

**CITY OF WEATHERFORD, TEXAS
MUNICIPAL UTILITY SYSTEM
ANNUAL FINANCIAL REPORT**

YEAR ENDED SEPTEMBER 30, 2008

Prepared by the
**CITY OF WEATHERFORD
FINANCE DEPARTMENT**

UTILITY BOARD

Bailey McNutt, Chairman

Dennis Hooks, Mayor

Jan Barton

Ken Davis

Waymon Hamilton

Therylene Helm

Heidi Wilder

ACTING CITY MANAGER

Jerry Blaisdell

ASSISTANT CITY MANAGER

Robert Hanna

DIRECTOR OF UTILITIES

Sharon Hayes

CHIEF FINANCIAL OFFICER

Janina Jewell

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**CITY OF WEATHERFORD, TEXAS
MUNICIPAL UTILITY SYSTEM
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2008**

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**CITY OF WEATHERFORD, TEXAS
MUNICIPAL UTILITY SYSTEM**

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INTRODUCTORY SECTION

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MESSAGE FROM THE CITY MANAGER

During the fiscal year ended September 30, 2008, the Weatherford Municipal Utility System continued to experience significant customer growth in the residential and commercial sectors. While single-family residential building permits decreased from 216 in fiscal year 2006-07 to 164 in fiscal year 2007-08, commercial building permits were up to 49 recorded in fiscal year 2007-08 compared to 41 during fiscal year 2006-07.

Weatherford Municipal Utility also continued infrastructure construction during the year. The Electric Department saw a customer increase of 552 or 2.9% with an annual kWh sales increase of 6.2%. During the 2007-2008 fiscal year, four residential subdivisions and thirty-five commercial construction projects were completed. System improvements of existing feeders were continued to more efficiently utilize substation capacity and to build redundancy into the system. Approximately one mile of distribution feeder was upgraded on West Lake Drive and the feeder exits at the North Weatherford Substation were rebuilt. The Electric Department was also involved in modifying Weatherford's fiber optic system so that a new City phone system could be installed along with adding four more County facilities to the system.

Electric deregulation began in Texas on January 1, 2002. Still none of the 72 municipally owned electric systems in the State of Texas have opted in to the competitive market. Weatherford Electric continues to evaluate market conditions for the best services and costs for its customers. On January 1, 2008, Weatherford began a new five year contract with American Electric Power (AEP) Energy Services for power purchasing. This contract was based in part on coal costs of a generation plant in the western zone of Texas. While the coal generation was less expensive and some congestion charges were factored into the costs in getting the power from the western zone into the north central Texas area, wind generation in west Texas created a much more significant congestion charge than ever expected. With such cost increases, the Weatherford Municipal Utility Board re-negotiated a contract with AEP to get out of the western zone congestion charges. The new contract was based on natural gas rates as the City contracts had been set in the past. During the summer of 2008, natural gas rates spiked to over \$13 per million British thermal units. Weatherford Municipal Utility System deferred some significant charges, within prudent business constraints, from customers. However, customer rates became the highest Weatherford Electric had ever experienced. Natural gas rates have since come down significantly, the City has implemented a more long-term method for locking in natural gas rates, and the City is establishing a stabilization fund to work more with spikes in the market. In addition, the Mayor established the Mayor's Utility Task Force for additional guidance. They are expected to have their initial report to the Mayor during the Spring of 2009.

In FY 08, the water department maintenance crews installed 292 new water meters, 20 new water taps, replaced 208 water meters, repaired 12 water valves, 64 water services, 49 water main breaks, and 43 fire hydrants. In addition, the water department replaced the waterline in York Street Alley.

Several capital water projects began in FY08, which included the 0.5 MG West Park Elevated Storage Tank, 16" Waterline along West Park Street and I-20 Waterline Completion. Both of these projects should be completed within FY 09.

In the wastewater collection system, the wastewater maintenance crews jetted 689,570 feet of wastewater lines, inspected 20,574 feet of wastewater line, smoke tested 16,055 feet of wastewater line, responded to 481 stop-ups, 174 grinder pump malfunctions, 209 call-outs to lift stations and inspected all the grinder pumps operated by the City. In addition, the wastewater maintenance crews replaced the wastewater lines in Keechi and York Street Alley

The in-house Water/Wastewater construction crew replaced over 9,250 LF of water and sewer mains ranging in size from 8" to 24". Some of these projects occurred along Spring Street, West Lee Street, Alamo Street and Clinton Street.

The Technical Services Department and Utility Administration provided engineering and technical support to other departments and the City. Technical Services worked extensively to install a new phone system to the majority of City complexes.

Public utilities are extremely capital intensive. Quality management, construction, operation, and maintenance demand a high degree of professionalism and dedication from employees and Utility Board Members. Training and development of these qualities continues to enhance teamwork and pay dividends for the ratepayers of the Weatherford Municipal Utility System. The employees are to be congratulated for their dedication to the overall development and cohesiveness of the Utility Department especially during this year of higher rates and the traumatic loss of two co-workers. The City of Weatherford values our employees and continues to invest in training that provides superior job, supervisory management, and customer service skills.

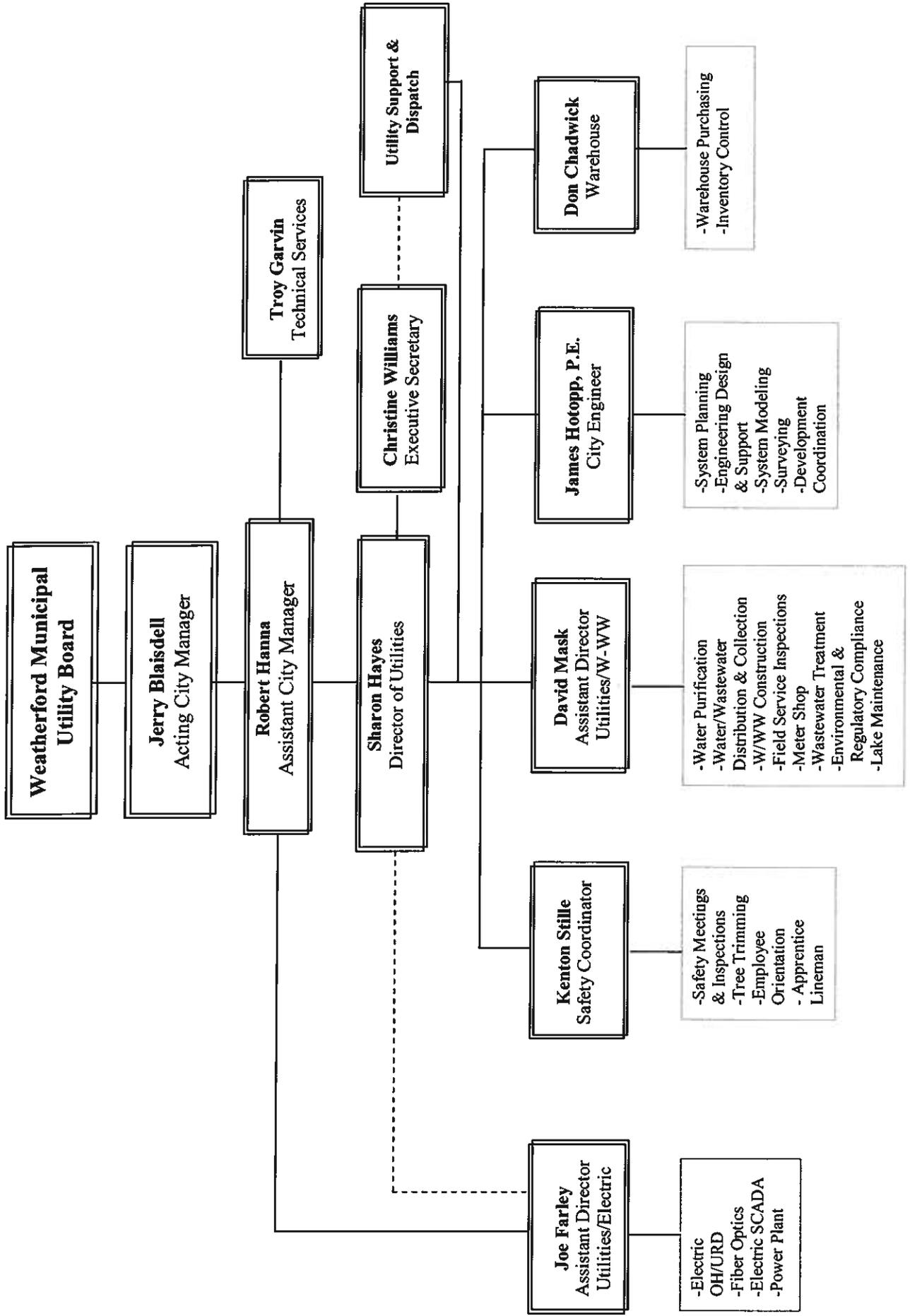
Likewise, the dedication of the Weatherford Municipal Utility Board of Trustees has also paid many dividends for the citizens of Weatherford and the Utility's ratepayers. This unselfish dedication of time and effort to make sure the Utility System, under their direction, is operated with foresight and vision has enabled the system to accommodate Weatherford's expected growth.

