business-type Activities. Business-type activities decreased the City of Big Spring’s net assets by \$825 in the current fiscal year, accounting for 32 percent of the decline in total net assets. Key elements of this decrease are as follows.

- The key revenue source for business-type activities is the charge for service that is passed through to the users of the business. Charges for sewer service increased in the current fiscal year, increasing service revenue in the Water and Sewer Fund by \$1,045. However, charges for services in the other enterprise funds increased only nominally (\$108 or 6 percent) over the prior fiscal year.
- Each of the business-type activities saw increases in expenses (Water & Sewer - \$370, Airport/Industrial Park - \$59, and Emergency Medical Services - \$41) over the prior fiscal year.
- It appears, based on current and prior year decreases in net assets, that the rates that have been established to cover the cost of operations do not fully recover operating and capital replacement costs. The City Council and management will need to review our current rate structure to determine if these charges need to be increased or if operational efficiencies can be achieved in order to reduce expenses.

**Revenues by Source
Business-type Activities
Fiscal Year 2005-06**



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City of Big Spring used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As the City completed the year, its governmental funds reported combined ending fund balances of \$11,043, representing an increase of \$2,404 from the prior year's balance of \$8,639. The majority of this total balance (\$10,657 or 96.5 percent) constitutes unreserved, undesignated fund balance, which is available for spending at the City's discretion. The remainder of the fund balance (\$386 or 3.5 percent) is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to meet future debt service requirements on outstanding general obligation bonds (\$10), 2) to meet legal restrictions related to perpetual care of the City's cemetery (\$352), and 3) other restricted purposes (\$24).

The General Fund is the major operating fund of the City. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$6,356, while total fund balance reached \$6,381. However, it should be noted that \$1,416 of the unreserved, undesignated fund balance is in a restricted investment account that the current Council has set aside for future liabilities associated with the closure and post-closure of the City's landfill. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. Unreserved, undesignated fund balance represents 46 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$2,449 during fiscal year 2005-06. Key factors in this growth are as follows:

- Economic growth caused local sales tax revenue to increase \$533 over the prior fiscal year's collections.
- The City financed a fifteen year energy conservation project that will be repaid through operational efficiencies, increased revenue and capital avoidance costs. Proceeds from this financing package increased other financing sources by \$1,665.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of year amounted to \$1,222, and those for the Airport/Industrial Park Fund amounted to \$1,585. These balances represented a decrease of \$158 in the Water and Sewer Fund and a decrease of \$93 in the Airport/Industrial Park Fund. These decreases represent depreciation of capital assets that is occurring at a faster pace than capital replacement. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a \$1,186 increase in appropriations between the original and final amended budget. The following details the main components of the increase, which represents an increase of 9 percent over the original budget:

- General government appropriations increased by \$411 for expenses related to the energy conservation project discussed above.
- Parks and recreation appropriations increased by \$177 for expenses related to the unbudgeted rebuild of the municipal golf course, which is being funded through future savings associated with the energy conservation project.
- Appropriations for public safety increased by \$261, due primarily to increased overtime costs associated with understaffing.
- Highways and streets saw an increase in appropriations of \$190, as the City doubled its seal coat project in order to take advantage of excellent bid prices in a market where petroleum products were rising sharply.
- Appropriations for sanitation activities increased by \$251 due to unexpected repairs to the landfill baler, sanitation containers and garbage trucks.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Big Spring's investment in capital assets for its governmental and business-type activities as of September 30, 2006 amounts to \$113,297 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads and highways, water and sewer lines, and drainage improvements. The total decrease in the City's investment in capital assets for the current fiscal year was \$2,015 or 1.75 percent (a 3 percent decrease for governmental activities and an increase of less than one percent for business-type activities).

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

- Equipment was purchased for General Fund in the amount of \$434, which included police sedans, a sanitation truck, a rubber tire loader, a front-deck rotary mower and a document imaging system.
- Major improvements and renovations were made to both the water and wastewater treatment plants, for a total cost of \$869.
- Installation of an automated meter reading system was initiated for a cost of \$1,599.
- Depreciation is generally occurring at a faster rate than replacements or renovations in both governmental and business-type activities.

Table III
City of Big Spring, Texas

CAPITAL ASSETS AT SEPTEMBER 30, 2006
(Net of Depreciation, in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 72,747	\$ 72,747	\$ 5,595	\$ 5,595	\$ 78,342	\$ 78,342
Infrastructure	227	252	-	-	227	252
Buildings and systems	323	2,303	27,023	27,984	27,346	30,287
Improvements other than buildings	658	784	2,112	2,611	2,770	3,395
Machinery and equipment	1,889	2,151	437	623	2,326	2,774
Construction in Progress	125	47	2,161	215	2,286	262
	<u>\$ 75,969</u>	<u>\$ 78,284</u>	<u>\$ 37,328</u>	<u>\$ 37,028</u>	<u>\$ 113,297</u>	<u>\$ 115,312</u>

Additional information regarding capital asset activity of the City can be found in Note D in the Notes to the Financial Statements.

Long-Term Debt

At the end of the current fiscal year, the City of Big Spring had total bonded debt outstanding of \$4,370. The total outstanding debt is backed by the full faith and credit of the government, while a tax levy has been established for \$665 of the total and the remaining \$3,705 is business-type activity debt, supported by water and sewer system revenues.

The City of Big Spring's total bonded debt decreased by \$620 during the current fiscal year. Debt serviced by tax revenues decreased by \$230 and debt serviced by enterprise funds decreased by \$390.

The City of Big Spring carefully plans debt acquisition to fund only capital replacement and new construction. This process includes matching the maturity of the debt to the useful lives of the assets to be funded, as closely as possible. This allows for the use of debt to compliment operations by allowing for matching the cash flows of asset cost to the period deriving the benefit from the asset.

Table IV
City of Big Spring, Texas

OUTSTANDING DEBT AT SEPTEMBER 30, 2006
(in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Obligation Bonds						
Serviced by Tax Revenues	\$ 665	\$ 895	\$ -	\$ -	\$ 665	\$ 895
General Obligation Bonds						
Serviced by Enterprise Fund Revenues	<u>-</u>	<u>-</u>	<u>3,705</u>	<u>4,095</u>	<u>3,705</u>	<u>4,095</u>
	<u>\$ 665</u>	<u>\$ 895</u>	<u>\$ 3,705</u>	<u>\$ 4,095</u>	<u>\$ 4,370</u>	<u>\$ 4,990</u>

Additionally, this allows the City to plan for and structure debt payments in such a manner that debt service tends to be generally declining across the years creating a known, decreasing demand upon resources for debt service and limiting the demand upon resources to a managed level. As a result of the development and refinement of this process, the impact of current debt upon present and future operations is minimized and annual operations can be based upon a known level of expendable, available resources to respond to the immediate needs of the city.

Additional information regarding long-term debt activity of the City can be found in Note F in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when adopting the 2007 budget and setting tax rates. One of those factors is the economy. The City's population growth as measured by the 2000 Census indicated no significant gain in population. Unemployment during 2006 decreased from 5.6 percent to 5.2 percent and per capita income increased from \$21,925 to \$23,186. While the increase in per capita income is close to 6 percent, it is considerably lower than the national or state average.

These indicators were taken into account when adopting the General Fund budget for 2007. Amounts available for appropriation in the General Fund budget were \$19,594. The City will use its revenues to finance programs at consistent levels. Budgeted expenditures are expected to increase by 5.8 percent, from \$14,348 to \$15,182 in 2007. Increases in personnel services and debt service requirements account for the majority of the increase, offset to some extent by decreases in purchases of supplies and maintenance of equipment. The City has added no major new programs or initiatives to the 2007 budget. If these estimates are realized, the City's budgetary General Fund balance is expected to decrease by the close of 2006-07 by \$973. This decrease represents a timing difference only. Financing was recorded in 2005-06 for the energy conservation project, but \$1,482 in related expenses is included in the 2007 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's finance office, at City of Big Spring, 310 Nolan, Big Spring, Texas 79720-2657.

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Basic Financial Statements

CITY OF BIG SPRING
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	\$ 8,671,177	\$ 4,984,367	\$ 13,655,544	\$ 3,044,380
Receivables (net of allowances for uncollectibles)	1,371,625	1,333,512	2,705,137	95,762
Internal Balances	326,951	(326,951)	--	--
Due from Other Governments	10,463,580	6,273	10,469,853	--
Notes Receivable	89,147	--	89,147	527,808
Inventories	85,464	324,796	410,260	--
Deferred Charges	24,307	59,709	84,016	7,260
Advances to Other Funds	707,940	(707,940)	--	--
Restricted Assets:				
Cash and Cash Equivalents	1,420,995	--	1,420,995	--
Capital Assets (net of accumulated depreciation):				
Land	72,746,937	5,595,149	78,342,086	112,430
Buildings and System	323,253	27,023,474	27,346,727	181,548
Improvements other than Buildings	657,435	2,111,682	2,769,117	--
Machinery and Equipment	1,889,337	436,964	2,326,301	13,141
Infrastructure	226,617	--	226,617	--
Construction in Progress	125,263	2,160,950	2,286,213	--
Total Assets	<u>99,130,028</u>	<u>43,001,985</u>	<u>142,132,013</u>	<u>3,982,329</u>
LIABILITIES:				
Accounts Payable and Other Current Liabilities	10,138,391	694,142	10,832,533	11,061
Claims and Judgments Payable	271,208	--	271,208	--
Accrued Interest Payable	1,107	19,053	20,160	--
Retainage Payable	56,550	215,497	272,047	--
Unearned Revenue	115,707	--	115,707	--
Customer Deposits	5,500	294,431	299,931	--
Noncurrent Liabilities-				
Due within one year	808,808	738,526	1,547,334	--
Due in more than one year	6,223,565	6,835,756	13,059,321	--
Total Liabilities	<u>17,620,836</u>	<u>8,797,405</u>	<u>26,418,241</u>	<u>11,061</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	73,687,204	31,219,850	104,907,054	307,119
Restricted For:				
Debt Service	10,462	11,066	21,528	--
Cemetery Perpetual Care	351,511	--	351,511	--
Unrestricted	7,460,015	2,973,664	10,433,679	3,664,149
Total Net Assets	<u>\$ 81,509,192</u>	<u>\$ 34,204,580</u>	<u>\$ 115,713,772</u>	<u>\$ 3,971,268</u>

The accompanying notes are an integral part of this statement.

CITY OF BIG SPRING
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT:			
Governmental Activities:			
General Government	\$ 2,292,138	\$ 202,275	\$ --
Public Safety	64,737,117	56,146,480	75,958
Highways and Streets	2,382,964	--	--
Sanitation	1,886,843	2,241,759	250,143
Community Service	82,963	--	64,020
Recreation and Parks	1,119,815	306,525	--
Cemetery	141,936	50,849	--
Economic Development	1,568,429	--	--
Interest on Long-term Debt	75,692	--	--
Total Governmental Activities	<u>74,287,897</u>	<u>58,947,888</u>	<u>390,121</u>
Business-type Activities:			
Water and Sewer	8,837,666	9,076,991	--
Airport/Industrial Park	1,950,574	687,081	--
Emergency Medical Services	1,625,902	1,207,937	--
Total Business-type Activities	<u>12,414,142</u>	<u>10,972,009</u>	<u>--</u>
Total Primary Government	<u>\$ 86,702,039</u>	<u>\$ 69,919,897</u>	<u>\$ 390,121</u>
COMPONENT UNIT:			
Economic Development Corporation	<u>\$ 448,377</u>	<u>\$ 12,364</u>	<u>\$ --</u>

General Revenues:
 Property Taxes
 Sales Taxes
 Gross Receipts Taxes
 Motel Occupancy Taxes
 Grants and Contributions Not Restricted to Specific Programs
 Unrestricted Investment Earnings
 Other
 Transfers
 Total General Revenues
 Change in Net Assets
 Net Assets - Beginning
 Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (2,089,863)		\$ (2,089,863)	
(8,514,679)		(8,514,679)	
(2,382,964)		(2,382,964)	
605,059		605,059	
(18,943)		(18,943)	
(813,290)		(813,290)	
(91,087)		(91,087)	
(1,568,429)		(1,568,429)	
(75,692)		(75,692)	
<u>(14,949,888)</u>		<u>(14,949,888)</u>	
--	\$ 239,325	239,325	
--	(1,263,493)	(1,263,493)	
--	(417,965)	(417,965)	
--	<u>(1,442,133)</u>	<u>(1,442,133)</u>	
<u>(14,949,888)</u>	<u>(1,442,133)</u>	<u>(16,392,021)</u>	
			\$ (436,013)
3,075,336	--	3,075,336	--
4,969,337	--	4,969,337	1,225,805
1,864,360	--	1,864,360	--
369,762	--	369,762	--
1,769,263	208,557	1,977,820	--
390,416	143,093	533,509	117,330
1,017,673	15,865	1,033,538	--
(250,000)	250,000	--	--
<u>13,206,147</u>	<u>617,515</u>	<u>13,823,662</u>	<u>1,343,135</u>
<u>(1,743,741)</u>	<u>(824,807)</u>	<u>(2,568,548)</u>	<u>907,122</u>
<u>83,252,933</u>	<u>35,029,387</u>	<u>118,282,320</u>	<u>3,064,146</u>
<u>\$ 81,509,192</u>	<u>\$ 34,204,580</u>	<u>\$ 115,713,772</u>	<u>\$ 3,971,268</u>

CITY OF BIG SPRINGBALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	General Fund	Correctional Center	Other Governmental Funds	Total Governmental Funds
ASSETS AND OTHER DEBITS				
Assets:				
Cash and Cash Equivalents	\$ 3,339,315	\$ 2,869,193	\$ 1,093,450	\$ 7,301,958
Receivables (net of allowances for uncollectibles)	1,240,539	--	130,271	1,370,810
Due from Other Funds	792,167	--	328,617	1,120,784
Notes Receivable	--	89,147	--	89,147
Intergovernmental Receivables	686,884	9,462,923	313,773	10,463,580
Prepaid Items	24,307	--	--	24,307
Advances to Other Funds	--	--	811,802	811,802
Restricted Assets:				
Cash and Cash Equivalents	1,415,527	5,468	--	1,420,995
Total Assets and Other Debits	<u>\$ 7,498,739</u>	<u>\$ 12,426,731</u>	<u>\$ 2,677,913</u>	<u>\$ 22,603,383</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 345,562	\$ 9,361,996	\$ 272,866	\$ 9,980,424
Retainage Payable	48,352	--	6,396	54,748
Due to Other Funds	57,530	449,067	287,236	793,833
Deferred Revenue	574,270	--	47,930	622,200
Customer Deposits	--	--	5,500	5,500
Advances from Other Funds	92,522	--	11,340	103,862
Total Liabilities	<u>1,118,236</u>	<u>9,811,063</u>	<u>631,268</u>	<u>11,560,567</u>
Fund Balances:				
Reserved Fund Balances:				
Reserved for Debt Service	--	--	10,462	10,462
Reserved for Prepaid Items	24,307	--	--	24,307
Reserved for Cemetery Care (Nonexpendable)	--	--	351,511	351,511
Unreserved	6,356,196	2,615,668	--	8,971,864
Unreserved, reported in nonmajor:				
Special Revenue Funds	--	--	33,715	33,715
Capital Project Funds	--	--	1,650,957	1,650,957
Total Fund Balances	<u>6,380,503</u>	<u>2,615,668</u>	<u>2,046,645</u>	<u>11,042,816</u>
Total Liabilities and Fund Balances	<u>\$ 7,498,739</u>	<u>\$ 12,426,731</u>	<u>\$ 2,677,913</u>	<u>\$ 22,603,383</u>

The accompanying notes are an integral part of this statement.

CITY OF BIG SPRINGRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

Total fund balances - governmental funds balance sheet	\$ 11,042,816
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	75,939,826
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	506,493
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	1,053,537
Payables for bond principal which are not due in the current period are not reported in the funds.	(665,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(3,144,113)
Payables for bond interest which are not due in the current period are not reported in the funds.	(1,107)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,552,103)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(1,571,080)
Other reconciling items	<u>(100,077)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 81,509,192</u>

The accompanying notes are an integral part of this statement.

CITY OF BIG SPRINGSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	General Fund	Correctional Center	Other Governmental Funds	Total Governmental Funds
Revenue:				
Taxes:				
General Property Taxes	\$ 2,834,351	\$ --	\$ 263,303	\$ 3,097,654
General Sales Taxes	3,727,003	--	1,242,334	4,969,337
Gross Receipts Business Taxes	1,864,360	--	--	1,864,360
Motel Occupancy Taxes	--	--	369,762	369,762
License and Permits	204,021	--	--	204,021
Intergovernmental	1,524,951	56,155,827	617,235	58,298,013
Charges for Services	2,464,482	--	11,688	2,476,170
Fines	250,607	--	7,851	258,458
Recreation	306,525	--	--	306,525
Investment Earnings	165,637	140,430	84,349	390,416
Rents and Royalties	313,863	--	99,813	413,676
Miscellaneous	127,229	--	25	127,254
Contributions and Donations	20,828	--	20,000	40,828
Total revenues	<u>13,803,857</u>	<u>56,296,257</u>	<u>2,716,360</u>	<u>72,816,474</u>
Expenditures:				
Current:				
General Government	1,891,818	--	9,304	1,901,122
Public Safety	6,842,538	56,120,849	340,034	63,303,421
Highways and Streets	1,856,719	--	21,856	1,878,575
Sanitation	1,762,925	--	39,945	1,802,870
Community Service	--	--	82,963	82,963
Recreation and Parks	997,369	--	154,691	1,152,060
Economic Development	--	--	1,568,429	1,568,429
Cemetery	--	--	141,936	141,936
Debt Service:				
Principal	493,009	--	230,000	723,009
Interest and Fiscal Charges	45,382	--	28,873	74,255
Fiscal Agent's Fees	--	--	500	500
Total Expenditures	<u>13,889,760</u>	<u>56,120,849</u>	<u>2,618,531</u>	<u>72,629,140</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(85,903)</u>	<u>175,408</u>	<u>97,829</u>	<u>187,334</u>
Other Financing Sources (Uses):				
Transfers In	404,567	--	35,272	439,839
Transfers Out	(268,605)	(369,567)	(51,667)	(689,839)
Capital Leases	2,399,355	--	66,871	2,466,226
Total Other Financing Sources (Uses)	<u>2,535,317</u>	<u>(369,567)</u>	<u>50,476</u>	<u>2,216,226</u>
Net Change in Fund Balances	2,449,414	(194,159)	148,305	2,403,560
Fund Balances - Beginning	3,931,089	2,809,827	1,898,340	8,639,256
Fund Balances - Ending	<u>\$ 6,380,503</u>	<u>\$ 2,615,668</u>	<u>\$ 2,046,645</u>	<u>\$ 11,042,816</u>

The accompanying notes are an integral part of this statement.

CITY OF BIG SPRING

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, 2006

Net change in fund balances - total governmental funds	\$ 2,403,560
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	740,454
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,045,513)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(5,461)
Proceeds of capital leases do not provide revenue in the SOA, but are reported as current resources in the fun	(2,466,226)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(22,318)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(69,813)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	230,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	493,009
(Increase) decrease in accrued interest from beginning of period to end of period	(937)
The net revenue (expense) of internal service funds is reported with governmental activities.	475,402
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(475,897)
Rounding difference	<u>(1)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ (1,743,741)</u>

The accompanying notes are an integral part of this statement.

CITY OF BIG SPRING
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2006

	Enterprise Fund <u>Water and Sewer Fund</u>	Enterprise Fund <u>Airport/ Industrial Park</u>
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 3,261,552	\$ 1,733,918
Receivables (net of allowances for uncollectibles)	941,145	50,462
Intergovernmental Receivables	--	6,273
Due from Other Funds	--	--
Inventories	305,134	--
Prepaid Items	58,662	--
Advances to Other Funds	--	30,028
Total Current Assets	<u>4,566,493</u>	<u>1,820,681</u>
Noncurrent Assets:		
Capital Assets (net of accumulated depreciation):		
Land	5,036	5,590,113
Buildings and System	13,859,698	13,163,776
Improvements other than Buildings	56,653	2,055,029
Machinery and Equipment	186,522	108,045
Construction in Progress	2,077,092	83,858
Total Noncurrent Assets	<u>16,185,001</u>	<u>21,000,821</u>
Total Assets	<u>\$ 20,751,494</u>	<u>\$ 22,821,502</u>
LIABILITIES:		
Current Liabilities:		
Accounts Payable	\$ 218,383	\$ 62,456
Claims and Judgments Payable	--	--
Contracts Payable/Accrued Liabilities	213,082	45,678
Retainage payable	209,799	5,698
Due to Other Funds	256,951	40,000
Customer Deposits	274,658	19,773
Accrued interest payable	19,053	--
Notes Payable - Current	3,329,047	56,801
Revenue bonds payable	400,000	--
Capital Leases Payable	270,703	11,311
Total Current Liabilities	<u>5,191,676</u>	<u>241,717</u>
Noncurrent Liabilities:		
Revenue Bonds Payable	3,305,000	--
Capital Leases Payable	93,977	6,488
Advances from Other Funds	737,968	--
Total Noncurrent Liabilities	<u>4,136,945</u>	<u>6,488</u>
Total Liabilities	<u>9,328,621</u>	<u>248,205</u>
NET ASSETS:		
Investment in Capital Assets, Net of Related Debt	10,189,744	20,988,664
Restricted for Debt Service	11,066	--
Unrestricted Net Assets	1,222,063	1,584,633
Total Net Assets	<u>\$ 11,422,873</u>	<u>\$ 22,573,297</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-7

Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
Emergency Medical Services		
\$ (11,103)	\$ 4,984,367	\$ 1,369,219
341,905	1,333,512	815
--	6,273	--
--	--	100,000
19,662	324,796	85,464
1,047	59,709	--
--	30,028	--
<u>351,511</u>	<u>6,738,685</u>	<u>1,555,498</u>
--	5,595,149	10,000
--	27,023,474	--
--	2,111,682	--
142,397	436,964	19,016
--	2,160,950	--
<u>142,397</u>	<u>37,328,219</u>	<u>29,016</u>
\$ <u>493,908</u>	\$ <u>44,066,904</u>	\$ <u>1,584,514</u>
\$ 13,806	\$ 294,645	\$ 116,404
--	--	271,208
140,737	399,497	41,563
--	215,497	1,802
30,000	326,951	100,000
--	294,431	--
--	19,053	--
--	3,385,848	--
--	400,000	--
56,512	338,526	--
<u>241,055</u>	<u>5,674,448</u>	<u>530,977</u>
--	3,305,000	--
44,443	144,908	--
--	737,968	--
<u>44,443</u>	<u>4,187,876</u>	<u>--</u>
<u>285,498</u>	<u>9,862,324</u>	<u>530,977</u>
41,442	31,219,850	29,016
--	11,066	--
166,968	2,973,664	1,024,521
<u>\$ 208,410</u>	<u>\$ 34,204,580</u>	<u>\$ 1,053,537</u>

CITY OF BIG SPRING

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET ASSETS - PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Enterprise Fund <u>Water and Sewer Fund</u>	Enterprise Fund <u>Airport/ Industrial Park</u>
OPERATING REVENUES:		
Water Sales	\$ 6,145,493	\$ --
Sewer Charges	2,603,637	--
Emergency Medical Services	--	--
Commercial Rentals and Fees	--	687,081
Billings to Departments and Employees	--	--
Other Services	327,861	--
Total Operating Revenues	<u>9,077,180</u>	<u>687,081</u>
OPERATING EXPENSES:		
Personnel Services	2,141,568	316,614
Supplies and Materials	3,166,806	102,707
Contractual Services	855,891	146,732
Maintenance	701,169	148,914
Depreciation	1,254,335	1,136,946
Other	504,384	98,160
Total Operating Expenses	<u>8,624,153</u>	<u>1,950,073</u>
Operating Income	<u>453,027</u>	<u>(1,262,992)</u>
NON-OPERATING REVENUES (EXPENSES):		
Intergovernmental Revenue	--	78,557
Interest Revenue	60,260	79,340
Other	--	644
Gain (Loss) on Sale of Capital Assets	15,221	--
Interest Expense and Paying Agent Fees	(213,513)	(501)
Total Non-operating Revenues (Expenses)	<u>(138,032)</u>	<u>158,040</u>
Income Before Transfers	<u>314,995</u>	<u>(1,104,952)</u>
Transfers In	--	--
Change in Net Assets	<u>314,995</u>	<u>(1,104,952)</u>
Total Net Assets - Beginning	11,107,878	23,678,249
Total Net Assets - Ending	<u>\$ 11,422,873</u>	<u>\$ 22,573,297</u>

The accompanying notes are an integral part of this statement.

Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
Emergency Medical Services		
\$ --	\$ 6,145,493	\$ --
--	2,603,637	--
1,195,505	1,195,505	--
--	687,081	--
--	--	3,340,241
12,432	340,293	--
<u>1,207,937</u>	<u>10,972,198</u>	<u>3,340,241</u>
1,007,221	3,465,403	336,725
110,529	3,380,042	1,036,417
72,115	1,074,738	1,154,659
34,337	884,420	16,263
70,785	2,462,066	4,591
327,067	929,611	363,438
<u>1,622,054</u>	<u>12,196,280</u>	<u>2,912,093</u>
<u>(414,117)</u>	<u>(1,224,082)</u>	<u>428,148</u>
130,000	208,557	--
3,115	142,715	46,331
--	644	931
--	15,221	--
(3,848)	(217,862)	(9)
<u>129,267</u>	<u>149,275</u>	<u>47,253</u>
<u>(284,850)</u>	<u>(1,074,807)</u>	<u>475,401</u>
250,000	250,000	--
<u>(34,850)</u>	<u>(824,807)</u>	<u>475,401</u>
243,260	35,029,387	578,136
<u>\$ 208,410</u>	<u>\$ 34,204,580</u>	<u>\$ 1,053,537</u>

CITY OF BIG SPRING

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Enterprise Funds		
	Water and Sewer	Airport/Industrial Park	Emergency Medical Services
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 9,038,625	\$ 707,509	\$ 1,113,831
Cash Receipts from Interfund Services Provided			--
Cash Payments to Employees for Services	(2,141,568)	(316,614)	(1,007,221)
Cash Payments to Other Suppliers for Goods and Services	(5,162,459)	(467,335)	(498,657)
Net Cash Provided (Used) by Operating Activities	<u>1,734,598</u>	<u>(76,440)</u>	<u>(392,047)</u>
Cash Flows from Non-capital Financing Activities:			
Cash Received from Intergovernmental Grants	--	78,557	130,000
Other	--	1,219	--
Advances From (To) Other Funds	5,849	17,780	--
Transfers From (To) Other Funds	--	--	250,000
Net Cash Provided (Used) by Non-capital Financing Activities	<u>5,849</u>	<u>97,556</u>	<u>380,000</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Issuance of Long-term Debt	3,329,047	56,801	--
Principal and Interest Paid	(547,551)	(501)	(76,181)
Acquisition or Construction of Capital Assets	(2,649,929)	(119,743)	--
Proceeds from Sale of Capital Assets	22,428	--	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>153,995</u>	<u>(63,443)</u>	<u>(76,181)</u>
Cash Flows from Investing Activities:			
Interest and Dividends on Investments	61,396	79,340	3,115
Net Cash Provided (Used) for Investing Activities	<u>61,396</u>	<u>79,340</u>	<u>3,115</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,955,838	37,013	(85,113)
Cash and Cash Equivalents at Beginning of Year	1,305,714	1,696,905	74,010
Cash and Cash Equivalents at End of Year	<u>\$ 3,261,552</u>	<u>\$ 1,733,918</u>	<u>\$ (11,103)</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 452,838	\$ (1,262,992)	\$ (414,117)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	1,254,335	1,136,946	70,785
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(37,419)	20,428	(94,106)
Decrease (Increase) in Inventories	(30,000)	--	2,603
Decrease (Increase) in Prepaid Expenses	8,103	--	785
Increase (Decrease) in Accounts Payable	108,433	(10,822)	5,758
Increase (Decrease) in Interfund Payables	(20,143)	40,000	30,000
Increase (Decrease) in Accrued Expenses	(1,549)	--	6,245
Total Adjustments	<u>1,281,760</u>	<u>1,186,552</u>	<u>22,070</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,734,598</u>	<u>\$ (76,440)</u>	<u>\$ (392,047)</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-9

<u>Totals</u>	<u>Internal Service Funds</u>
\$ 10,859,965	\$ --
--	3,339,517
(3,465,403)	(336,725)
(6,128,451)	(2,476,887)
<u>1,266,111</u>	<u>525,905</u>
208,557	--
1,219	930
23,629	
250,000	500,000
<u>483,405</u>	<u>500,930</u>
3,385,848	6,771,696
(624,233)	(1,263)
(2,769,672)	(5,539,344)
22,428	44,856
<u>14,371</u>	<u>1,275,945</u>
140,736	46,331
<u>140,736</u>	<u>46,331</u>
1,992,851	2,349,111
3,002,619	779,341
<u>\$ 4,995,470</u>	<u>\$ 3,128,452</u>
\$ (1,224,271)	\$ 428,148
2,462,066	4,591
(111,097)	(724)
(27,397)	(857)
8,888	--
103,369	(4,609)
49,857	--
4,696	99,356
<u>2,490,382</u>	<u>97,757</u>
<u>\$ 1,266,111</u>	<u>\$ 525,905</u>

CITY OF BIG SPRING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

Based upon the above criteria, one component unit (Moore Development for Big Spring, Inc.) is included within the reporting entity. The City is financially accountable for Moore Development. The City established the sales tax that is the principal source of revenue for Moore Development. The City Council appoints the Board of Directors and approves the annual budget. This component unit has been discretely presented in the accompanying financial statements. Complete financial statements for the component unit can be obtained from their office at 215 West 3rd Street, Big Spring, Texas.

Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

CITY OF BIG SPRING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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

The City reports the following major governmental funds:

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

Correctional Center (Special Revenue) Fund: This fund accounts for monies received from the Federal Bureau of Prisons for inmates housed at City-owned facilities, which are operated by an independent contractor.

The City reports the following major enterprise funds:

Water and Sewer Fund: This fund accounts for the revenues and expenses associated with providing water and sewer service to the citizens of the City.

Airport/Industrial Park Fund: This fund is used to account for the Airport and Industrial Park. Funding for these activities is provided by charges to renters of facilities.

In addition, the City reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the City. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the City's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

b. Measurement Focus, Basis of Accounting

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

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

CITY OF BIG SPRING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, enterprise 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds, of the water and sewer, airport/industrial park and EMS funds, and of the government's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

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

c. Inventories and Prepaid Items

Inventories on the balance sheet are stated at first in first out method. Inventory items are recorded as expenditures when they are consumed.

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

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

CITY OF BIG SPRING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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>
Infrastructure	30
Buildings	5-50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15
Furniture and fixtures	2-10

e. Receivable Balances

Receivables as of year end for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows (in thousands):

	<u>General</u>	<u>Nonmajor and Other Funds</u>	<u>Water & Sewer</u>	<u>Airport/ Industrial Park</u>
Receivables:				
Sanitation	\$ 307	\$ --	\$ --	\$ --
Taxes	524	--	--	--
Municipal Court	1,243	--	--	--
Accounts	219	155	1,119	53
Gross receivables	2,293	155	1,119	53
Less: allowance for				
Uncollectibles	(1,053)	(25)	(178)	(2)
Net total receivables	\$ 1,240	\$ 130	\$ 941	\$ 51

	<u>Emergency Medical Services</u>	<u>Internal Service Funds</u>	<u>Total</u>
Receivables:			
Sanitation	\$ --	\$ --	\$ 307
Taxes	--	--	524
Municipal Court	--	--	1,243
Accounts	961	1	2,508
Gross receivables	961	1	4,582
Less: allowance for			
Uncollectibles	(619)	--	(1,877)
Net total receivables	\$ 342	\$ 1	\$ 2,705

Intergovernmental receivables are classified separately in the accompanying financial statements.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the

CITY OF BIG SPRING
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

g. Use of Estimates

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

4. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. The legal level of control is at the department level. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

The budget is presented on a basis consistent with generally accepted accounting principles (GAAP).

Annual budgets are adopted for all governmental funds except the Grant and R.S.V.P. funds.

B. Compliance and Accountability

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

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
Internal Service	\$	
Occupational Accident Insurance	108,666	The City plans to allocate funds from the General and Utility Funds to cover these costs.
Special Revenue		
Cemetery	120,918	This fund incurred additional capital costs in the prior year that will be recaptured.
Golf Course Improvement	85,800	This fund incurred additional capital costs in the current year that will be recaptured.
Employees College Education	9,483	This fund incurred additional costs in the current year that will be recaptured.

CITY OF BIG SPRING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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 District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At September 30, 2006, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,242,165 with \$3,163,822 in escrow for energy conservation. The City's cash deposits at year end were \$3,078,343 with a bank balance of \$4,167,839. The City's cash deposits at September 30, 2006 and during the year then ended were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

2. Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City's investments at September 30, 2006 are shown below.

Investment or Investment Type	Maturity	Ratings	Fair Value	Percentage
TexPool Investment Pool	28 days average	AAAm	\$ 8,284,520	100%
Total Investments			<u>\$ 8,284,520</u>	

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City's investments were rated as noted above.

CITY OF BIG SPRING
NOTES TO THE FINANCIAL STATEMENTS
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b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City's investments representing more than 5% of total investments are disclosed above.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

e. Foreign Currency Risk

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

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

CITY OF BIG SPRING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

D. Capital Assets

Capital asset activity for the year ended September 30, 2006, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 72,746,937	\$ --	\$ --	\$ 72,746,937
Construction in progress	47,251	122,263	44,251	125,263
Total capital assets not being depreciated	<u>72,794,188</u>	<u>122,263</u>	<u>44,251</u>	<u>72,872,200</u>
Capital assets being depreciated:				
Infrastructure	5,711,462	--	--	5,711,462
Buildings and systems	23,973,120	205,719	5,461	24,173,378
Improvements other than buildings	1,567,103	--	--	1,567,103
Machinery and equipment	8,296,963	412,472	265,728	8,443,707
Total capital assets being depreciated	<u>39,548,648</u>	<u>618,191</u>	<u>271,189</u>	<u>39,895,650</u>
Less accumulated depreciation for:				
Infrastructure	5,460,027	24,818	--	5,484,845
Buildings and systems	21,670,007	2,180,118	--	23,850,125
Improvements other than buildings	782,960	126,708	--	909,668
Machinery and equipment	6,145,890	718,447	309,967	6,554,370
Total accumulated depreciation	<u>34,058,884</u>	<u>3,050,091</u>	<u>309,967</u>	<u>36,799,008</u>
Total capital assets being depreciated, net	<u>5,489,764</u>	<u>(2,431,900)</u>	<u>581,156</u>	<u>3,096,642</u>
Governmental activities capital assets, net	<u>\$ 78,283,952</u>	<u>\$ (2,309,637)</u>	<u>\$ 625,407</u>	<u>\$ 75,968,842</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 5,595,149	\$ --	\$ --	\$ 5,595,149
Construction in progress	214,644	2,117,591	171,285	2,160,950
Total capital assets not being depreciated	<u>5,809,793</u>	<u>2,117,591</u>	<u>171,285</u>	<u>7,756,099</u>
Capital assets being depreciated:				
Buildings and systems	63,091,582	764,576	--	63,856,158
Improvements other than buildings	24,333,610	--	--	24,333,610
Machinery and equipment	2,507,620	46,697	--	2,554,317
Total capital assets being depreciated	<u>89,932,812</u>	<u>811,273</u>	<u>--</u>	<u>90,744,085</u>
Less accumulated depreciation for:				
Buildings and systems	35,106,640	1,748,950	22,905	36,832,685
Improvements other than buildings	21,723,209	498,718	--	22,221,927
Machinery and equipment	1,884,936	232,417	--	2,117,353
Total accumulated depreciation	<u>58,714,785</u>	<u>2,480,085</u>	<u>22,905</u>	<u>61,171,965</u>
Total capital assets being depreciated, net	<u>31,218,027</u>	<u>(1,668,812)</u>	<u>(22,905)</u>	<u>29,572,120</u>
Business-type activities capital assets, net	<u>\$ 37,027,820</u>	<u>\$ 448,779</u>	<u>\$ 148,380</u>	<u>\$ 37,328,219</u>
Total additions to accumulated depreciation		\$ 2,480,085		
Transfers in, at gross book value		18,019		
Depreciation expense		<u>\$ 2,462,066</u>		

CITY OF BIG SPRING
NOTES TO THE FINANCIAL STATEMENTS
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Depreciation was charged to governmental activities as follows:

General Government	\$ 436,100
Public Safety	1,537,998
Highways and Streets	455,928
Sanitation	375,201
Recreation and Parks	240,286
	<u>\$ 3,045,513</u>
Depreciation charged to Internal Service Funds	4,578
Total depreciation charged to governmental activities	<u><u>3,050,091</u></u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2006, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 303,100	Short-term loans
General Fund	Correctional Center Fund	449,067	Short-term loans
General Fund	Airpark Fund	40,000	Short-term loans
Other Governmental Funds	General Fund	54,430	Short-term loans
Other Governmental Funds	Water and Sewer Fund	256,951	Short-term loans
Other Governmental Funds	Other Governmental Funds	17,236	Short-term loans
Internal Service Funds	Internal Service Funds	100,000	Short-term loans
	Total	<u>\$ 1,220,784</u>	

All amounts due are scheduled to be repaid within one year.

<u>Advances To Fund</u>	<u>Advances From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 73,834	Loans
Airpark Fund	Other Governmental Funds	11,340	Loans
Water and Sewer Fund	Other Governmental Funds	737,968	Loans
Airpark Fund	General Fund	18,688	Loans
	Total	<u>\$ 841,830</u>	

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2006, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Emergency Medical Svcs. Fund	\$ 250,000	Supplement other funds sources
General Fund	Other Governmental Funds	18,605	Supplement other funds sources
Correctional Center Fund	General Fund	369,567	Supplement other funds sources
Other Governmental Funds	General Fund	35,000	Supplement other funds sources
Other Governmental Funds	Other Governmental Funds	16,667	Supplement other funds sources
	Total	<u>\$ 689,839</u>	

CITY OF BIG SPRING
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F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2006, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 895,000	\$ --	\$ 230,000	\$ 665,000	\$ 225,000
Capital leases	1,270,973	433,799	493,009	1,211,763	422,421
Energy Conservation	--	2,032,427	--	2,032,427	100,077
Compensated absences *	1,076,206	625,908	150,011	1,552,103	61,310
Closure/postclosure landfill	1,501,267	69,813	--	1,571,080	--
Total governmental activities	<u>\$ 4,743,446</u>	<u>\$ 3,161,947</u>	<u>\$ 873,020</u>	<u>\$ 7,032,373</u>	<u>\$ 808,808</u>
Business-type activities:					
General obligation bonds	\$ 4,095,000	\$ --	\$ 390,000	\$ 3,705,000	\$ 400,000
Capital leases	497,678	6,635	196,233	308,080	163,172
Economic Conservation	--	3,561,202	--	3,561,202	175,354
Total business-type activities	<u>\$ 4,592,678</u>	<u>\$ 3,567,837</u>	<u>\$ 586,233</u>	<u>\$ 7,574,282</u>	<u>\$ 738,526</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2006, are as follows:

Year Ending September 30,	Governmental Activities			Maturity Date	Outstanding
	Principal	Interest	Total		
2007	\$ 225,000	\$ 21,425	\$ 246,425		
2008	220,000	13,200	233,200		
2009	220,000	4,400	224,400		
Totals	<u>\$ 665,000</u>	<u>\$ 39,025</u>	<u>\$ 704,025</u>		
	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rates</u>		
2002 Refunding Series	6/1/2002	\$ 1,600,000	3.0-4.5%	2/15/2009	\$ 665,000

Year Ending September 30,	Business-type Activities			Maturity Date	Outstanding
	Principal	Interest	Total		
2007	\$ 400,000	\$ 144,375	\$ 544,375		
2008	420,000	129,175	549,175		
2009	435,000	112,075	547,075		
2010	450,000	94,375	544,375		
2011	470,000	75,740	545,740		
2012-2014	1,530,000	102,408	1,632,408		
Totals	<u>\$ 3,705,000</u>	<u>\$ 658,148</u>	<u>\$ 4,363,148</u>		
	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rates</u>		
2002 Refunding Series	6/1/2002	\$ 5,190,000	3.0-4.45%	2/15/2014	\$ 3,705,000

CITY OF BIG SPRING
 NOTES TO THE FINANCIAL STATEMENTS
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Energy Conservation debt requirements at September 30, 2006, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2007	\$ 100,077	\$ 85,159	\$ 185,236
2008	104,270	80,965	185,235
2009	108,639	76,596	185,235
2010	113,191	72,045	185,236
2011	117,934	67,302	185,236
2012-2016	668,063	258,115	926,178
2017-2021	820,253	105,925	926,178
Totals	\$ 2,032,427	\$ 746,107	\$ 2,778,534

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2007	\$ 175,354	\$ 149,214	\$ 324,568
2008	182,701	141,867	324,568
2009	190,357	134,212	324,569
2010	198,332	126,236	324,568
2011	206,643	117,926	324,569
2012-2016	1,170,575	452,267	1,622,842
2017-2021	1,437,240	185,601	1,622,841
Totals	\$ 3,561,202	\$ 1,307,323	\$ 4,868,525

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of September 30, 2006, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future payments. At July 17, 2002, all of the refunded bonds were called and paid in full. Therefore, none of the refunded bonds are outstanding.

4. Capital Leases

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Machinery and Equipment	\$ 3,162,988	\$ 1,244,670
Less: Accumulated Depreciation	(1,346,109)	(385,471)
Total	\$ 1,816,879	\$ 859,199

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2006, as follows:

Year Ending September 30:	Governmental		
	Principal	Interest	Total
2007	\$ 422,421	\$ 31,700	\$ 454,121
2008	336,170	20,308	356,478
2009	277,596	10,606	288,202
2010	144,163	3,368	147,531
2011	31,413	246	31,659
Total Minimum Rentals	\$ 1,211,763	\$ 66,228	\$ 1,277,991

The effective interest rate on capital leases is . 2.457 to 4.418%

CITY OF BIG SPRING
NOTES TO THE FINANCIAL STATEMENTS
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<u>Year Ending September 30:</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 163,172	\$ 6,279	\$ 169,451
2008	90,415	2,700	93,115
2009	43,115	908	44,023
2010	10,897	105	11,002
2011	481	--	481
Total Minimum Rentals	<u>\$ 308,080</u>	<u>\$ 9,992</u>	<u>\$ 318,072</u>

The effective interest rate on capital leases is . 2.457 to 4.418%

5. Continuing Disclosure

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

G. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2006, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

H. Pension Plan

1. Plan Description

The City's pension plan ("Plan") is a non-traditional, joint contributory, defined benefit plan which provides retirement, disability and death benefits to Plan members and beneficiaries through its affiliation with Texas Municipal Retirement System ("TMRS"), an agent multiple-employer public employee retirement system. TMRS operates under the authority of Texas Government Code, Title 8, Subtitle G. The Texas legislature has the authority to establish or amend benefit provisions and the governing body of the City adopts the plan provisions within the options and constraints established by the legislature. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, TX 78714-9153 or calling (800) 924-8677. Additional nonauthoritative information is available at the TMRS web site, <http://www.tmrs.org>.