The Board's commitment to policy direction is very much appreciated.



Jerry Blaisdell
City Manager

Weatherford Municipal Utility System Organizational Chart



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**CITY OF WEATHERFORD, TEXAS
MUNICIPAL UTILITY BOARD
PRINCIPAL OFFICIALS
YEAR ENDED SEPTEMBER 30, 2008**

**ELECTED
CITY COUNCIL**

Dennis Hooks – Mayor

Clem Smith – Mayor Pro-Tem
Council Member

Jan Barton – Council Member

Waymon Hamilton – Council Member

Craig Swancy – Council Member

**APPOINTED/DESIGNATED
MUNICIPAL UTILITY BOARD**

Bailey McNutt – Chairman – Appointed Public Member

Dennis Hooks – Mayor
Jan Barton – Designated Council Member
Waymon Hamilton – Designated Council Member
Ken Davis – Appointed Public Member
Therylene Helm – Appointed Public Member
Heidi Wilder – Appointed Public Member

SENIOR STAFF

Jerry Blaisdell – City Manager
Robert Hanna – Assistant City Manager
Sharon Hayes – Director of Utilities
Janina Jewell – Chief Financial Officer

ADVISORY/CONSULTATION

Laura Simonds – City Secretary
Ed Zellers – City Attorney

OPERATIONS STAFF

Vacant – Deputy Director of Utilities
David Mask – Assistant Director of Utilities – Water & Wastewater
Joe Farley – Assistant Director of Utilities – Electric

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FINANCIAL SECTION

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Snow, Garrett & Company
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Municipal Utility System Board of Trustees
City of Weatherford, Texas

We have audited the accompanying financial statements of the Municipal Utility System enterprise fund of the City of Weatherford, Texas, as of and for the years ended September 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the City of Weatherford's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements present only the Municipal Utility System of the City of Weatherford, Texas and do not purport to, and do not, present fairly the financial position of the City of Weatherford, Texas, as of September 30, 2008 and 2007, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Utility System of the City of Weatherford, Texas, as of September 30, 2008 and 2007, and the changes in its financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the Municipal Utility System financial statements taken as a whole. The supplementary information related to capital assets on pages 39 through 41 is presented for purposes of additional analysis and is not a required part of the financial statements of the Municipal Utility System. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation the financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the Municipal Utility System financial statements and, accordingly, we express no opinion on such data.

Snow, Garrett & Company

Snow, Garrett & Company, CPA's
April 16, 2009

CITY OF WEATHERFORD, TEXAS
MUNICIPAL UTILITY SYSTEM
COMPARATIVE STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2008 AND 2007

(1 of 2)

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Unrestricted assets		
Cash and cash equivalents	\$9,466,146	\$7,310,317
Investments	0	1,009,688
Receivables		
Accounts, net of allowances for uncollectible		
accounts of \$232,972 in 2008 and \$184,828 in 2007	3,732,908	3,092,631
Earned but unbilled customer accounts	3,225,225	2,102,454
Other	315,927	271,082
Accrued interest	0	9,764
Due from other funds	5,400	17,317
Inventory	4,203,355	3,975,800
Restricted assets		
Cash and cash equivalents		
Revenue bond debt service account	837,488	784,056
Revenue bond reserve account	3,504,683	568,679
Amounts held for future construction account	12,743,135	14,591,054
Water impact fee account	1,715,135	1,338,387
Wastewater impact fee account	999,752	1,124,864
Due from government agencies	65,837	0
Investments		
Revenue bond reserve account	506,406	3,475,889
Amounts held for future construction account	1,036,581	1,009,687
Accrued interest	27,784	63,498
Total current assets	<u>42,385,762</u>	<u>40,745,167</u>
Noncurrent assets		
Deferred debt issuance cost	590,546	658,062
Capital assets		
Property, plant and equipment, at cost,		
less accumulated depreciation of \$45,174,533		
in 2008 and \$41,669,888 in 2007	<u>99,838,965</u>	<u>97,352,656</u>
Total noncurrent assets	100,429,511	98,010,718
Total assets	<u>142,815,273</u>	<u>138,755,885</u>

CITY OF WEATHERFORD, TEXAS
MUNICIPAL UTILITY SYSTEM
COMPARATIVE STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2008 AND 2007

(2 of 2)

	<u>2008</u>	<u>2007</u>
LIABILITIES		
Current liabilities		
Accounts payable	3,602,329	2,297,363
Taxes payable	337,774	277,394
Accrued wages payable	32,637	40,981
Revenue bonds payable	2,200,000	2,108,333
Notes payable	19,617	18,826
Accrued interest payable	1,854	2,181
Due to other funds	227,384	260,620
Retainage payable	0	7,528
Unearned revenue	689,567	589,231
Customer deposits	1,005,180	857,844
Liability for compensated absences	135,941	145,585
Payable from restricted assets		
Accounts payable and accrued liabilities	456,703	906
Retainage payable	48,039	109,094
Accrued interest payable	186,195	200,749
Revenue bonds payable	200,000	191,667
Total current liabilities	<u>9,143,220</u>	<u>7,108,302</u>
Noncurrent liabilities		
Notes payable	87,063	106,680
Revenue bonds payable	46,284,838	48,908,106
Liability for compensated absences	762,823	770,062
Total noncurrent liabilities	<u>47,134,724</u>	<u>49,784,848</u>
Total liabilities	<u>56,277,944</u>	<u>56,893,150</u>
NET ASSETS		
Invested in capital assets, net of related debt	64,204,358	61,051,923
Restricted for		
Debt service	4,848,577	4,828,624
Construction	2,714,887	2,463,251
Unrestricted	14,769,507	13,518,937
Total net assets	<u>\$86,537,329</u>	<u>\$81,862,735</u>