2. Funding Policy

Plan members are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 9.17% of annual covered payroll. The City's contributions to the TMRS for the years ending September 30, 2006, 2005 and 2004 were \$687,977, \$623,818 and \$568,979, respectively, and were equal to the required contributions for each year.

CITY OF BIG SPRING
NOTES TO THE FINANCIAL STATEMENTS
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3. Annual Pension Cost

The City's annual pension cost of \$687,977 for the Plan was equal to the City's required and actual contributions. Under the state law governing TMRS, the actuary annually determines the City's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. When the City periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period which began January 1997. The unit credit actuarial cost method is used for determining the City's contribution rate. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2003 valuation is effective for rates beginning January 2005).

Since the TMRS does not value the assets of individual cities, the actuarial assumptions used to set the required contribution rate of the City are based on TMRS as a whole. For the December 31, 2004 valuation date, a 7% investment rate of return was assumed. No assumptions were made for projected salary increases, inflation or cost of living adjustments.

4. Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2004	\$ 568,979	100%	\$ --
September 30, 2005	623,818	100%	--
September 30, 2006	687,977	100%	--

5. Firemen's Relief and Retirement Fund

Firemen of the City are covered by a defined contribution pension plan, which is administered by a seven-member board. This board consists of the Mayor or his designee, the Chief Financial Officer, three firemen and two outside citizens. Texas Local Fire Fighters' Retirement Act (TLFFRA) requires that the Mayor, or his designee, and the Chief Financial Officer be permanent members of the Board. In addition, three firemen trustees are elected by the firemen. These five members are then charged with the responsibility of appointing the two final board members, who must be local citizens. The City provides a defined contribution to the fund of 11% of the firemen's salary and the firemen contribute 11%. Upon reaching the age of 50 with 20 years of service, the fireman is eligible for full retirement benefits. Vesting begins in the plan after 10 years of service, when the fireman is eligible for a deferred benefit (commencing at the end of the month in which his normal retirement date would have occurred). City contributions and interest forfeited by firemen who leave employment before full vesting remain in the plan.

The City's total payroll for firemen (all covered under the plan) for the year ended September 30, 2006 was \$2,583,178. Both the City and the firemen made the required contribution of \$284,150 and \$284,150 representing 11% and 11% of covered payroll, respectively.

CITY OF BIG SPRING
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I. Self-Insurance

Changes in the claims liability amounts for the self-insurance Internal Service Funds were as follows:

	Liability Balance at 10/1	Current Year Claims and Changes in Estimates	Claim Payments	Liability Balance at 9/30	Total Internal Service Funds
<u>Year Ending 9/30/05</u>					
Health Insurance Claims	\$ 47,203	\$ 710,361	\$ 712,818	\$ 44,746	
Workers' Compensation Claims	182,062	184,476	227,309	139,229	183,975
<u>Year Ending 9/30/06</u>					
Health Insurance Claims	\$ 44,746	\$ 875,605	\$ 890,221	\$ 30,130	
Workers' Compensation Claims	139,229	341,365	239,516	241,078	271,208

Health Insurance

Effective October 1, 2001, the City changed from a fully-insured to a self-insured health insurance plan. The City's health insurance plan is administered by a third-party administrator, Employee Benefits Administrators (EBA). EBA reviews and processes all health insurance claims. The City has acquired stop-loss coverage, which limits the City's possible liability exposure to \$50,000 per claim. The City informally budgets for current claims based on actuarial and historical Data. The City incurred \$995,574 in health insurance expense and administrative and other charges for the year ended September 30, 2005. Estimated liability on claims that have been incurred but not reported are accrued at year end. Estimated liability for health insurance claims is \$30,130 at September 30, 2006.

Workers' Compensation

The City's workers' compensation plan is administered by Texas Municipal League's Intergovernmental Risk Pool (TML). TML reviews and processes all workers' compensation claims. The City has acquired stop-loss coverage, which limits the City's possible loss to \$250,000 per occurrence. The City informally budgets for current claims based on actuarial valuations and historical data. The City incurred \$268,622 in workers' compensation expense and administrative and other charges for the year ended September 30, 2005. Estimated liability on claims that have been incurred but not reported are accrued at year-end. The estimated liability for workers' compensation claims is \$241,078 at September 30, 2006.

J. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2006.

CITY OF BIG SPRING
NOTES TO THE FINANCIAL STATEMENTS
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K. Note Receivable & Correctional Center Contracted Management

The City effectively sold the operations and management of its three correctional facilities to Cornell Corrections, Inc., effective June 30, 1996, for \$3,700,000. An additional facility built in 1998 is also under a management contract with Cornell. Title to all the assets of the City's Correctional Center Enterprise Fund was retained by the City. A special revenue fund, Correctional Center Fund, has been created to account for fees received from the Bureau of Prisons and which are subsequently transferred to Cornell Corrections. The City receives a management fee of \$0.70 per prisoner per month. These management fees are accounted for in the Correctional Center Fund and subsequently transferred to the General Fund. The facility lease payments to the City from Cornell are in the amount of \$18,000 per month. The lease payments are accounted for directly in the General Fund. There is also a long-term note receivable in the amount of \$236,062 at September 30, 2005. This note receivable is due from Western Container, a tenant at the City's industrial park, whose facilities were renovated using Correctional Center funds. The note is being repaid in monthly installments of \$12,948, which includes interest at the rate of 5% per annum with the final payment to be made in April of 2007.

L. Closure and Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its Big Spring Sanitary Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,571,080.00 reported as landfill closure and postclosure care liability at September 30, 2006, represents the cumulative amount reported to date based on the use of 57.48 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$1,162,100 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. The City expects to close the landfill in the year 2034. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The City has not placed sufficient funds in a trust to cover these costs. However, at September 30, 2005, the City has designated \$1,134,037 for this purpose.

Required Supplementary Information

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

CITY OF BIG SPRING

EXHIBIT B-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
General Property Taxes	\$ 2,751,000	\$ 2,783,000	\$ 2,834,351	\$ 51,351
General Sales Taxes	3,150,000	3,620,000	3,727,003	107,003
Gross Receipts Business Taxes	1,404,150	1,521,470	1,864,360	342,890
License and Permits	165,550	186,090	204,021	17,931
Intergovernmental	1,505,300	1,523,122	1,524,951	1,829
Charges for Services	2,370,250	2,406,250	2,464,482	58,232
Fines	227,400	228,400	250,607	22,207
Recreation	325,500	299,575	306,525	6,950
Investment Earnings	63,000	141,000	165,637	24,637
Rents and Royalties	348,360	310,055	313,863	3,808
Miscellaneous	19,228	127,633	127,229	(404)
Contributions and Donations	15,000	21,000	20,828	(172)
Total revenues	<u>12,344,738</u>	<u>13,167,595</u>	<u>13,803,857</u>	<u>636,262</u>
Expenditures:				
Current:				
General Government	1,531,077	1,942,216	1,891,818	50,398
Public Safety	6,581,531	6,849,623	6,842,538	7,085
Highways and Streets	1,666,329	1,919,992	1,856,719	63,273
Sanitation	1,512,193	1,670,997	1,762,925	(91,928)
Recreation and Parks	819,885	1,070,137	997,369	72,768
Debt Service:				
Principal	593,214	607,040	493,009	114,031
Interest and Fiscal Charges	--	--	45,382	(45,382)
Total Expenditures	<u>12,704,229</u>	<u>14,060,005</u>	<u>13,889,760</u>	<u>170,245</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(359,491)</u>	<u>(892,410)</u>	<u>(85,903)</u>	<u>806,507</u>
Other Financing Sources (Uses):				
Transfers In	341,939	391,415	404,567	13,152
Transfers Out	(292,052)	(293,605)	(268,605)	25,000
Capital Leases	437,500	2,401,617	2,399,355	2,262
Total Other Financing Sources (Uses)	<u>487,387</u>	<u>2,499,427</u>	<u>2,535,317</u>	<u>(35,890)</u>
Net Change in Fund Balances	127,896	1,607,017	2,449,414	842,397
Fund Balances - Beginning	3,931,089	3,931,089	3,931,089	--
Fund Balances - Ending	<u>\$ 4,058,985</u>	<u>\$ 5,538,106</u>	<u>\$ 6,380,503</u>	<u>\$ 842,397</u>

CITY OF BIG SPRING
CORRECTIONAL CENTER FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental	\$ 55,157,400	\$ 55,348,075	\$ 56,155,827	\$ 807,752
Investment Earnings	83,466	126,466	140,430	13,964
Total revenues	<u>55,240,866</u>	<u>55,474,541</u>	<u>56,296,257</u>	<u>821,716</u>
Expenditures:				
Public Safety	55,080,842	55,264,200	56,120,849	(856,649)
Debt Service:				
Total Expenditures	<u>55,080,842</u>	<u>55,264,200</u>	<u>56,120,849</u>	<u>(856,649)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>160,024</u>	<u>210,341</u>	<u>175,408</u>	<u>(34,933)</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(306,939)</u>	<u>(357,256)</u>	<u>(369,567)</u>	<u>(12,311)</u>
Total Other Financing Sources (Uses)	<u>(306,939)</u>	<u>(357,256)</u>	<u>(369,567)</u>	<u>12,311</u>
Net Change in Fund Balances	(146,915)	(146,915)	(194,159)	(47,244)
Fund Balances - Beginning	2,809,827	2,809,827	2,809,827	--
Fund Balances - Ending	<u>\$ 2,662,912</u>	<u>\$ 2,662,912</u>	<u>\$ 2,615,668</u>	<u>\$ (47,244)</u>

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CITY OF BIG SPRING

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2006

	Special Revenue Funds	Debt Service Fund 2002 Refunding Series	Capital Projects Fund Capital Replacement	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS AND OTHER DEBITS				
Assets:				
Cash and Cash Equivalents	\$ 555,214	\$ 10,462	\$ 527,774	\$ 1,093,450
Receivables (net of allowances for uncollectibles)	130,271	--	--	130,271
Due from Other Funds	17,236	--	311,381	328,617
Intergovernmental Receivables	313,773	--	--	313,773
Advances to Other Funds	--	--	811,802	811,802
Total Assets and Other Debits	<u>\$ 1,016,494</u>	<u>\$ 10,462</u>	<u>\$ 1,650,957</u>	<u>\$ 2,677,913</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 272,866	\$ --	\$ --	\$ 272,866
Retainage Payable	6,396	--	--	6,396
Due to Other Funds	287,236	--	--	287,236
Deferred Revenue	47,930	--	--	47,930
Customer Deposits	5,500	--	--	5,500
Advances from Other Funds	11,340	--	--	11,340
Total Liabilities	<u>631,268</u>	<u>--</u>	<u>--</u>	<u>631,268</u>
Fund Balances:				
Reserved Fund Balances:				
Reserved for Debt Service	--	10,462	--	10,462
Reserved for Cemetery Care (Nonexpendable)	351,511	--	--	351,511
Unreserved, reported in nonmajor:				
Special Revenue Funds	33,715	--	--	33,715
Capital Project Funds	--	--	1,650,957	1,650,957
Total Fund Balances	<u>385,226</u>	<u>10,462</u>	<u>1,650,957</u>	<u>2,046,645</u>
Total Liabilities and Fund Balances	<u>\$ 1,016,494</u>	<u>\$ 10,462</u>	<u>\$ 1,650,957</u>	<u>\$ 2,677,913</u>

CITY OF BIG SPRING

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue Funds	Debt Service Fund 2002 Refunding Series	Capital Projects Fund Capital Replacement	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:				
Taxes:				
General Property Taxes	\$ --	\$ 263,303	\$ --	\$ 263,303
General Sales Taxes	1,242,334	--	--	1,242,334
Motel Occupancy Taxes	369,762	--	--	369,762
Intergovernmental	617,235	--	--	617,235
Charges for Services	11,688	--	--	11,688
Fines	7,851	--	--	7,851
Investment Earnings	12,809	939	70,601	84,349
Rents and Royalties	97,858	--	1,955	99,813
Miscellaneous	25	--	--	25
Contributions and Donations	20,000	--	--	20,000
Total revenues	<u>2,379,562</u>	<u>264,242</u>	<u>72,556</u>	<u>2,716,360</u>
Expenditures:				
Current:				
General Government	9,304	--	--	9,304
Public Safety	340,034	--	--	340,034
Highways and Streets	21,856	--	--	21,856
Sanitation	39,945	--	--	39,945
Community Service	82,963	--	--	82,963
Recreation and Parks	154,691	--	--	154,691
Economic Development	1,568,429	--	--	1,568,429
Cemetery	141,936	--	--	141,936
Debt Service:				
Principal	--	230,000	--	230,000
Interest and Fiscal Charges	--	28,873	--	28,873
Fiscal Agent's Fees	--	500	--	500
Total Expenditures	<u>2,359,158</u>	<u>259,373</u>	<u>--</u>	<u>2,618,531</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,404</u>	<u>4,869</u>	<u>72,556</u>	<u>97,829</u>
Other Financing Sources (Uses):				
Transfers In	35,272	--	--	35,272
Transfers Out	(51,667)	--	--	(51,667)
Capital Leases	66,871	--	--	66,871
Total Other Financing Sources (Uses)	<u>50,476</u>	<u>--</u>	<u>--</u>	<u>50,476</u>
Net Change in Fund Balances	70,880	4,869	72,556	148,305
Fund Balances - Beginning	314,346	5,593	1,578,401	1,898,340
Fund Balances - Ending	<u>\$ 385,226</u>	<u>\$ 10,462</u>	<u>\$ 1,650,957</u>	<u>\$ 2,046,645</u>

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CITY OF BIG SPRING
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2006

	Hotel/Motel Occupancy Tax Fund	Grant	Economic Development
ASSETS AND OTHER DEBITS			
Assets:			
Cash and Cash Equivalents	\$ 154,749	\$ 4,119	\$ --
Receivables (net of allowances for uncollectibles)	91,036	--	--
Due from Other Funds	--	--	--
Intergovernmental Receivables	--	89,613	224,160
Total Assets and Other Debits	\$ 245,785	\$ 93,732	\$ 224,160
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 7,519	\$ 13,656	\$ 224,160
Retainage Payable	6,181	--	--
Due to Other Funds	--	50,000	--
Deferred Revenue	--	28,144	--
Customer Deposits	5,500	--	--
Advances from Other Funds	--	--	--
Total Liabilities	19,200	91,800	224,160
Fund Balances:			
Reserved Fund Balances:			
Reserved for Cemetery Care (Nonexpendable)	--	--	--
Unreserved, reported in nonmajor:			
Special Revenue Funds	226,585	1,932	--
Total Fund Balances	226,585	1,932	--
Total Liabilities and Fund Balances	\$ 245,785	\$ 93,732	\$ 224,160

Employee's College Education	Municipal Court Security	Golf Course Improvement	R.S.V.P.	Police Seizure
\$ 809	\$ 7,669	\$ 4,200	\$ 7,352	\$ 7,410
--	5,320	--	7,515	--
--	--	--	--	--
--	--	--	--	--
<u>\$ 809</u>	<u>\$ 12,989</u>	<u>\$ 4,200</u>	<u>\$ 14,867</u>	<u>\$ 7,410</u>
\$ 292	\$ --	\$ --	\$ 13,867	\$ --
--	--	--	--	--
10,000	--	90,000	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>10,292</u>	<u>--</u>	<u>90,000</u>	<u>13,867</u>	<u>--</u>
--	--	--	--	--
(9,483)	12,989	(85,800)	1,000	7,410
<u>(9,483)</u>	<u>12,989</u>	<u>(85,800)</u>	<u>1,000</u>	<u>7,410</u>
<u>\$ 809</u>	<u>\$ 12,989</u>	<u>\$ 4,200</u>	<u>\$ 14,867</u>	<u>\$ 7,410</u>

CITY OF BIG SPRING

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2006

	Cemetery	Cemetery Permanent Care	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS AND OTHER DEBITS			
Assets:			
Cash and Cash Equivalents	\$ 159	\$ 368,747	\$ 555,214
Receivables (net of allowances for uncollectibles)	26,400	--	130,271
Due from Other Funds	17,236	--	17,236
Intergovernmental Receivables	--	--	313,773
Total Assets and Other Debits	<u>\$ 43,795</u>	<u>\$ 368,747</u>	<u>\$ 1,016,494</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 13,372	\$ --	\$ 272,866
Retainage Payable	215	--	6,396
Due to Other Funds	120,000	17,236	287,236
Deferred Revenue	19,786	--	47,930
Customer Deposits	--	--	5,500
Advances from Other Funds	11,340	--	11,340
Total Liabilities	<u>164,713</u>	<u>17,236</u>	<u>631,268</u>
Fund Balances:			
Reserved Fund Balances:			
Reserved for Cemetery Care (Nonexpendable)	--	351,511	351,511
Unreserved, reported in nonmajor:			
Special Revenue Funds	(120,918)	--	33,715
Total Fund Balances	<u>(120,918)</u>	<u>351,511</u>	<u>385,226</u>
Total Liabilities and Fund Balances	<u>\$ 43,795</u>	<u>\$ 368,747</u>	<u>\$ 1,016,494</u>

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CITY OF BIG SPRING

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Hotel/Motel Occupancy Tax Fund	Grant	Economic Development
Revenue:			
Taxes:			
General Sales Taxes	\$ --	\$ --	\$ 1,242,334
Motel Occupancy Taxes	369,762	--	--
Intergovernmental	--	545,925	--
Charges for Services	--	--	--
Fines	--	--	--
Investment Earnings	3,633	--	--
Rents and Royalties	26,218	--	--
Miscellaneous	25	--	--
Contributions and Donations	--	--	--
Total revenues	<u>399,638</u>	<u>545,925</u>	<u>1,242,334</u>
Expenditures:			
Current:			
General Government	--	--	--
Public Safety	--	330,168	--
Highways and Streets	--	21,856	--
Sanitation	--	39,945	--
Community Service	--	--	--
Recreation and Parks	--	154,691	--
Economic Development	326,095	--	1,242,334
Cemetery	--	--	--
Debt Service:			
Total Expenditures	<u>326,095</u>	<u>546,660</u>	<u>1,242,334</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>73,543</u>	<u>(735)</u>	<u>--</u>
Other Financing Sources (Uses):			
Transfers In	--	--	--
Transfers Out	--	--	--
Capital Leases	64,609	--	--
Total Other Financing Sources (Uses)	<u>64,609</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	138,152	(735)	--
Fund Balances - Beginning	88,433	2,667	--
Fund Balances - Ending	<u>\$ 226,585</u>	<u>\$ 1,932</u>	<u>\$ --</u>

Employee's College Education	Municipal Court Security	Golf Course Improvement	R.S.V.P.	Police Seizure
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	64,020	7,290
11,688	--	--	--	--
--	7,851	--	--	--
26	288	(4,787)	338	289
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>11,714</u>	<u>8,139</u>	<u>(4,787)</u>	<u>64,358</u>	<u>7,579</u>
9,304	--	--	--	--
--	4,961	--	--	4,905
--	--	--	--	--
--	--	--	82,963	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>9,304</u>	<u>4,961</u>	<u>--</u>	<u>82,963</u>	<u>4,905</u>
<u>2,410</u>	<u>3,178</u>	<u>(4,787)</u>	<u>(18,605)</u>	<u>2,674</u>
--	--	--	18,605	--
(35,000)	--	--	--	--
--	--	--	--	--
<u>(35,000)</u>	<u>--</u>	<u>--</u>	<u>18,605</u>	<u>--</u>
(32,590)	3,178	(4,787)	--	2,674
23,107	9,811	(81,013)	1,000	4,736
<u>\$ (9,483)</u>	<u>\$ 12,989</u>	<u>\$ (85,800)</u>	<u>\$ 1,000</u>	<u>\$ 7,410</u>

CITY OF BIG SPRING

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Cemetery	Cemetery Permanent Care	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenue:			
Taxes:			
General Sales Taxes	\$ --	\$ --	\$ 1,242,334
Motel Occupancy Taxes	--	--	369,762
Intergovernmental	--	--	617,235
Charges for Services	--	--	11,688
Fines	--	--	7,851
Investment Earnings	(3,645)	16,667	12,809
Rents and Royalties	71,640	--	97,858
Miscellaneous	--	--	25
Contributions and Donations	20,000	--	20,000
Total revenues	<u>87,995</u>	<u>16,667</u>	<u>2,379,562</u>
Expenditures:			
Current:			
General Government	--	--	9,304
Public Safety	--	--	340,034
Highways and Streets	--	--	21,856
Sanitation	--	--	39,945
Community Service	--	--	82,963
Recreation and Parks	--	--	154,691
Economic Development	--	--	1,568,429
Cemetery	141,936	--	141,936
Debt Service:			
Total Expenditures	<u>141,936</u>	<u>--</u>	<u>2,359,158</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(53,941)</u>	<u>16,667</u>	<u>20,404</u>
Other Financing Sources (Uses):			
Transfers In	16,667	--	35,272
Transfers Out	--	(16,667)	(51,667)
Capital Leases	2,262	--	66,871
Total Other Financing Sources (Uses)	<u>18,929</u>	<u>(16,667)</u>	<u>50,476</u>
Net Change in Fund Balances	(35,012)	--	70,880
Fund Balances - Beginning	(85,906)	351,511	314,346
Fund Balances - Ending	<u>\$ (120,918)</u>	<u>\$ 351,511</u>	<u>\$ 385,226</u>

CITY OF BIG SPRING

HOTEL/MOTEL OCCUPANCY TAX FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Taxes:			
Motel Occupancy Taxes	\$ 290,250	\$ 369,762	\$ 79,512
Investment Earnings	3,000	3,633	633
Rents and Royalties	20,400	26,218	5,818
Miscellaneous	--	25	25
Total revenues	<u>313,650</u>	<u>399,638</u>	<u>85,988</u>
Expenditures:			
Economic Development	340,529	326,095	14,434
Debt Service:			
Total Expenditures	<u>340,529</u>	<u>326,095</u>	<u>14,434</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(26,879)</u>	<u>73,543</u>	<u>100,422</u>
Other Financing Sources (Uses):			
Capital Leases	64,609	64,609	--
Total Other Financing Sources (Uses)	<u>64,609</u>	<u>64,609</u>	<u>--</u>
Net Change in Fund Balances	37,730	138,152	100,422
Fund Balances - Beginning	88,433	88,433	--
Fund Balances - Ending	<u>\$ 126,163</u>	<u>\$ 226,585</u>	<u>\$ 100,422</u>

CITY OF BIG SPRING
 ECONOMIC DEVELOPMENT
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-6

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
General Sales Taxes	\$ 1,200,000	\$ 1,242,334	\$ 42,334
Total revenues	<u>1,200,000</u>	<u>1,242,334</u>	<u>42,334</u>
Expenditures:			
Economic Development	1,200,000	1,242,334	(42,334)
Debt Service:			
Total Expenditures	<u>1,200,000</u>	<u>1,242,334</u>	<u>(42,334)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	--	--	--
Fund Balances - Beginning	--	--	--
Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

CITY OF BIG SPRING

EMPLOYEE'S COLLEGE EDUCATION FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-7

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Charges for Services	\$ 12,000	\$ 11,688	\$ (312)
Investment Earnings	250	26	(224)
Total revenues	<u>12,250</u>	<u>11,714</u>	<u>(536)</u>
Expenditures:			
Current:			
General Government	4,000	9,304	(5,304)
Debt Service:			
Total Expenditures	<u>4,000</u>	<u>9,304</u>	<u>(5,304)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,250</u>	<u>2,410</u>	<u>(5,840)</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(35,000)</u>	<u>(35,000)</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>--</u>
Net Change in Fund Balances	(26,750)	(32,590)	(5,840)
Fund Balances - Beginning	23,107	23,107	--
Fund Balances - Ending	<u>\$ (3,643)</u>	<u>\$ (9,483)</u>	<u>\$ (5,840)</u>

CITY OF BIG SPRING

MUNICIPAL COURT SECURITY FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Fines	\$ 7,000	\$ 7,851	\$ 851
Investment Earnings	235	288	53
Total revenues	<u>7,235</u>	<u>8,139</u>	<u>904</u>
Expenditures:			
Current:			
Public Safety	4,961	4,961	--
Debt Service:			
Total Expenditures	<u>4,961</u>	<u>4,961</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,274</u>	<u>3,178</u>	<u>904</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	2,274	3,178	904
Fund Balances - Beginning	9,811	9,811	--
Fund Balances - Ending	<u>\$ 12,085</u>	<u>\$ 12,989</u>	<u>\$ 904</u>

CITY OF BIG SPRING

GOLF COURSE IMPROVEMENT
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-9

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Investment Earnings	\$ 1,000	\$ (4,787)	\$ (5,787)
Total revenues	<u>1,000</u>	<u>(4,787)</u>	<u>(5,787)</u>
Expenditures:			
Debt Service:			
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,000</u>	<u>(4,787)</u>	<u>(5,787)</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	1,000	(4,787)	(5,787)
Fund Balances - Beginning	(81,013)	(81,013)	--
Fund Balances - Ending	<u>\$ (80,013)</u>	<u>\$ (85,800)</u>	<u>\$ (5,787)</u>

CITY OF BIG SPRING

POLICE SEIZURE
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-10

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Intergovernmental	\$ 3,650	\$ 7,290	\$ 3,640
Investment Earnings	175	289	114
Total revenues	<u>3,825</u>	<u>7,579</u>	<u>3,754</u>
Expenditures:			
Current:			
Public Safety	2,470	4,905	(2,435)
Debt Service:			
Total Expenditures	<u>2,470</u>	<u>4,905</u>	<u>(2,435)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,355</u>	<u>2,674</u>	<u>1,319</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	1,355	2,674	1,319
Fund Balances - Beginning	4,736	4,736	--
Fund Balances - Ending	<u>\$ 6,091</u>	<u>\$ 7,410</u>	<u>\$ 1,319</u>

CITY OF BIG SPRING

EXHIBIT C-11

CEMETERY FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Investment Earnings	\$ 2,700	\$ (3,645)	\$ (6,345)
Rents and Royalties	65,690	71,640	5,950
Contributions and Donations	--	20,000	20,000
Total revenues	<u>83,390</u>	<u>87,995</u>	<u>4,605</u>
DOES NOT FOOT BY THIS AMOUNT-->	(15,000)	--	15,000
Expenditures:			
Cemetery	145,865	141,936	3,929
Debt Service:			
Total Expenditures	<u>145,865</u>	<u>141,936</u>	<u>3,929</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(62,475)</u>	<u>(53,941)</u>	<u>8,534</u>
Other Financing Sources (Uses):			
Transfers In	16,000	16,667	667
Capital Leases	2,262	2,262	--
Total Other Financing Sources (Uses)	<u>18,262</u>	<u>18,929</u>	<u>(667)</u>
Net Change in Fund Balances	(44,213)	(35,012)	9,201
Fund Balances - Beginning	(85,906)	(85,906)	--
Fund Balances - Ending	<u>\$ (130,119)</u>	<u>\$ (120,918)</u>	<u>\$ 9,201</u>

CITY OF BIG SPRING

CEMETERY PERMANENT CARE FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-12

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Investment Earnings	\$ 16,000	\$ 16,667	\$ 667
Total revenues	<u>16,000</u>	<u>16,667</u>	<u>667</u>
Expenditures:			
Debt Service:			
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>16,000</u>	<u>16,667</u>	<u>667</u>
Other Financing Sources (Uses):			
Transfers Out	<u>(16,700)</u>	<u>(16,667)</u>	<u>33</u>
Total Other Financing Sources (Uses)	<u>(16,700)</u>	<u>(16,667)</u>	<u>(33)</u>
Net Change in Fund Balances	(700)	--	700
Fund Balances - Beginning	351,511	351,511	--
Fund Balances - Ending	<u>\$ 350,811</u>	<u>\$ 351,511</u>	<u>\$ 700</u>