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CITY OF WEATHERFORD, TEXAS
MUNICIPAL UTILITY SYSTEM
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Operating revenues		
Electric sales	\$49,023,839	\$36,021,347
Electric services	318,875	304,685
Water sales	6,391,809	5,656,972
Water services	18,862	25,523
Wastewater services	<u>3,935,498</u>	<u>3,621,843</u>
Total operating revenues	<u>59,688,883</u>	<u>45,630,370</u>
Operating expenses		
Personal services	5,890,186	5,621,216
Contractual services	3,560,211	3,784,738
Purchased power	36,294,939	25,050,463
Materials and supplies	1,594,446	1,383,550
Depreciation & amortization	3,712,932	3,451,856
Bad debt expense	7,672	17,823
Taxes	<u>1,903,775</u>	<u>1,747,885</u>
Total operating expenses	<u>52,964,161</u>	<u>41,057,531</u>
Operating income	<u>6,724,722</u>	<u>4,572,839</u>
Nonoperating revenues (expenses)		
Net increase (decrease) in fair value of investments	(7,599)	65,634
Interest revenue	1,094,636	1,682,634
Impact fee revenue	561,958	694,020
Intergovernmental	240,600	0
Rents	684,927	589,396
Miscellaneous	192,197	684,491
Interest and fiscal charges	<u>(2,315,899)</u>	<u>(2,492,471)</u>
Total nonoperating revenues (expenses)	<u>450,820</u>	<u>1,223,704</u>
Income before contributions and transfers	7,175,542	5,796,543
Capital contributions	689,482	774,596
Transfers out		
General administrative services	(766,944)	(844,510)
General discretionary	<u>(2,423,486)</u>	<u>(2,188,865)</u>
Change in net assets	4,674,594	3,537,764
Net assets, beginning of year	<u>81,862,735</u>	<u>78,324,971</u>
Net assets, end of year	<u>\$86,537,329</u>	<u>\$81,862,735</u>

CITY OF WEATHERFORD, TEXAS
 COMPARATIVE STATEMENTS OF CASH FLOWS
 MUNICIPAL UTILITY SYSTEM
 FOR YEARS ENDED SEPTEMBER 30, 2008 AND 2007

(1 of 2)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$59,955,632	\$47,387,048
Cash paid to suppliers	(42,494,059)	(33,118,880)
Cash paid to employees	<u>(5,915,413)</u>	<u>(5,514,735)</u>
Net cash provided by operating activities	<u>11,546,160</u>	<u>8,753,433</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	<u>(3,190,430)</u>	<u>(3,033,375)</u>
Net cash used in noncapital financing activities	<u>(3,190,430)</u>	<u>(3,033,375)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	83,217	3,050
Proceeds from developers for contributions in aid of construction	255,300	367,443
Principal payments on long-term debt	(2,300,000)	(2,215,000)
Principal payments on notes payable	(18,826)	(18,068)
Escrow payment on bond refunding	(185,041)	0
Capital expenditures	(5,304,564)	(4,098,538)
Interest paid on notes and revenue bonds	<u>(2,421,625)</u>	<u>(2,503,502)</u>
Net cash used in capital and related financing activities	<u>(9,891,539)</u>	<u>(8,464,615)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,140,114	1,858,182
U S Govt & Agency Securities sold	4,980,000	19,302,720
U S Govt & Agency Securities purchased	<u>(1,035,323)</u>	<u>(7,475,424)</u>
Net cash provided by investing activities	<u>5,084,791</u>	<u>13,685,478</u>
Net increase in cash	3,548,982	10,940,921
Cash and cash equivalents at the beginning of the year	<u>25,717,357</u>	<u>14,776,436</u>
Cash and cash equivalents at the end of the year	<u><u>\$29,266,339</u></u>	<u><u>\$25,717,357</u></u>

Non-cash capital contributed for 2008 and 2007 totaled \$434,182 and \$407,153, respectively.
 Non-cash change in the fair value of investments for 2008 and 2007 totaled \$9,539 and \$39,825, respectively.

CITY OF WEATHERFORD, TEXAS
 COMPARATIVE STATEMENTS OF CASH FLOWS
 MUNICIPAL UTILITY SYSTEM
 FOR YEARS ENDED SEPTEMBER 30, 2008 AND 2007

(2 of 2)

	<u>Unrestricted Current Assets</u>	<u>Restricted Current Assets</u>	<u>Statement Total</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO STATEMENT OF NET ASSETS			
Cash and cash equivalents, beginning	\$7,310,317	\$18,407,040	\$25,717,357
Net increase	<u>2,155,829</u>	<u>1,393,153</u>	<u>3,548,982</u>
Cash and cash equivalents, ending	<u>\$9,466,146</u>	<u>\$19,800,193</u>	<u>\$29,266,339</u>
		<u>2008</u>	<u>2007</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income		\$6,724,722	\$4,572,839
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation		3,646,809	3,371,112
Amortization		66,123	80,744
Rental and other revenue		1,643,319	1,964,856
(Increase) decrease in accounts receivable		(1,763,048)	800,946
(Increase) decrease in other receivables		(44,845)	98,262
(Increase) decrease in due from other funds		11,917	(12,353)
(Increase) decrease in grant receivable		(65,837)	-
(Increase) decrease in inventory		(227,555)	(782,563)
Increase (decrease) in accounts payable		1,304,966	(1,197,842)
Increase (decrease) in taxes payable		60,380	(21,020)
Increase (decrease) in accrued wages payable		(8,344)	51
Increase (decrease) in liability for compensated absences		(16,883)	106,430
Increase (decrease) in unearned revenue		100,336	(499,137)
Increase (decrease) in customer deposits		147,336	235,650
Increase (decrease) in due to other funds		<u>(33,236)</u>	<u>35,458</u>
Net cash provided by operating activities		<u>\$11,546,160</u>	<u>\$8,753,433</u>

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**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 1. Significant Accounting Policies

The City of Weatherford ("City") was chartered April 23, 1918. The City operates as a Home Rule City, under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, water, electric and sewer utilities, sanitation, health and social services, parks and recreation, public improvements, planning and zoning and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

These financial statements present only the Municipal Utility System, a separate fund of the City of Weatherford. They are not intended to present the financial position, results of operations or cash flows of the Enterprise Funds of the City of Weatherford, as a whole.

The Municipal Utility System (the "Utility System") Board of Trustees, consisting of the Mayor, two Council members and four trustees appointed by the Council, exercises management control of the electric, water and wastewater systems that serve the City. The Trustees are appointed by the City Council. The rates for user charges and bond issuance authorizations are also approved by the Council. The Municipal Utility Fund is used to account for the operations of the City's electric distribution system, water treatment and distribution system, and wastewater treatment and collection system.

B. Fund Accounting

The accounts of the Municipal Utility System are organized as enterprise funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses. Enterprise funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 1. Significant Accounting Policies - continued

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. Total net assets are segregated into the following categories: net assets, invested in capital assets, net of related debt; restricted; and unrestricted. Enterprise fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in financial statements.

Enterprise funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Unbilled receivables for electric and water utility service are recorded at year-end.

D. Capital Assets

Property, plant and equipment are recorded at cost, or, if contributed property, fair market value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets.