CITY OF BIG SPRING

EXHIBIT C-13

2002 REFUNDING FUND
 DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
General Property Taxes	\$ 260,230	\$ 263,303	\$ 3,073
Investment Earnings	850	939	89
Total revenues	<u>261,080</u>	<u>264,242</u>	<u>3,162</u>
Expenditures:			
Debt Service:			
Principal	230,000	230,000	--
Interest and Fiscal Charges	28,872	28,873	(1)
Fiscal Agent's Fees	500	500	--
Total Expenditures	<u>259,372</u>	<u>259,373</u>	<u>(1)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,708</u>	<u>4,869</u>	<u>3,161</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	1,708	4,869	3,161
Fund Balances - Beginning	5,593	5,593	--
Fund Balances - Ending	<u>\$ 7,301</u>	<u>\$ 10,462</u>	<u>\$ 3,161</u>

CITY OF BIG SPRING

CAPITAL REPLACEMENT FUND
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-14

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Intergovernmental	\$ 301,736	\$ --	\$ (301,736)
Investment Earnings	50,000	70,601	20,601
Rents and Royalties	10,000	1,955	(8,045)
Total revenues	<u>361,736</u>	<u>72,556</u>	<u>(289,180)</u>
Expenditures:			
Debt Service:			
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>361,736</u>	<u>72,556</u>	<u>(289,180)</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	361,736	72,556	(289,180)
Fund Balances - Beginning	1,578,401	1,578,401	--
Fund Balances - Ending	<u>\$ 1,940,137</u>	<u>\$ 1,650,957</u>	<u>\$ (289,180)</u>

CITY OF BIG SPRING

WATER AND SEWER FUND
 ENTERPRISE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-15

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES:			
Water Sales	\$ 6,000	\$ 6,145,493	\$ (6,139,493)
Sewer Charges	2,500	2,603,637	(2,601,137)
Other Services	303,600	327,861	(24,261)
Total Operating Revenues	<u>4,088,619</u>	<u>9,077,180</u>	<u>(4,988,561)</u>
OPERATING EXPENSES:			
Personnel Services	1,677,985	2,141,568	(463,583)
Supplies and Materials	4,674,904	3,166,806	1,508,098
Contractual Services	812,036	855,891	(43,855)
Maintenance	722,437	701,169	21,268
Capital Outlay	2,886,230	--	2,886,230
Depreciation	--	1,254,335	(1,254,335)
Other	477,891	504,384	(26,493)
Total Operating Expenses	<u>11,641,483</u>	<u>8,624,153</u>	<u>3,017,330</u>
Operating Income	<u>(7,552,864)</u>	<u>453,027</u>	<u>(8,005,891)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest Revenue	49,200	60,260	(11,060)
Gain (Loss) on Sale of Capital Assets	--	15,221	(15,221)
Interest Expense and Paying Agent Fees	(539,045)	(213,513)	(325,532)
Total Non-operating Revenues (Expenses)	<u>(489,845)</u>	<u>(138,032)</u>	<u>(351,813)</u>
Income Before Transfers	(8,042,709)	314,995	(8,357,704)
Transfers In	545,356	--	545,356
Transfers Out	(545,356)	--	(545,356)
Change in Net Assets	<u>(8,042,709)</u>	<u>314,995</u>	<u>(8,357,704)</u>
Total Net Assets - Beginning	11,107,878	11,107,878	--
Total Net Assets - Ending	<u>\$ 3,065,169</u>	<u>\$ 11,422,873</u>	<u>\$ (8,357,704)</u>

CITY OF BIG SPRING
 AIRPORT/INDUSTRIAL PARK
 ENTERPRISE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-16

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES:			
Commercial Rentals and Fees	\$ 667,055	\$ 687,081	\$ (20,026)
Total Operating Revenues	<u>667,055</u>	<u>687,081</u>	<u>(20,026)</u>
OPERATING EXPENSES:			
Personnel Services	306,358	316,614	(10,256)
Supplies and Materials	110,393	102,707	7,686
Contractual Services	132,859	146,732	(13,873)
Maintenance	192,500	148,914	43,586
Capital Outlay	276,635	--	276,635
Depreciation	--	1,136,946	(1,136,946)
Other	99,393	98,160	1,233
Total Operating Expenses	<u>1,118,138</u>	<u>1,950,073</u>	<u>(831,935)</u>
Operating Income	<u>(451,083)</u>	<u>(1,262,992)</u>	<u>811,909</u>
NON-OPERATING REVENUES (EXPENSES):			
Intergovernmental Revenue	241,500	78,557	162,943
Interest Revenue	70,000	79,340	(9,340)
Other	66,848	644	66,204
Interest Expense and Paying Agent Fees	(9,555)	(501)	(9,054)
Total Non-operating Revenues (Expenses)	<u>368,793</u>	<u>158,040</u>	<u>210,753</u>
Income Before Transfers	<u>(82,290)</u>	<u>(1,104,952)</u>	<u>1,022,662</u>
Transfers In	--	--	--
Change in Net Assets	<u>(82,290)</u>	<u>(1,104,952)</u>	<u>1,022,662</u>
Total Net Assets - Beginning	23,678,249	23,678,249	--
Total Net Assets - Ending	<u>\$ 23,595,959</u>	<u>\$ 22,573,297</u>	<u>\$ 1,022,662</u>

CITY OF BIG SPRING

EMERGENCY MEDICAL SERVICES FUND
 ENTERPRISE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-17

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES:			
Emergency Medical Services	\$ 1,141,300	\$ 1,195,505	\$ (54,205)
Other Services	--	12,432	(12,432)
Total Operating Revenues	<u>1,141,300</u>	<u>1,207,937</u>	<u>(66,637)</u>
OPERATING EXPENSES:			
Personnel Services	988,791	1,007,221	(18,430)
Supplies and Materials	106,500	110,529	(4,029)
Contractual Services	66,665	72,115	(5,450)
Maintenance	40,125	34,337	5,788
Depreciation	--	70,785	(70,785)
Other	300,670	327,067	(26,397)
Total Operating Expenses	<u>1,502,751</u>	<u>1,622,054</u>	<u>(119,303)</u>
Operating Income	<u>(361,451)</u>	<u>(414,117)</u>	<u>52,666</u>
NON-OPERATING REVENUES (EXPENSES):			
Intergovernmental Revenue	130,000	130,000	--
Interest Revenue	1,300	3,115	(1,815)
Interest Expense and Paying Agent Fees	(24,589)	(3,848)	(20,741)
Total Non-operating Revenues (Expenses)	<u>106,711</u>	<u>129,267</u>	<u>(22,556)</u>
Income Before Transfers	<u>(254,740)</u>	<u>(284,850)</u>	<u>30,110</u>
Transfers In	250,000	250,000	--
Change in Net Assets	<u>7,692</u>	<u>(34,850)</u>	<u>42,542</u>
Total Net Assets - Beginning	243,260	243,260	--
Total Net Assets - Ending	<u>\$ 250,952</u>	<u>\$ 208,410</u>	<u>\$ 42,542</u>

CITY OF BIG SPRING

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2006

	Garage	Health Insurance	Occupational Accident Insurance	Total Internal Service Funds (See Exhibit A-7)
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 209,741	\$ 900,101	\$ 259,377	\$ 1,369,219
Receivables (net of allowances for uncollectibles)	815	--	--	815
Due from Other Funds	--	100,000	--	100,000
Inventories	85,464	--	--	85,464
Total Current Assets	<u>296,020</u>	<u>1,000,101</u>	<u>259,377</u>	<u>1,555,498</u>
Noncurrent Assets:				
Capital Assets (net of accumulated depreciation):				
Land	10,000	--	--	10,000
Machinery and Equipment	19,016	--	--	19,016
Total Noncurrent Assets	<u>29,016</u>	<u>--</u>	<u>--</u>	<u>29,016</u>
Total Assets	<u>\$ 325,036</u>	<u>\$ 1,000,101</u>	<u>\$ 259,377</u>	<u>\$ 1,584,514</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 89,439	\$ --	\$ 26,965	\$ 116,404
Claims and Judgments Payable	--	30,130	241,078	271,208
Contracts Payable/Accrued Liabilities	41,563	--	--	41,563
Retainage payable	1,802	--	--	1,802
Due to Other Funds	--	--	100,000	100,000
Total Current Liabilities	<u>132,804</u>	<u>30,130</u>	<u>368,043</u>	<u>530,977</u>
Noncurrent Liabilities:				
Total Liabilities	<u>132,804</u>	<u>30,130</u>	<u>368,043</u>	<u>530,977</u>
NET ASSETS:				
Investment in Capital Assets, Net of Related Debt	29,016	--	--	29,016
Unrestricted Net Assets	163,216	969,971	(108,666)	1,024,521
Total Net Assets	<u>\$ 192,232</u>	<u>\$ 969,971</u>	<u>\$ (108,666)</u>	<u>\$ 1,053,537</u>

CITY OF BIG SPRING

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Garage	Health Insurance	Occupational Accident Insurance	Total Internal Service Funds (See Exhibit A-8)
OPERATING REVENUES:				
Billings to Departments and Employees	\$ 1,543,666	\$ 1,456,575	\$ 340,000	\$ 3,340,241
Total Operating Revenues	<u>1,543,666</u>	<u>1,456,575</u>	<u>340,000</u>	<u>3,340,241</u>
OPERATING EXPENSES:				
Personnel Services	336,725	--	--	336,725
Supplies and Materials	1,036,417	--	--	1,036,417
Contractual Services	24,922	890,221	239,516	1,154,659
Maintenance	16,263	--	--	16,263
Depreciation	4,591	--	--	4,591
Other	--	320,888	42,550	363,438
Total Operating Expenses	<u>1,418,918</u>	<u>1,211,109</u>	<u>282,066</u>	<u>2,912,093</u>
Operating Income	<u>124,748</u>	<u>245,466</u>	<u>57,934</u>	<u>428,148</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest Revenue	6,266	33,669	6,396	46,331
Other	931	--	--	931
Interest Expense and Paying Agent Fees	(9)	--	--	(9)
Total Non-operating Revenues (Expenses)	<u>7,188</u>	<u>33,669</u>	<u>6,396</u>	<u>47,253</u>
Income Before Transfers	131,936	279,135	64,330	475,401
Transfers In	--	--	--	--
Change in Net Assets	<u>131,936</u>	<u>279,135</u>	<u>64,330</u>	<u>475,401</u>
Total Net Assets - Beginning	60,296	690,836	(172,996)	578,136
Total Net Assets - Ending	<u>\$ 192,232</u>	<u>\$ 969,971</u>	<u>\$ (108,666)</u>	<u>\$ 1,053,537</u>

CITY OF BIG SPRING

COMBINING STATEMENT OF CASH FLOWS
 ALL INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Garage	Health Insurance	Occupational Accident Insurance	Total Internal Service Funds (See Exhibit A-9)
Cash Flows from Operating Activities:				
Cash Received from Interfund Services Provided	\$ 1,542,942	\$ 1,456,575	\$ 340,000	\$ 3,339,517
Cash Payments to Employees	(336,725)	--	--	(336,725)
Cash Payments to Suppliers for Goods and Services	(1,071,060)	(1,225,725)	(180,102)	(2,476,887)
Net Cash Provided (Used) by Operating Activities	<u>135,157</u>	<u>230,850</u>	<u>159,898</u>	<u>525,905</u>
Cash Flows from Non-capital Financing Activities:				
Proceeds (Payments) from (for) Borrowings	17,975	--	--	17,975
Other	930	--	--	930
Net Cash Provided (Used) by Non-capital Financing Activities	<u>18,905</u>	<u>--</u>	<u>--</u>	<u>18,905</u>
Cash Flows from Capital and Related Financing Activities:				
Principal and Interest Paid	(1,263)	--	--	(1,263)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(1,263)</u>	<u>--</u>	<u>--</u>	<u>(1,263)</u>
Cash Flows from Investing Activities:				
Interest and Dividends on Investments	6,266	33,669	6,396	46,331
Net Cash Provided (Used) for Investing Activities	<u>6,266</u>	<u>33,669</u>	<u>6,396</u>	<u>46,331</u>
Net Increase (Decrease) in Cash and Cash Equivalents	159,065	264,519	166,294	589,878
Cash and Cash Equivalents at Beginning of Year	50,676	635,582	93,083	779,341
Cash and Cash Equivalents at End of Year	<u>\$ 209,741</u>	<u>\$ 900,101</u>	<u>\$ 259,377</u>	<u>\$ 1,369,219</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 124,748	\$ 245,466	\$ 57,934	\$ 428,148
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	4,591	--	--	4,591
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	(724)	--	--	(724)
Decrease (Increase) in Inventories	(857)	--	--	(857)
Increase (Decrease) in Accounts Payable	(4,724)	--	115	(4,609)
Increase (Decrease) in Accrued Expenses	12,123	(14,616)	101,849	99,356
Total Adjustments	<u>10,409</u>	<u>(14,616)</u>	<u>101,964</u>	<u>97,757</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 135,157</u>	<u>\$ 230,850</u>	<u>\$ 159,898</u>	<u>\$ 525,905</u>

CITY OF BIG SPRING

EXHIBIT C-21

GARAGE FUND
 INTERNAL SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES:			
Billings to Departments and Employees	\$ 1,428,450	\$ 1,543,666	\$ (115,216)
Total Operating Revenues	<u>1,428,450</u>	<u>1,543,666</u>	<u>(115,216)</u>
OPERATING EXPENSES:			
Personnel Services	323,989	336,725	(12,736)
Supplies and Materials	1,053,406	1,036,417	16,989
Contractual Services	26,865	24,922	1,943
Maintenance	15,875	16,263	(388)
Depreciation	--	4,591	(4,591)
Total Operating Expenses	<u>1,420,135</u>	<u>1,418,918</u>	<u>1,217</u>
Operating Income	<u>8,315</u>	<u>124,748</u>	<u>(116,433)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest Revenue	3,500	6,266	(2,766)
Other	18,906	931	17,975
Interest Expense and Paying Agent Fees	(1,263)	(9)	(1,254)
Total Non-operating Revenues (Expenses)	<u>21,143</u>	<u>7,188</u>	<u>13,955</u>
Income Before Transfers	<u>29,458</u>	<u>131,936</u>	<u>(102,478)</u>
Transfers In	--	--	--
Change in Net Assets	<u>29,458</u>	<u>131,936</u>	<u>(102,478)</u>
Total Net Assets - Beginning	60,296	60,296	--
Total Net Assets - Ending	<u>\$ 89,754</u>	<u>\$ 192,232</u>	<u>\$ (102,478)</u>

CITY OF BIG SPRING
 HEALTH INSURANCE FUND
 INTERNAL SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-22

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES:			
Billings to Departments and Employees	\$ 1,468,000	\$ 1,456,575	\$ 11,425
Total Operating Revenues	<u>1,468,000</u>	<u>1,456,575</u>	<u>11,425</u>
OPERATING EXPENSES:			
Contractual Services	952,200	890,221	61,979
Other	<u>325,000</u>	<u>320,888</u>	<u>4,112</u>
Total Operating Expenses	<u>1,277,200</u>	<u>1,211,109</u>	<u>66,091</u>
Operating Income	<u>190,800</u>	<u>245,466</u>	<u>(54,666)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest Revenue	<u>35,000</u>	<u>33,669</u>	<u>1,331</u>
Total Non-operating Revenues (Expenses)	<u>35,000</u>	<u>33,669</u>	<u>1,331</u>
Income Before Transfers	<u>225,800</u>	<u>279,135</u>	<u>(53,335)</u>
Transfers In	--	--	--
Change in Net Assets	<u>225,800</u>	<u>279,135</u>	<u>(53,335)</u>
Total Net Assets - Beginning	690,836	690,836	--
Total Net Assets - Ending	<u>\$ 916,636</u>	<u>\$ 969,971</u>	<u>\$ (53,335)</u>

CITY OF BIG SPRING

OCCUPATIONAL ACCIDENT INSURANCE FUND
 INTERNAL SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-23

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES:			
Billings to Departments and Employees	\$ 340,000	\$ 340,000	\$ --
Total Operating Revenues	<u>340,000</u>	<u>340,000</u>	<u>--</u>
OPERATING EXPENSES:			
Contractual Services	201,027	239,516	(38,489)
Other	53,550	42,550	11,000
Total Operating Expenses	<u>254,577</u>	<u>282,066</u>	<u>(27,489)</u>
Operating Income	<u>85,423</u>	<u>57,934</u>	<u>27,489</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest Revenue	5,000	6,396	(1,396)
Total Non-operating Revenues (Expenses)	<u>5,000</u>	<u>6,396</u>	<u>(1,396)</u>
Income Before Transfers	90,423	64,330	26,093
Transfers In	--	--	--
Change in Net Assets	<u>90,423</u>	<u>64,330</u>	<u>26,093</u>
Total Net Assets - Beginning	(172,996)	(172,996)	--
Total Net Assets - Ending	<u>\$ (82,573)</u>	<u>\$ (108,666)</u>	<u>\$ 26,093</u>

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Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

WEST, DAVIS & COMPANY, LLP
11615 Angus Road, Suite 219
Austin, Texas 78759

Independent Auditors' Report

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

City Council
City of Big Spring
Big Spring, Texas

Members of the City Council:

We have audited the basic and combining financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Big Spring as of and for the year ended September 30, 2006, which collectively comprise the City of Big Spring's basic financial statements and have issued our report thereon dated May 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Big Spring's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Big Spring's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Big Spring's internal control over financial reporting. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Big Spring's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Big Spring's financial statements that is more than inconsequential will not be prevented by the City of Big Spring's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Big Spring's internal control.

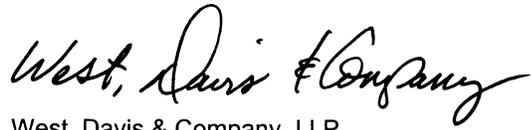
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Big Spring's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "West, Davis & Company".

West, Davis & Company, LLP
May 31, 2007

STATISTICAL SECTION

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

Contents	Page
Financial Trends	80
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	85
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
Debt Capacity	91
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	95
These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	97
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

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

CITY OF BIG SPRING

NET ASSETS BY COMPONENT

LAST THREE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2004	2005	2006
Governmental Activities			
Invested in Capital Assets, Net of Related Debt	\$ 77,848,906	\$ 76,116,555	\$ 73,419,484
Restricted	386,013	389,351	361,973
Unrestricted	5,289,265	6,747,028	7,727,735
Total Governmental Activities Net Assets	<u>\$ 83,524,184</u>	<u>\$ 83,252,934</u>	<u>\$ 81,509,192</u>
Business-type Activities			
Invested in Capital Assets, Net of Related Debt	\$ 33,008,493	\$ 31,425,926	\$ 33,553,978
Restricted	334,551	342,645	11,066
Unrestricted	3,015,435	3,260,817	639,536
Total Business-type Activities Net Assets	<u>\$ 36,358,479</u>	<u>\$ 35,029,388</u>	<u>\$ 34,204,580</u>
Primary Government			
Invested in Capital Assets, Net of Related Debt	\$ 110,857,399	\$ 107,542,481	\$ 106,973,462
Restricted	720,564	731,996	373,039
Unrestricted	8,304,700	10,007,845	8,367,271
Total Primary Government Net Assets	<u>\$ 119,882,663</u>	<u>\$ 118,282,322</u>	<u>\$ 115,713,772</u>

CITY OF BIG SPRING

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
 LAST THREE FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2004	2005	2006
Expenses			
Governmental Activities:			
General Government	\$ 1,598,837	\$ 1,741,763	\$ 2,292,138
Public Safety	59,753,329	63,357,979	64,737,117
Highways & Streets	1,864,786	2,005,424	2,382,964
Sanitation	1,748,448	1,440,393	1,886,843
Community Service	73,937	75,926	82,963
Parks and Recreation	828,455	986,783	1,119,815
Cemetery	129,875	133,495	141,936
Economic Development	1,253,655	1,316,261	1,568,429
Interest on Long-Term Debt	96,553	82,235	75,692
Total Governmental Activities Expenses	<u>67,347,875</u>	<u>71,140,259</u>	<u>74,287,897</u>
Business-type Activities			
Water and Sewer	8,167,245	8,467,850	8,837,666
Airport/Industrial Park	1,840,550	1,891,731	1,950,574
Emergency Medical Services	1,486,434	1,584,557	1,625,902
Total Business-type Activities Expenses	<u>11,494,229</u>	<u>11,944,138</u>	<u>12,414,142</u>
Total Primary Government Expenses	<u>\$ 78,842,104</u>	<u>\$ 83,084,397</u>	<u>\$ 86,702,039</u>
Program Revenues			
Governmental Activities:			
Charges for Services:			
Public Safety	\$ 51,833,181	\$ 55,843,075	\$ 56,146,480
Sanitation	2,241,575	2,177,773	2,241,759
Parks and Recreation	298,686	321,379	306,525
General Government	164,761	190,868	202,275
Cemetery	93,629	63,020	50,849
Operating Grants and Contributions	185,096	232,439	390,121
Total Governmental Activities Program Revenues	<u>54,816,928</u>	<u>58,828,554</u>	<u>59,338,009</u>
Business-type Activities:			
Charges for Services:			
Water and Sewer	7,623,550	8,031,772	9,076,991
Airport/Industrial Park	630,480	604,809	687,081
Emergency Medical Services	1,101,470	1,182,332	1,207,937
Total Business-type Activities Program Revenues	<u>9,355,500</u>	<u>9,818,913</u>	<u>10,972,009</u>
Total Primary Government Program Revenues	<u>\$ 64,172,428</u>	<u>\$ 68,647,467</u>	<u>\$ 70,310,018</u>
Net (Expense)/Revenue			
Governmental Activities	\$ (12,530,947)	\$ (12,311,705)	\$ (14,949,888)
Business-type Activities	(2,138,729)	(2,125,225)	(1,442,133)
Total Primary Government Net Expense	<u>\$ (14,669,676)</u>	<u>\$ (14,436,930)</u>	<u>\$ (16,392,021)</u>

CITY OF BIG SPRING

GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS

LAST THREE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2004	2005	2006
Net (Expense)/Revenue			
Governmental Activities	\$ (12,530,947)	\$ (12,311,705)	\$ (14,949,888)
Business-type Activities	(2,138,729)	(2,125,225)	(1,442,133)
Total Primary Government Net Expense	\$ <u>(14,669,676)</u>	\$ <u>(14,436,930)</u>	\$ <u>(16,392,021)</u>
General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Taxes			
Property Taxes	\$ 2,981,435	\$ 3,001,978	\$ 3,075,336
Sales Taxes	4,024,731	4,258,228	4,969,337
Gross Receipts Taxes	1,344,025	1,386,769	1,864,360
Motel Occupancy Taxes	253,684	301,660	369,762
Unrestricted Grants and Contributions	1,710,957	2,172,243	1,769,263
Investment Earnings	137,333	247,938	390,416
Miscellaneous	1,033,835	1,257,385	1,017,673
Transfers	(250,000)	(585,747)	(250,000)
Total Governmental Activities	\$ <u>11,236,000</u>	\$ <u>12,040,454</u>	\$ <u>13,206,147</u>
Business-type Activities:			
Unrestricted Grants and Contributions	--	130,000	208,557
Investment Earnings	--	78,221	142,904
Other	667,337	2,167	15,865
Transfers	250,000	585,747	250,000
Total Business-type Activities	<u>917,337</u>	<u>796,135</u>	<u>617,326</u>
Total Primary Government	\$ <u><u>12,153,337</u></u>	\$ <u><u>12,836,589</u></u>	\$ <u><u>13,823,473</u></u>
Change in Net Assets			
Governmental Activities	\$ (1,294,947)	\$ (271,251)	\$ (1,743,741)
Business-type Activities	(1,221,392)	(1,329,090)	(824,807)
Total Primary Government	\$ <u>(2,516,339)</u>	\$ <u>(1,600,341)</u>	\$ <u>(2,568,548)</u>

TABLE E-4

CITY OF BIG SPRING
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund					
Reserved	\$ 38,524	\$ 38,524	\$ 32,540	\$ 32,247	\$ 24,307
Unreserved	2,890,212	2,890,212	3,340,037	3,898,842	6,356,196
Total General Fund	<u>\$ 2,928,736</u>	<u>\$ 2,928,736</u>	<u>\$ 3,372,577</u>	<u>\$ 3,931,089</u>	<u>\$ 6,380,503</u>
All Other Governmental Funds					
Reserved	\$ 760,164	\$ 760,164	\$ 351,511	\$ 351,661	\$ 351,511
Unreserved, Reported In:					
Special Revenue Funds	3,130,866	3,130,866	2,957,387	2,772,513	2,649,383
Capital Projects Funds	1,118,521	1,118,521	1,592,369	1,578,401	1,650,957
Debt Service Funds	2,890	2,890	1,962	5,593	10,462
Total All Other Governmental Funds	<u>\$ 5,012,441</u>	<u>\$ 5,012,441</u>	<u>\$ 4,903,229</u>	<u>\$ 4,708,168</u>	<u>\$ 4,662,313</u>

TABLE E-5

CITY OF BIG SPRING

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST FIVE FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues					
Taxes	\$ 7,936,755	\$ 7,936,755	\$ 8,501,804	\$ 8,998,104	\$ 10,301,113
Licenses, Fees and Permits	342,585	342,585	317,098	192,618	204,021
Fines and Penalties	297,287	297,287	248,228	441,079	258,458
Charges for Services	2,099,015	2,099,015	2,091,438	2,407,456	2,476,170
Intergovernmental	50,761,153	50,761,153	53,722,280	58,236,015	58,298,013
Investment Earnings	144,468	144,468	137,333	247,938	390,416
Other Revenues	1,101,921	1,101,921	1,103,872	981,014	888,283
Total Revenues	<u>62,683,184</u>	<u>62,683,184</u>	<u>66,122,053</u>	<u>71,504,224</u>	<u>72,816,474</u>
Expenditures					
General Government	1,305,280	1,305,280	1,340,274	1,563,355	1,901,122
Public Safety	54,935,165	54,935,165	58,295,462	62,728,675	63,303,421
Highways and Streets	1,478,347	1,478,347	1,755,539	1,664,960	1,878,575
Sanitation	1,357,147	1,357,147	1,547,455	1,816,743	1,802,870
Community Service	70,742	70,742	73,937	75,926	82,963
Parks and Recreation	694,841	694,841	725,169	1,049,187	1,152,060
Economic Development	1,050,143	1,050,143	1,282,737	1,316,261	1,568,429
Cemetery	179,568	179,568	129,875	167,995	141,936
Capital Outlay	536,124	536,124	--	--	--
Debt Service					
Interest and Fees	97,682	97,682	97,441	85,776	74,755
Principal	667,992	667,992	688,061	820,956	723,009
Total Expenditures	<u>62,373,031</u>	<u>62,373,031</u>	<u>65,935,950</u>	<u>71,289,834</u>	<u>72,629,140</u>
Excess of Revenues					
Over (Under) Expenditures	310,153	310,153	186,103	214,390	187,334
Other Financing Sources (Uses)					
Capital Leases	--	--	398,526	734,809	2,466,226
Refunding Bonds Issued	--	--	--	--	--
Payments to Escrow Agent	--	--	--	--	--
Transfers In	409,146	409,146	361,676	647,766	439,839
Transfers Out	(659,146)	(659,146)	(611,676)	(1,233,513)	(689,839)
Total Other Financing	<u>(250,000)</u>	<u>(250,000)</u>	<u>148,526</u>	<u>149,062</u>	<u>2,216,226</u>
Sources (Uses)					
Net Change in Fund Balances	<u>\$ 60,153</u>	<u>\$ 60,153</u>	<u>\$ 334,629</u>	<u>\$ 363,452</u>	<u>\$ 2,403,560</u>
Debt Service As A Percentage					
Of Noncapital Expenditures	1.2%	1.2%	1.2%	1.3%	1.1%

CITY OF BIG SPRING

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

LAST FIVE FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Property Tax	Sales Tax	Business Gross Receipts Tax	Motel Occupancy Taxes	Total
2002	\$ 2,370,734	\$ 3,735,067	\$ 1,505,759	\$ 184,756	7,796,316
2003	2,703,128	3,640,107	1,399,420	194,100	7,936,755
2004	2,879,364	4,024,731	1,344,025	253,684	8,501,804
2005	3,051,477	4,258,228	1,386,769	301,660	8,998,134
2006	3,097,654	4,969,337	1,864,360	369,762	10,301,113
Percent Change 2002-2006	30.7%	33.0%	23.8%	100.1%	