Estimated useful lives are as follows:

Buildings	40	years
Water, electric and sewer system	40 - 60	years
Machinery and equipment	5 - 10	years

Renewals and betterments of property and equipment are capitalized, whereas normal repairs and maintenance are charged to expense as incurred. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. Individual items with an initial cost greater than \$5,000 and with estimated useful life of at least two years following the date of acquisition are capitalized.

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 1. Significant Accounting Policies – continued

D. Capital Assets - continued

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. In accordance with FASB statement 34, the City calculates capitalized interest by applying the interest rate of the debt to the weighted average construction expenditures.

E. Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits. Cash equivalents include U. S. Government Treasury and Agency Securities with stated maturities of three months or less from the date of purchase, investments in the Texas Local Governments Investment Pool, and Texas Short Term Asset Reserve Program. State statutes authorize the City to invest in obligations of the U. S. Treasury, the State of Texas or its agencies; other states, counties, cities and state agencies with an "A" rating or equivalent; fully insured or collateralized bank certificates of deposit and fully collateralized direct repurchase agreements.

The City's demand deposits are covered by federal depository insurance or by collateral held by the City's agent in the City's name. The Municipal Utility Fund investments at year-end are shown below. U.S. Treasury and U.S. Government Agency securities purchased directly by the City were registered in the City's name and held by either the custodial bank or the City's broker-dealer.

<u>2008</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Texas Local Government Investment Pool	\$ 11,537,063	\$ 11,537,063
Texas Short Term Asset Reserve Program	11,975,225	11,975,225
U. S. Treasury Bills and Notes	506,406	506,406
U. S. Government Agency Securities	<u>1,036,581</u>	<u>1,036,581</u>
	<u>\$ 25,055,275</u>	<u>\$ 25,055,275</u>

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 1. Significant Accounting Policies – continued

E. Cash, Cash Equivalents and Investments – continued

<u>2007</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Texas Local Government Investment Pool	\$ 8,248,498	\$ 8,248,498
Texas Short Term Asset Reserve Program	13,273,415	13,273,415
U. S. Treasury Bills and Notes	3,475,889	3,475,889
U. S. Government Agency Securities	<u>2,019,375</u>	<u>2,019,375</u>
	<u>\$ 27,017,177</u>	<u>\$ 27,017,177</u>

Cash Flows Presentation

For purposes of the statement of cash flows, the City considers cash, certificates of deposit and other investments with maturities of three months or less from the date of purchase to be cash and cash equivalents.

F. Inventory

The Municipal Utility System Fund inventory is valued at cost using the moving average cost method.

G. Accumulated Unpaid Vacations, Sick Leave and Other Employee Benefit Amounts

Employees are paid for up to 720 hours of unused sick leave upon retirement or annually for one-half of the accumulated sick leave in excess of 720 hours. With the exception of sick leave for employees eligible for retirement, sick leave less than 720 hours is expensed when paid. Vacation is earned in varying amounts. Unused vacation leave is carried forward from one year to the next without limit. At September 30, 2008 and 2007, the City's estimated liability for compensated absences in the Municipal Electric, Water and Wastewater Funds for the Municipal Utility System was \$898,764 and \$915,647, respectively.

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 1. Significant Accounting Policies – continued

H. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between the Municipal Utility System and other funds of the City for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the statement of net assets.

I. Fund Equity

Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for specific future use.

J. Concentration of Credit Risk

The City grants credit to utility customers located in the City and the surrounding area.

K. Deferred Debt Issuance Cost

The deferred debt issuance cost will be amortized over the life of the related debt.

Note 2. Individual Fund Disclosures

At September 30, 2008 and 2007, interfund receivable and payable balances were as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Unrestricted	<u>\$ 5,400</u>	<u>\$ 227,384</u>	<u>\$ 17,317</u>	<u>\$ 260,620</u>
Total	<u>\$ 5,400</u>	<u>\$ 227,384</u>	<u>\$ 17,317</u>	<u>\$ 260,620</u>

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 3. Capital Assets

Capital assets of these funds are as follows:

	<u>2008</u>	<u>2007</u>
Municipal Utility System		
Land	\$ 1,678,549	\$ 1,669,856
Buildings	18,908,207	18,908,207
Water, wastewater, and electric system	117,179,887	113,301,396
Machinery and equipment	5,051,862	4,620,726
Construction in progress	<u>2,194,993</u>	<u>522,359</u>
	145,013,498	139,022,544
Accumulated depreciation	<u>(45,174,533)</u>	<u>(41,669,888)</u>
	<u>\$ 99,838,965</u>	<u>\$ 97,352,656</u>

Note 4. Bonds Payable

The following is a summary of transactions affecting revenue bonds payable for the years ended September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$51,208,106	\$53,391,977
Debt issued	6,575,000	0
Original issue discount/premium amortization	(136,594)	(123,034)
Unamortized charge amortization	38,326	154,163
Debt retired	<u>(9,000,000)</u>	<u>(2,215,000)</u>
Balance, end of year	<u>\$48,684,838</u>	<u>\$51,208,106</u>

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 4. Bonds Payable - continued

Bonds payable at September 30, 2008 and 2007 consist of the following individual issues:

	<u>2008</u>	<u>2007</u>
Revenue Bonds		
\$10,085,000 1996 Combined Utility System Refunding Bonds, due in annual installments through September 1, 2011, 3.30% - 5.00% net of bond discount of \$4,503 and unamortized charge of \$100,869	\$ 1,979,628	\$ 4,149,293
\$33,795,000 1999 Combined Utility System Refunding & Improvement Bonds due in annual installments through September 1, 2018, 3.10% - 5.25% Refunded with the 2008 Utility System Refunding Bonds	0	5,714,691
\$21,055,000 2005 Utility System Refunding Bonds, due in annual installments through September 1, 2018, 3.00% - 5.00% net of bond premium of \$837,239 and unamortized charge of \$332,392	19,749,847	20,678,586
\$20,000,000 2006 Utility System Improvement Bonds, due in annual installments through September 1, 2026, 4.00% - 5.125% net of bond premium of \$739,455	20,504,455	20,665,536
\$6,575,000 2008 Utility System Refunding Bonds, due in annual installments through September 1, 2018, 3.46% net of Unamortized charge of \$124,092	6,450,908	0
	<u>\$ 48,684,838</u>	<u>\$ 51,208,106</u>

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 4. Bonds Payable - continued

The annual requirements to amortize the long-term debt as of September 30, 2008, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,400,000	\$ 2,222,335	\$ 4,622,335
2010	2,515,000	2,111,215	4,626,215
2011	2,615,000	2,015,352	4,630,352
2012	2,715,000	1,912,988	4,627,988
2013	2,840,000	1,787,416	4,627,416
2014-2018	16,290,000	6,875,602	23,165,602
2019-2023	11,780,000	3,405,313	15,185,313
2024-2026	6,515,000	676,225	7,191,225
	<u>\$47,670,000</u>	<u>\$21,006,446</u>	<u>\$68,676,446</u>

The revenue bonds are collateralized by the revenue of the combined utility system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. The City is in compliance with these financial requirements.

Below is a summary of the various restricted asset accounts required by the bond ordinances along with the actual cash reserved as of September 30, 2008 and 2007.

	<u>2008</u>		<u>2007</u>	
	<u>Required</u>	<u>Actual</u>	<u>Required</u>	<u>Actual</u>
Reserve Fund				
Total	\$ 3,987,280	\$ 3,987,280	\$ 3,879,660	\$ 4,049,518
Bond Fund				
Total	<u>\$ 386,195</u>	<u>\$ 837,488</u>	<u>\$ 392,416</u>	<u>\$ 784,056</u>

In addition to the above, there are certain restricted asset accounts pertaining to funds set aside by the Municipal Utility Board for future construction and meter deposits.

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 5. Notes Payable and Compensated Absences

In May 2003, the City received a State Infrastructure Bank Loan in the amount of \$193,525 from the Texas Department of Transportation. The loan was used to help fund the relocation of the water line located in Santa Fe Drive and will be repaid in ten annual payments of \$24,098 including interest at 4.2%. The details of the loan are as follows:

	<u>Balance 9-30-07</u>	<u>Deductions</u>	<u>Balance 9-30-08</u>	<u>Due Within One Year</u>
State infrastructure bank loan	\$125,506	\$18,826	\$106,680	\$19,617

The following is a summary of the net change in the liability for compensated absences for the year ended September 30, 2008:

<u>Balance 9-30-07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9-30-08</u>	<u>Due Within One Year</u>
<u>\$ 915,647</u>	<u>\$ 463,934</u>	<u>\$ 447,051</u>	<u>\$ 898,764</u>	<u>\$ 135,941</u>

Note 6. Employee's Retirement System

A. Plan Description

The City provides pension benefits for all of its eligible employees through Texas Municipal Retirement System (TMRS). TMRS is a statewide agent multiple-employer defined benefit pension plan that administers 827 nontraditional, joint contributory, hybrid defined benefit plans. TMRS issues a Comprehensive Annual Financial Report (CAFR) on a calendar year basis. The CAFR is available upon written request from TMRS at P.O. Box 149153, Austin, TX 78714-9153 or by accessing the CAFR on line at www.tmrs.org.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest (3% annual), prior to the establishment of the plan. Monetary credits for service since the plan began (or current service credits) are 100% of the

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 6. Employee's Retirement System – continued

A. Plan Description - continued

employee's accumulated contributions. In addition, the City can grant, either annually or on an annually repeating basis, another type of monetary credit referred to as an Updated Service Credit. This monetary credit is determined by hypothetically recomputing the member's account balance by assuming that the current member deposit rate of the City (7%) has always been in effect. The computation also assumes that the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, not the actual interest credited to member accounts in previous years, and increased by the City match currently in effect (200%). The resulting sum is then compared to the member's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation. At retirement, the benefit is calculated as if the sum of the employee's contributions with interest and the City-financed monetary credits with interest were used to purchase an annuity.

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

B. Contributions

The contribution rate for the employees is 7% of employee gross earnings, and the City matching ratio is currently 2 to 1, both as adopted by the City Council. Under the state law governing TMRS, the actuary annually determines the City contribution rate, using the Projected Unit Credit actuarial cost method (effective with the December 31, 2007 actuarial valuation). This rate consists of the normal cost contribution rate and the prior service cost contribution rate. 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 employees' contributions are made. The City's retirement contribution 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 portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 6. Employee's Retirement System – continued

B. Contributions – continued

updates, such as Updated Service Credit and Annuity Increases. Both the employees and the City make contributions monthly.

PLAN PROVISIONS

	2005	2006	2007
Total number of participating entities	811	821	827
<u>City Specific:</u>			
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100%	100%	100%
annually repeating (Yes/No)	Yes	Yes	Yes
Annuity increase to retirees	70%	70%	70%
annually repeating (Yes/No)	Yes	Yes	Yes
Supplemental death benefit			
for active employees (Yes/No)	Yes	Yes	Yes
for retirees (Yes/No)	Yes	Yes	Yes

C. Funding Policy

Eligible City employees are required to contribute 7 percent of their annual covered salary. The City is required to contribute at an actuarially determined rate; these rates are provided to the City on an annual basis, following the completion of an actuarial valuation. The 2008 rate was 13.98% of annual covered payroll. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate becomes effective – for example, the January 1, 2008 contribution rate is based on the 12/31/06 valuation results. The actuary determines contribution rates on a calendar year basis/the City discloses the annual pension costs (which equal the required contributions) based on the calculated rate for the City's fiscal year.

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 6. Employee's Retirement System – continued

C. Funding Policy - continued

THREE-YEAR TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/06	\$ 1,949,765	100%	\$0
9/30/07	2,097,442	100%	0
9/30/08	2,334,705	100%	0

ACTUARIAL INFORMATION

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Actuarial cost method	Unit Credit	Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Amortization period	25 years - open period	25 years - open period	30 years - closed period
Asset valuation method	Amortized cost	Amortized cost	Amortized cost
Assumptions			
Investment return	7.0%	7.0%	7.0%
Projected salary increases	None	None	Varies by age and service
Inflation	3.5%	3.5%	3.0%
Cost-of-living adjustments	None	None	2.1% (3.0% CPI)
City-specific assumptions			
Payroll growth assumption	5.0%	5.0%	3.0%
Withdrawal rates for Male/Female	Low/Low	Low/Low	Mid/Mid-Low

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 6. Employee's Retirement System – continued

D. Funding Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the plan was 62.3% funded. The actuarial accrued liability for benefits was \$52,144,117, and the actuarial value of assets was \$32,463,128. The covered payroll (annual payroll of active employees covered by the plan) was \$15,408,514, and the ratio of the UAAL to the covered payroll was 127.7%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 7. Other Post Employment Benefits (OPEB)

A. Supplemental Death Benefits Plan for Retirees

1. Plan Description

TMRS also administers a cost sharing multiple-employer defined benefit group term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage ("supplemental death benefits") to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1, of any year to be effective the following January 1.

2. Benefits

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered a postemployment benefit other than pension benefit (OPEB or other postemployment benefit) and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 7. Other Post Employment Benefits (OPEB) – continued

A. Supplemental Death Benefits Plan for Retirees - continued

3. Contributions

Contributions are made monthly based on the covered payroll of employee members of the City. The contractually required contribution rate is determined annually. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the City's contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net assets available for OPEB.

PLAN PROVISIONS

	2007
Total number of participating entities	714
<u>City Specific:</u>	
Offers supplemental death to:	
Active employees (Yes/No)	Yes
Retirees (Yes/No)	Yes

4. Funded Status and Funding Progress

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 7. Other Post Employment Benefits (OPEB) – continued

A. Supplemental Death Benefits Plan for Retirees - continued

4. Funded Status and Funding Progress - continued

volatility in actuarial accrued liabilities and the actuarial value of assets. Additional information as of the latest actuarial valuation is as follows:

ACTUARIAL INFORMATION

	2007
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll
Amortization period	25 years - open period
Asset valuation method	Fund value
Assumptions	
Investment return	4.25%
Projected salary increases	None
Inflation	3.00%
Cost-of-living adjustments	None

Assets of the SDBF are valued at “fund value” (or fund balance) as these assets are pooled with those of the Pension Trust Fund under the provisions of the TMRS Act. GASB Statement No. 43 requires the investment return (discount rate) assumption to take into account the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Benefits are expected to be provided partially from accumulated plan assets (including accumulated investment earnings) and partially from the City’s direct contributions. While assets invested in the Supplemental Death Benefit Fund are expected to earn 5% interest annually, City contributions will be made from working funds held in cash or short-term investments. Based on the expected blend of the source of these funds, the investment return assumption has been set at 4.25%.