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CITY OF BIG SPRINGASSESSSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1997	\$ 267,515,521	\$ 267,515,521	\$ 138,089,192	\$ 138,089,192
1998	286,168,604	286,168,604	117,537,140	117,537,140
1999	288,063,111	288,063,111	123,995,970	123,995,970
2000	270,971,147	270,971,147	131,751,528	131,751,528
2001	296,099,061	296,099,061	106,778,706	106,778,706
2002	305,338,253	305,338,253	105,116,794	105,116,794
2003	314,715,405	314,715,405	96,575,202	96,575,202
2004	315,221,277	315,221,277	97,269,748	97,269,748
2005	316,094,505	316,094,505	97,391,125	97,391,125
2006	363,664,736	363,664,736	55,909,450	55,909,450

Source: Central Appraisal District

TABLE E-7

All Property		Taxable Assessed Value as a Percentage of Actual Taxable Value
Assessed Value	Estimated Actual Value	
\$ 405,604,713	\$ 405,604,713	100.000%
403,705,744	403,705,744	100.000%
412,059,081	412,059,081	100.000%
402,722,675	402,722,675	100.000%
402,877,767	402,877,767	100.000%
410,455,047	410,455,047	100.000%
411,290,607	411,290,607	100.000%
412,491,025	412,491,025	100.000%
413,485,630	413,485,630	100.000%
419,574,186	419,574,186	100.000%

CITY OF BIG SPRING

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Western Container	\$ 22,789,860	1	5.1%	\$ 70,373,680	1	17.4%
Scenic Mountain Hospital	10,403,246	2	2.3%	11,859,183	3	2.9%
TXU Electric Delivery Co.	9,550,440	3	2.1%	8,613,760	4	2.1%
Southwestern Bell Telephone	6,716,060	4	1.5%	8,354,900	5	2.1%
Walmart Real Estate	6,370,000	5	1.4%	--	--	--
Walmart Stores Texas LP	5,764,690	6	1.3%	14,281,194	2	3.5%
General Electric Capital	4,013,540	7	0.9%	--	--	--
Scenic Mountain Medical	3,905,277	8	0.9%	--	--	--
Fifth Third Leasing Co.	3,816,730	9	0.9%	--	--	--
Cox Com., Inc.	3,635,450	10	0.9%	--	--	--
HEB Grocery Store Inc.	--	--	--	3,920,977	6	1.0%
Rip Griffin Truck Stop	--	--	--	2,811,538	7	1.0%
Energas	--	--	--	2,441,010	8	1.0%
Fiberflex, Inc.	--	--	--	2,257,770	9	1.0%
Cerros Morado Corp.	--	--	--	1,816,104	10	0.5%
Total	\$ 76,965,293		17.3%	\$ 126,730,116		32.50%

Source: Central Appraisal District

CITY OF BIG SPRING
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 2,474,193	\$ 2,389,914	96.59%	\$ 69,347	\$ 2,459,261	99.40%
1998	2,462,608	2,379,106	96.61%	59,864	2,438,970	99.04%
1999	2,513,551	2,414,365	96.05%	56,464	2,470,829	98.30%
2000	2,497,899	2,377,916	95.20%	73,619	2,451,535	98.14%
2001	2,644,134	2,511,365	94.98%	65,594	2,576,959	97.46%
2002	2,693,926	2,549,800	94.65%	73,904	2,623,704	97.39%
2003	2,699,300	2,530,568	93.75%	99,342	2,629,910	97.43%
2004	2,830,926	2,687,521	94.93%	92,805	2,780,326	98.21%
2005	3,005,417	2,815,327	93.68%	128,267	2,943,594	97.94%
2006	3,186,071	2,876,799	90.29%	135,280	3,012,079	94.54%

Sources: Howard County

CITY OF BIG SPRING

PRINCIPAL SALES TAX REMITTERS
CURRENT YEAR AND NINE YEARS AGO

Tax Remitter	2006			1997		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Supermarkets and Other Grocery	\$ 186,184	1	3.65%	\$ 232,275	2	6.37%
Limited Service Restaurants	180,289	2	3.54%	65,814	5	1.81%
Eating Places	163,844	3	3.22%	274,859	1	7.54%
Gasoline Stations with Convenience Stores	156,749	4	3.08%	165,427	3	4.54%
Miscellaneous Manufacturers	144,422	5	2.83%			
Cellular Wireless Telecommunications	132,707	6	2.60%			
Full Service Restaurants	127,616	7	2.50%	54,184	7	1.49%
Gasoline Service Stations	120,744	8	2.37%	41,707	8	1.14%
Miscellaneous Retailers	111,217	9	2.18%	57,347	6	1.57%
Electric Power	104,077	10	2.04%			
Other Building Material Dealers	80,625	11	1.58%			
Wired Telecommunications	72,941	12	1.43%	89,832	4	2.46%
Hardware Stores				40,221	9	1.10%
Communications Services				35,937	10	0.99%
Furniture Stores	--	--	--	27,792	11	0.76%
Radiotelephone	--	--	--	27,509	12	0.75%
Total	\$ 1,581,415		31.02%	\$ 1,112,904		30.52%

Source: Texas State Comptroller

CITY OF BIG SPRINGRATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
1997	\$ 3,100,798	0.89%	\$ 129
1998	2,710,840	0.65%	110
1999	2,328,658	0.57%	97
2000	2,021,142	0.49%	84
2001	1,800,000	0.45%	71
2002	1,600,000	0.40%	63
2003	1,360,000	0.33%	54
2004	1,125,000	0.27%	44
2005	895,000	0.22%	35
2006	665,000	0.16%	26

CITY OF BIG SPRING
 DIRECT AND OVERLAPPING
 GOVERNMENTAL ACTIVITIES DEBT

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid With Property Taxes			
Big Spring Independent School District	\$ 9,614,998	48.330%	\$ 4,646,929
Forsan Independent School District	6,284,585	0.620%	38,964
Howard County General Obligation Debt	1,070,000	36.070%	385,949
Subtotal, Overlapping Debt			<u>5,071,842</u>
City Direct Debt			<u>654,538</u>
Total Direct and Overlapping Debt			<u>\$ 5,726,380</u>

Sources: Assessed value data used to estimate applicable percentages provided by each governmental unit.

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CITY OF BIG SPRING
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

	Fiscal Year				
	1997	1998	1999	2000	2001
Debt Limit	\$ 6,084,071	\$ 6,055,586	\$ 6,180,886	\$ 6,040,840	\$ 6,043,167
Total Net Debt Applicable to Limit	2,876,486	2,590,588	2,306,633	2,173,658	1,871,266
Legal Debt Margin	3,207,585	3,464,998	3,874,253	3,867,182	4,171,901
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	47.28%	42.78%	37.32%	35.98%	30.96%

TABLE E-13

	Fiscal Year				
	2002	2003	2004	2005	2006
\$	6,156,826	\$ 6,169,359	\$ 6,187,365	\$ 6,202,284	\$ 6,293,613
	1,600,000	1,362,890	1,126,962	889,407	654,538
	4,556,826	4,806,469	5,060,403	5,312,877	5,639,075
	25.99%	22.09%	18.21%	14.34%	10.40%

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed Value	\$ <u>419,574,178</u>
Debt Limit (1.5% Assessed Value) Assessed Value	<u>6,293,613</u>
Debt Applicable to Limit:	
General Obligation Bonds	665,000
Less: Amount Set Aside for Repayment	<u>10,462</u>
Net Debt Applicable to Limit	<u>654,538</u>
Legal Debt Margin	\$ <u>5,639,075</u>

CITY OF BIG SPRING

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN CALENDAR YEARS

	1997	1998	1999	2000	2001
Population	23,977	23,977	23,977	25,233	25,233
Per Capita Personal Income	\$ 22,000	\$ 22,500	\$ 22,500	\$ 22,500	\$ 21,404
Median Age	37	34	34	36	36
Unemployment	4.0%	4.9%	6.1%	5.1%	5.1%

Sources: Population provided by the Bureau of Census.

Personal income and median age data provided by the Texas Workforce Commission.

Unemployment data provided by the Bureau of Labor Statistics.

TABLE E-14

	2002	2003	2004	2005	2006
	25,233	25,233	25,233	25,233	25,233
\$	20,323	\$ 20,323	\$ 21,501	\$ 21,925	\$ 23,186
	35	36	36	36	36
	6.4%	6.6%	5.9%	5.6%	5.2%

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CITY OF BIG SPRING

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	2006			1997		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Big Spring State Hospital	605	1	4.70%	655	1	N/A
Big Spring ISD	597	2	4.63%	610	2	N/A
Cornell Corrections, Inc.	485	3	3.76%	449	4	N/A
Veterans Administration Hospital	480	4	3.73%	508	3	N/A
Price Construction	450	5	3.49%	125	16	N/A
Scenic Mountain Medical Center	350	6	2.72%	340	6	N/A
Wal-Mart	350	7	2.72%	358	5	N/A
City of Big Spring	268	8	2.08%	266	9	N/A
Howard College & SWICD	255	9	1.98%	235	10	N/A
U.S. Justice Department	250	10	1.94%	292	7	N/A
Alon USA	204	11	1.59%	190	12	N/A
Howard County	170	12	1.32%	170	13	N/A
Total	4,464		34.66%	4,198		N/A

Source: Economic Development Corporation

CITY OF BIG SPRING

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Full-Time-Equivalent Employees as of Year End				
	1997	1998	1999	2000	2001
General Government					
Management Services	15	16	17	16	9
Finance	7	7	7	7	6
Other	5	5	5	7	4
Information Technology	--	--	--	--	1
Convention & Visitors Bureau	--	--	--	--	--
Police					
Officers	48	47	47	46	46
Civilians	20	20	20	20	20
Fire					
Firefighters and Officers	46	50	50	49	49
Civilians	--	--	--	1	--
EMS					
EMS and Officers	16	15	14	14	14
Civilians	1	1	1	1	2
Landfill	8	8	8	8	7
Other Public Works	11	11	12	8	7
Parks and Recreation	24	24	23	10	10
Service Center	10	10	10	10	9
Streets	13	13	13	16	16
Sanitation	8	8	8	8	8
Airpark	13	9	9	8	7
Water	35	35	40	40	40
Wastewater	11	11	9	9	9
Total	<u>291</u>	<u>290</u>	<u>293</u>	<u>278</u>	<u>264</u>

Source: City Budget Office

TABLE E-16

Full-Time-Equivalent Employees as of Year End				
2002	2003	2004	2005	2006
9	8	8	7	7
6	6	6	6	6
6	6	5	5	5
1	1	1	1	1
--	--	1	1	1
48	48	56	56	56
19	16	8	8	8
49	46	46	46	46
--	--	1	1	1
13	16	16	16	16
2	2	1	2	2
6	6	8	7	7
7	7	8	9	9
9	8	9	9	9
9	8	8	8	8
13	14	14	14	14
8	8	8	8	8
7	7	7	7	7
41	41	41	41	41
9	9	8	9	9
262	257	260	261	261

CITY OF BIG SPRING

OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	1997	1998	1999	2000	2001
General Government					
Building Permits Issued			27	1,728	273
Police					
Physical Arrests	2,640	2,082	1,972	1,552	1,619
Number of Calls for Service	32,829	32,155	36,072	32,662	33,344
Alarm Responses	623	546	1,074	802	726
Fire					
Emergency Responses	--	--	--	344	300
EMS Service					
Number of Runs	--	--	355	2,563	2,038
Refuse Collection					
Collected (tons per day)	--	--	90	100	100
Water					
Active Accounts	--	--	8,746	8,655	8,644
Water Main Breaks	310	236	301	307	321
Average Daily Consumption (thousands of gallons)	--	--	5,800	5,800	5,380
Wastewater					
Average Daily Sewage Treatment (thousands of gallons)	2,630	2,605	2,561	2,874	2,559

TABLE E-17

Fiscal Year				
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
372	269	1,170	966	1,351
1,668	1,613	1,574	1,730	1,904
32,130	33,344	38,411	26,961	19,431
878	726	832	1,132	1,057
288	327	333	281	431
2,243	2,175	2,293	2,546	3,265
100	110	110	120	120
8,473	8,649	8,471	8,311	8,626
187	225	228	200	199
3,853	5,380	5,380	4,919	4,919
2,493	2,450	2,183	2,054	2,205

CITY OF BIG SPRING

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	1997	1998	1999	2000	2001
Police					
Stations	1	1	1	1	1
Patrol Units					
Marked	34	34	34	34	34
Unmarked	17	17	17	17	17
Fire Stations	5	5	5	5	5
Refuse Collection					
Collection Trucks	6	6	6	6	6
Other Public Works					
Streets					
Paved (miles)	171	171	171	171	171
Unpaved (miles)	18	18	18	18	18
Street Lights	1,879	1,879	1,879	1,903	1,903
Parks and Recreation					
Acreage	1,069	1,069	1,069	1,069	1,069
Parks	5	5	5	5	5
Lakes	2	2	2	2	2
Baseball/Softball Fields	6	6	6	6	6
Community Centers	1	1	1	1	1
Water					
Water Mains (miles)	150	150	150	150	153
Fire Hydrants	1,120	1,120	1,120	1,120	1,145
System Capacity (thousands of gallons)	12,500	12,500	12,500	12,500	12,500
Wastewater					
Sanitary Sewers (miles)	140	140	140	140	140
Treatment Capacity (thousands of gallons)	2,630	2,605	2,561	2,874	2,559

Sources: Various city departments

TABLE E-18

Fiscal Year				
2002	2003	2004	2005	2006
1	1	1	1	1
34	34	34	34	34
17	17	17	17	17
5	5	5	5	5
6	6	6	6	6
171	174	177	158	158
18	15	12	12	12
1,903	1,903	1,907	1,812	1,812
1,069	1,069	1,069	1,069	1,069
5	5	5	5	5
2	2	2	2	2
6	6	6	6	6
1	1	1	1	1
240	240	240	177	177
1,145	1,510	1,510	722	722
12,500	12,500	12,500	12,500	12,500
140	170	170	125	125
2,493	2,450	2,183	2,054	2,205

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