The City is contractually required to contribute at a rate assessed each year by the TMRS SDBF, for 2008 this was 0.26% of the annual covered payroll. The City’s contributions for the years ended September 30, 2008, 2007, and 2006, were \$43,533, \$39,592, and \$36,564, respectively, which equaled the required contributions each year.

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 7. Other Post Employment Benefits (OPEB) – continued

B. Retiree Health Plan

After October 2000, the City began paying for 100 percent of the premiums of health, dental, and vision care for employees who retire from full-time service with the City. On March 1, 2007, the City changed this policy to only pay the medical premiums for those retirees who attain age 55 with twenty years of continuous service before retirement and meet the requirements under TMRS. On September 23, 2008 eligibility was further limited to those employees that were hired regular, full-time before October 1, 2008. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans and are responsible for payment of premiums for any dependent coverage.

The City finances the plan on a pay-as-you-go basis. As of September 30, 2008, the City was providing postretirement health, dental, and vision care benefits for 4 retirees. For the year ended September 30, 2008, the City paid \$17,290 for these benefits.

Note 8. Risk Management

The City is exposed to various risks of loss related to theft or damage of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the City's participation in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for liability, property, and workers' compensation, and in the Intergovernmental Employee Benefits Pool (TMLIEBP) for employee health insurance. These are self-sustaining risk pools operated on a state-wide basis for the benefit of several hundred Texas cities and other public entities. The City pays annual premiums to the TMLIEBP, which retains risk of loss up to \$3,000,000 and obtains independent coverage for losses in excess of that amount. Monthly premiums are paid to the TMLIEBP, which retains risk of loss up to \$500,000 per individual and obtains independent coverage for losses in excess of that amount.

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 8. Risk Management - continued

The City retains no risk except for the deductible amounts as shown below:

<u>Type of Coverage</u>	<u>Limit Per Occurrence</u>	<u>Annual Aggregate</u>	<u>Deductible</u>
General Liability	\$2,000,000	\$4,000,000	\$2,500
Law Enforcement Liability	\$2,000,000	\$4,000,000	\$2,500
Errors & Omissions Liability	\$1,000,000	\$2,000,000	\$25,000
Auto Liability	\$2,000,000	N/A	\$2,500
Auto Physical Damage	ACV*	N/A	\$1,000
Real & Personal Property**	\$50,437,132	\$50,437,132	\$2,500
Mobile Equipment*	\$ 1,334,311	\$ 1,334,311	\$2,500

*Actual Cash Value

**Blanket Limit

There have been no reductions in coverage from coverage in the prior year, and there have been no settlements that exceeded coverage in the current or past three fiscal years.

Note 9. Contingencies

There are various lawsuits pending in which the City is involved. In the opinion of legal counsel and City management, the settlement of these lawsuits will not have a material adverse effect on the City's financial position.

Note 10. Other Long-Term Commitments

The City owns and operates its own electric distribution system and purchases all of its power from a wholesale supplier with the exception of small amounts generated by City-owned gas/diesel-fired generators during emergencies.

In November 2007, the City signed a five-year agreement with AEP Energy Partners, Inc. (AEP) beginning January 1, 2008. Under terms of the contract, the City agreed to purchase the full requirements for its retail customer base. The contract assumes normal retail growth and, subject to the agreement of both parties, can be amended to include requirements in excess of normal growth. During the Winter/Spring of 2008 energy congestion charges exceeded expectations of this contract so the City and AEP negotiated a new contract. This contract, which removed the energy congestion charges from a 40% coal generation in the west zone, is now based on natural gas rates and generation. This was signed May 16, 2008, with an effective date of May 16, 2008.

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

Note 10. Other Long-Term Commitments – continued

In an effort to stabilize rates, the City has begun to lock in gas rates for extended periods of time. On September 30, 2008, no rates had been locked in further out than the upcoming fiscal year.

During the years ended September 30, 2008 and 2007, the total KWH's purchased, total cost, and cost per KWH were as follows:

<u>2008</u>			
<u>Power Supplier</u>	<u>KWH Purchased</u>	<u>Total Cost</u>	<u>Cost per KWH</u>
American Electric Power	<u>368,904,809</u>	<u>\$36,294,939</u>	<u>\$.0984</u>
<u>2007</u>			
<u>Power Supplier</u>	<u>KWH Purchased</u>	<u>Total Cost</u>	<u>Cost per KWH</u>
American Electric Power	<u>352,040,123</u>	<u>\$25,050,463</u>	<u>\$.0712</u>

Note 11. Construction and other Significant Commitments

On March 20, 2008, the Municipal Utility Board of Trustees approved a contract with Landmark Structures in the amount of \$1,595,000 for the West Park elevated storage tank. This project is being funded with utility revenue bond funds and is scheduled for completion in June 2009. As of September 30, 2008, work completed and billed totaled \$765,892.

No other major construction or significant commitments of a general nature were outstanding as of September 30, 2008.

**CITY OF WEATHERFORD
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF PENSION FUNDING PROGRESS - TMRS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/05	\$ 26,887,441	\$ 36,431,860	\$ 9,544,419	73.8%	\$13,188,951	72.4%
12/31/06	29,932,522	40,427,681	10,495,159	74.0%	14,041,584	74.7%
12/31/07 *	32,463,128	52,144,117	19,680,989	62.3%	15,408,514	127.7%

*In December 2007, the TMRS Board of Trustees approved changes in the actuarial assumptions and funding methodology for all TMRS plans.

Change in the Actuarial Cost Method from Traditional Unit Credit to Projected Unit Credit

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. Weatherford has chosen the 30 year amortization. For cities with repeating features, which Weatherford has, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial accrued liability would have been \$44,364,219 and the funded ratio would have been 73.2%.

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CAPITAL ASSETS

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CITY OF WEATHERFORD, TEXAS
MUNICIPAL UTILITY SYSTEM
SCHEDULES OF CAPITAL ASSETS
SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Land	\$1,678,549	\$1,669,856
Buildings and improvements	18,908,207	18,908,207
Other improvements	117,179,887	113,301,396
Machinery and equipment	5,051,862	4,620,726
Construction in progress	<u>2,194,993</u>	<u>522,359</u>
	145,013,498	139,022,544
Less accumulated depreciation	<u>(45,174,533)</u>	<u>(41,669,888)</u>
	<u><u>\$99,838,965</u></u>	<u><u>\$97,352,656</u></u>

CITY OF WEATHERFORD, TEXAS
MUNICIPAL UTILITY SYSTEM
SCHEDULE OF CHANGES IN CAPITAL ASSETS
BY FUNCTION AND ACTIVITY
YEAR ENDED SEPTEMBER 30, 2008

Function and Activity	Balance 09/30/2007	Additions	Deletions	Balance 09/30/2008
Administration	\$5,000,965	\$107,371	\$0	\$5,108,336
Water production	24,945,963	0	0	\$24,945,963
Water distribution	40,003,691	2,635,740	(106,492)	\$42,532,939
Wastewater	30,025,682	983,269	(16,685)	\$30,992,266
Electric production	1,192,893	0	0	\$1,192,893
Electric distribution	<u>37,853,350</u>	<u>2,453,594</u>	<u>(65,843)</u>	<u>\$40,241,101</u>
Total capital assets	<u>\$139,022,544</u>	<u>\$6,179,974</u>	<u>(\$189,020)</u>	<u>\$145,013,498</u>

CITY OF WEATHERFORD, TEXAS
MUNICIPAL UTILITY SYSTEM
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2008

Function and Activity	Total	Land	Buildings and Improvements	Other Improvements	Machinery and Equipment	Construction in Progress
Administration	5,108,336	\$326,764	\$2,749,343	\$1,052,970	\$979,259	\$0
Water production	24,945,963	1,055,502	12,534,984	11,111,132	244,345	0
Water distribution	42,532,939	181,862	55,619	39,833,037	792,684	1,669,737
Wastewater	30,992,266	89,008	3,231,643	26,297,063	849,296	525,256
Electric production	1,192,893	11,333	336,618	13,203	831,739	0
Electric distribution	40,241,101	14,080	0	38,872,482	1,354,539	0
Total capital assets	\$145,013,498	\$1,678,549	\$18,908,207	\$117,179,887	\$5,051,862	\$2,194,993

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STATISTICAL SECTION
(Unaudited)

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CITY OF WEATHERFORD, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (Unaudited)

Utility System Revenue Bonds						
Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1998/99	\$ 25,760,431	\$ 19,060,375	\$ 6,700,056	\$ 935,000	\$ 1,265,369	3.04%
1999/00	29,656,242	20,962,060	8,694,182	1,605,000	2,204,724	2.28
2000/01	34,262,541	25,770,164	8,492,377	1,640,000	2,130,049	2.25
2001/02	29,730,212	20,509,421	9,220,791	1,725,000	2,049,184	2.44
2002/03	34,839,032	25,867,740	8,971,292	1,795,000	1,977,878	2.38
2003/04	35,042,210	26,856,979	8,185,231	1,870,000	1,901,654	2.17
2004/05	42,666,318	32,453,744	10,212,574	1,955,000	1,820,361	2.71
2005/06	50,133,799	39,001,632	11,132,167	2,035,000	2,089,058	2.70
2006/07	47,313,004	37,605,675	9,707,329	2,215,000	2,495,105	2.06
2007/08	60,783,520	49,251,229	11,532,291	2,300,000	2,408,986	2.45

Notes: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) Total operating revenues plus interest.

(2) Total operating expenses excluding depreciation and amortization.

CITY OF WEATHERFORD, TEXAS
MUNICIPAL UTILITY SYSTEM
SCHEDULE OF ELECTRIC SALES
LAST TEN FISCAL YEARS
(Unaudited)

<u>Year Ended September 30</u>	<u>Power Sold (KWHR)</u>	<u>Daily Average (KWHR)</u>	<u>System Peak (KW)</u>
1999	269,351,613	737,950	67,334
2000	265,524,531	727,464	65,746
2001	279,482,773	765,706	64,300
2002	273,997,234	750,677	68,419
2003	289,085,021	792,014	73,205
2004	289,880,920	794,194	71,857
2005	315,001,959	863,019	78,273
2006	338,176,662	926,511	82,721
2007	334,246,819	915,745	81,859
2008	* 354,818,755	** 972,106	*** 82,317
*	31.7%	Increase since 1999 (KWHR)	
**	31.7%	Increase since 1999 (KWHR)	
***	22.3%	Increase since 1999 (KW)	

CITY OF WEATHERFORD, TEXAS
MUNICIPAL UTILITY SYSTEM
SCHEDULE OF RETAIL WATER SALES
LAST TEN FISCAL YEARS
(Unaudited)

<u>Year Ended September 30</u>	<u>Water Sold (1,000 Gallon)</u>	<u>Daily Average (1,000 Gallon)</u>	<u>Peak Day (1,000 Gallon)</u>
1999	997,429	2,733	7,015
2000	1,039,822	2,848	6,762
2001	1,010,513	2,769	7,478
2002	978,640	2,681	6,700
2003	1,043,244	2,858	7,076
2004	983,680	2,695	5,951
2005	1,115,086	3,055	7,058
2006	1,464,155	4,011	8,289
2007	1,117,941	3,063	7,264
2008	* 1,281,104	** 3,510	*** 7,991

* 28.4% Increase since 1999
 ** 28.4% Increase since 1999
 *** 13.9% Increase since 1999

19,450 pop. - 140.51 gals per day per person (1999)
 25,950 pop. - 135.26 gals per day per person (2008)

CITY OF WEATHERFORD, TEXAS
MUNICIPAL UTILITY SYSTEM
SCHEDULE OF WASTEWATER SALES
LAST TEN FISCAL YEARS
(Unaudited)

<u>Year Ended September 30</u>	<u>Wastewater Treated (1,000 Gallon)</u>	<u>Daily Average (1,000 Gallon)</u>	<u>Peak Day (1,000 Gallon)</u>
1999	803,523	2,201	3,824
2000	765,163	2,096	4,427
2001	868,524	2,380	5,545
2002	744,423	2,040	4,092
2003	846,935	2,320	3,870
2004	886,695	2,429	7,055
2005	790,227	2,165	5,544
2006	772,941	2,118	3,758
2007	811,311	2,223	5,308
2008	* 758,813	** 2,079	*** 4,083

* -5.6% Decrease since 1999
 ** -5.5% Decrease since 1999
 *** 6.8% Increase since 1999

19,450 pop. - 113.16 gals per day per person (1999)
 25,950 pop. - 80.11 gals per day per person (2008)

CITY OF WEATHERFORD, TEXAS
 MISCELLANEOUS STATISTICS
 September 30, 2008
 (Unaudited)

Date of incorporation	January 2, 1858
Form of government	Council/Manager
Number of full-time employees (excluding police and fire):	231
Area in square miles	26.52
Facilities and Services	
Miles of streets	160.12
Number of street lights	1,557
Culture and Recreation:	
Public libraries	1
Total library holdings	97,232
Community centers	2
Parks	10
Park acreage	300
Swimming pools	1
Tennis courts	3
Soccer fields	8
Softball and baseball fields	10
Multi-purpose fields and courts	9
Fire protection:	
Number of stations	4
Number of paid fire personnel and officers	52
Number of trucks	14
Number of calls answered	3,167
Police protection:	
Number of stations	1
Number of police personnel and officers	79
Number of patrol units	22
Number of law violations:	
Arrests	1,597
Violations other than parking	10,078
Parking violations	231

CITY OF WEATHERFORD, TEXAS
 MISCELLANEOUS STATISTICS
 September 30, 2008
 (Unaudited)

Facilities and Services - continued

Sanitary Sewer System:

Miles of sanitary sewers	188
Number of treatment plants	1
Number of service connections	9,902
Daily average treatment in gallons	2,073,083
Permitted daily capacity of treatment plant in gallons	4,500,000

Water System:

Miles of water mains	244
Number of service connections	10,418
Number of fire hydrants	1,199
Daily average consumption in gallons	3,937,000
Maximum daily capacity of plant in gallons	14,000,000
Total water storage capacity	7,100,000
Annual water sales in gallons	1,297,535,000

Electric Distribution System:

Miles of distribution lines	304
Number of service connections	13,166
Total system peak demand (KW)	82,317
Annual kilowatt-hour sales (KWH)	354,818,755

Other Community Facilities:

Education:

Number of elementary schools	7
Number of elementary school instructors	274
Number of secondary schools	4
Number of secondary school instructors	223
Number of community colleges	1

Hospitals:

Number of hospitals	1
Number of patient beds	99

CITY OF WEATHERFORD, TEXAS
MUNICIPAL UTILITY SYSTEM
SERVICE RATE SCHEDULES
As of September 30, 2008
(Unaudited)

ELECTRIC RATES - (Effective October 1, 2002 - Ordinance 2002-35)

Residential	\$ 4.25 customer charge \$.0750 per KWH May - October \$.0690 per KWH November - April
Small General Service (Demand does not exceed 20)	\$16.00 customer charge plus \$.0765 per KWH
Large General Service - 1 (Demand 20 - 200)	\$21.00 customer charge \$ 3.25 per KW demand \$.0605 per KWH
Large General Service - 2 (Demand 200 - 1000 KVA)	\$22.25 customer charge \$ 2.55 per KVA demand \$.0565 per KWH \$.0545 per KWH (if primary metered)
Large General Service - 3 (Demand 1000 KVA or more)	\$22.25 customer charge \$ 8.10 per KVA demand in excess of 10 KVA \$.0860 per KWH for first 2500 KWH \$.0520 per KWH for next 3500 KWH** \$.0260 per KWH for all additional KWH

** Add 215 KWH per KVA of demand in excess of 10 KVA

LGS-1, LGS-2 and LGS-3 customers are subject to minimum KW demand billing equal to 75% of highest demand billed within last 12 months.

Church/School	\$16.00 customer charge \$ 2.25 per KW demand \$.0645 per KWH
Municipal	\$12.25 customer charge \$.0665 per KWH
MV Lighting	\$10.00 customer charge

Power cost adjustment factor (PCAF) - The energy charges stated in all rate schedules for the current billing month will be increased or decreased by the amount by which the average cost of purchased power plus production costs per kilowatt hour sold for the previous month exceeds \$0.0400.

CITY OF WEATHERFORD, TEXAS
MUNICIPAL UTILITY SYSTEM
SERVICE RATE SCHEDULES
As of September 30, 2008
(Unaudited)

WATER RATES

RESIDENTIAL WATER CUSTOMER - (Effective October 1, 2006 - Ordinance 220-2006-37)

Customer Charge (minimum)	\$ 8.55
Per Cu. Ft. (0-1,000)	\$ 0.0265
Per Cu. Ft. (1,001-3,500)	\$ 0.0330
Per Cu. Ft. (3,501-5,000)	\$ 0.0415
Per Cu. Ft. (all over 5,000)	\$ 0.0500

**RURAL WATER CUSTOMER - Westridge/Southcrest Subdivisions
(Effective October 1, 2007 - Ordinance 300-2007-66)**

Customer Charge (minimum)	\$ 8.55
Per Cu. Ft. (0-1,000)	\$ 0.0395
Per Cu. Ft. (1,001-3,500)	\$ 0.0460
Per Cu. Ft. (3,501-5,000)	\$ 0.0545
Per Cu. Ft. (all over 5,000)	\$ 0.0630

COMMERCIAL RATES - (Effective October 1, 2006 - Ordinance 220-2006-37)

Customer Charge (minimum)	\$ 12.40
Per Cu. Ft.	\$ 0.0300

OFFSITE COMMERCIAL / INDUSTRIAL - (Effective April 1, 2007 - Ordinance 242-2007-08)

Fire Hydrant Meters

Customer Charge	\$ 15.75
Per Cu. Ft. (all)	\$ 0.0600

WASTEWATER RATES (Effective October 1, 2006 - Ordinance 221-2006-38)

RESIDENTIAL RATES

Customer Charge (minimum)	\$ 12.35
Cu. Ft. Included in Minimum	400
Per Cu. Ft. > 400 CF (Maximum Billed - 2,000 CF)	\$ 0.0420

Residential wastewater volume based on lower month's actual use or average of water billed during months of Dec., Jan., and Feb.

COMMERCIAL RATES

Customer Charge (minimum)	\$ 17.55
Cu. Ft. Included in Minimum	400
Per Cu. Ft. > 400 CF	\$ 0.0360

Commercial volume based on percent of actual water billed each month.

PROJECT SECTION

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**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
September 30, 2008**

**MAJOR CAPITAL PROJECTS SUMMARY
FOR THE PERIOD 10/01/05 - 9/30/08
(Unaudited)**

	PROJECT BUDGET	BALANCE 09/30/2007	FISCAL YEAR 2007-2008	BALANCE 09/30/2008
<u>REVENUES</u>				
2006 Revenue Bond Funds				
Sale of Bonds	\$ 20,000,000.00	\$ 20,000,000.00	\$ -	\$ 20,000,000.00
Original Issue Premium	-	835,310.45	-	835,310.45
Bond Issuance Costs	-	(358,233.80)	-	(358,233.80)
Change in Fair Value of Investments	-	9,287.50	(8,429.46)	858.04
Interest Earnings	-	1,186,730.33	489,424.86	1,676,155.19
EPA Grant Funds (Elevat. Storage Tank)	-	-	240,600.00	240,600.00
Prior Funding Sources				
Utility Revenues	523,342.00	523,342.03	-	523,342.03
1999 Revenue Bond Funds	905,894.00	905,894.18	-	905,894.18
Capitalized Interest - 1999 Bonds	20,952.00	25,716.03	-	25,716.03
Capitalized Interest - 2006 Bonds	-	104,231.09	54,011.89	158,242.98
TOTAL REVENUES	\$ 21,450,188.00	\$ 23,232,277.81	\$ 775,607.29	\$ 24,007,885.10
<u>PROJECT EXPENDITURES</u>				
Railroad Substn Transformer	\$ 500,000.00	\$ -	\$ -	\$ -
Railroad Substn Constr & Feeders	400,000.00	-	-	-
Water Purification Plant Expansion	6,045,000.00	6,173,464.65	-	6,173,464.65
Elevated Water Tank & Lines	2,797,250.00	553,001.48	1,627,230.40	2,180,231.88
Parallel Treated Water Line	9,035,000.00	655,923.27	321,569.05	977,492.32
Oversized Line to PCWSC	365,075.00	-	-	-
Parallel Sewer Line-S Main to WWTP	1,700,000.00	19,334.82	108,400.56	127,735.38
Unallocated Contingency	607,863.00	-	-	-
Interest Transfer to Utility System	-	1,186,730.33	489,424.86	1,676,155.19
TOTAL PROJECT EXPENDITURES	\$ 21,450,188.00	\$ 8,588,454.55	\$ 2,546,624.87	\$ 11,135,079.42
ENDING BALANCE	\$ -	\$ 14,643,823.26	\$ (1,771,017.58)	\$ 12,872,805.68

**CITY OF WEATHERFORD
MUNICIPAL UTILITY SYSTEM
September 30, 2008**

**WATER PURIFICATION PLANT EXPANSION
(Unaudited)**

	BALANCE 09/30/2007	FISCAL YEAR 2007-2008	BALANCE 09/30/2008
<u>PROJECT EXPENDITURES</u>			
ENGINEERING DESIGN SERVICES	\$ 153,338.16	\$ -	\$ 153,338.16
CONSTRUCTION	5,905,999.79	-	5,905,999.79
MISC. & CONTINGENCY	11,573.20	-	11,573.20
CAPITALIZED INTEREST	102,553.50	-	102,553.50
<i>TOTAL EXPENDITURES</i>	\$ 6,173,464.65	\$ -	\$ 6,173,464.65

The 6 MG expansion of the water plant began in June 2005. The plant was substantially complete in July 2006 with final completion in August 2007.