

CITY OF LINDALE, TEXAS
BASIC FINANCIAL STATEMENTS and
REQUIRED SUPPLEMENTARY and OTHER INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2009

CITY OF LINDALE, TEXAS

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INDEPENDENT AUDITORS' REPORT

City Council
City of Lindale, Texas

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, each major fund, and the aggregate remaining fund information of the City of Lindale, Texas as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund 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 February 25, 2010 on our consideration of the City of Lindale, Texas' 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lindale, Texas' basic financial statements. The accompanying financial information listed as additional supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Collot, Morgan, Peddy + Co., P.C.

Certified Public Accountants

Tyler, Texas
February 25, 2010

City Of Lindale
Management's Discussion and Analysis
For the Year Ended September 30, 2009

As management of the City of Lindale, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the Fiscal year ended September 30, 2009.

Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by \$17,910,399 (net assets). These net assets are made up of \$11,418,017 in capital assets net of related debt, \$2,698,115 set aside for capital improvements, \$915,811 restricted to meet the City's ongoing debt obligations to creditors, \$213,597 restricted for parks, and \$2,664,859 unrestricted, available resources.
- At the close of the current fiscal year, the City of Lindale's governmental funds reported a combined ending fund balance of \$7,949,764. Of the balance, \$4,392,297 is undesignated and available by the City's designation and policies.
- At the end of the current fiscal year, undesignated fund balance in the general fund was \$842,389 that represents 23.16% of the total 2009 general fund expenditures.
- The City's total non-current liabilities increased to \$20,028,087. That is a \$2,414,269 increase over the prior year 2008 balance of \$17,613,818. The increase is due to the issuance of \$3,080,000 in certificates of obligation to pay contractual obligations to be incurred for (i) improvements and extensions to the City's Waterworks and Sewer System, including the acquisition of land, rights-of-way and equipment, (ii) street construction and improvements, including curbs, gutters, signalization, sidewalks and drainage improvements related thereto and the acquisition of land and rights-of-way, (iii) improving and equipping park and recreational facilities, (iv) improving and equipping a new municipal building for administrative facilities and the police department, (v) constructing, improving and equipping a new community center and (vi) constructing and improving a municipal parking facility and (vii) professional services rendered in connection therewith.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The financial statements are prepared using Governmental Accounting Statement No. 34 *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. This is the sixth year that the City is reporting using the new reporting model.

The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

This report also includes other supplementary information in addition to the basic financial statements.

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

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

The *statement of activities* presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City of Lindale that are principally supported by taxes and other governmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets and drainage, parks and recreation and economic development. The business-type activities include water and sewer, emergency medical service and construction.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may

better understand the long-term impact of the City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five major governmental funds – general, economic development, capital projects, 2009 capital projects bond fund and debt service. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for these funds, which are considered to be major funds. Data from the other governmental funds is presented as a single aggregated presentation as these funds are considered nonmajor governmental funds.

Proprietary funds. The City of Lindale maintains several types of proprietary funds within the enterprise fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City used enterprise funds to account for its water and sewer operations, capital improvements and nonmajor enterprise activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer and the capital improvement. A combination of these funds is presented in the government-wide financial statements.

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 presents certain required supplemental information concerning the City's budget and actual expenditures. In addition to the supplemental budget information, non-major fund information is presented for the governmental funds and business type activities.

Government-wide Financial Analysis

The government-wide statement of net assets displays the assets, liabilities and net assets broken down between governmental and business-type activities. Assets and liabilities are shown as either current or noncurrent. Current designation presumes that the transaction will become cash or consume cash within one fiscal year. Noncurrent assets and liabilities are long-term in nature.

As noted earlier, net assets, over time, may serve as a useful indicator of the City's financial position. At the end of the fiscal year September 30, 2009, the City's assets exceeded liabilities by \$17,910,399. This amount is greater than the 2008 balance of \$16,647,057. By far the largest portion of the City's net assets is the \$11,418,017 investment in capital assets (e.g., land, buildings, equipment, and infrastructure less any related debt used to acquire these assets that is still outstanding). The 2009 investment in capital assets is greater than the prior years due to improvements and extensions to the water and sewer system together with other infrastructure projects. The 2009 investment in capital assets was greater than the 2008 \$10,824,933 total. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 8,644,993	\$ 6,616,362	\$ 859,644	\$1,120,570	\$ 9,504,637	\$ 7,736,932
Capital assets	14,673,737	13,234,662	14,282,166	13,916,363	28,955,903	27,151,025
Total assets	23,318,730	19,851,024	15,141,810	15,036,933	38,460,540	34,887,957
Current liabilities	284,628	287,022	237,426	340,060	522,054	627,082
Noncurrent liabilities	19,911,253	17,482,424	116,834	131,394	20,028,087	17,613,818
Total liabilities	20,195,881	17,769,446	354,260	471,454	20,550,141	18,240,900
Net invested in capital	(2,580,438)	(3,085,030)	13,998,455	13,909,963	11,418,017	10,824,933
Restricted	3,557,467	2,134,562	270,056	580,943	3,827,523	2,715,505
Unrestricted	2,145,820	3,032,046	519,039	74,573	2,664,859	3,106,619
Total net assets	\$ 3,122,849	\$ 2,081,578	\$14,787,550	\$14,565,479	\$ 17,910,399	\$ 16,647,057

Governmental activities. Consistent with the preceding governmental net assets, this is the sixth year to report governmental activities under the new reporting standard GASB No. 34. Increased charges for services and decreased transfers resulted in the government activities adding \$1,104,923 to the governmental activities net assets in fiscal year 2009.

City of Lindale's Change in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues						
Charges for services	\$1,371,795	\$1,223,579	\$2,015,974	\$1,742,012	\$3,387,769	\$2,965,591
Operating Grants and contribution	9,235	10,163			9,235	10,163
Capital grants and contribution	99,920		224,865	228,696	324,785	228,696
General revenue						
Property taxes	1,783,891	1,713,072			1,783,891	1,713,072
Franchise taxes	276,786	269,371			276,786	269,371
Sales and use taxes	2,239,251	2,216,963			2,239,251	2,216,963
Interest and rent	218,460	278,079	14,199	18,201	232,659	296,280
Sales of lots	13,200	23,200	-	-	13,200	23,200
Other	-	-	-	-	-	-
Transfers	(36,434)	(774,764)	36,434	774,764	-	-
Total revenue	5,976,104	4,959,663	2,291,472	2,763,673	8,267,576	7,723,336
Expenses						
General government	827,763	826,321			827,763	826,321
Public Safety	1,507,539	1,563,245			1,507,539	1,563,245
Streets and drainage	1,152,808	1,154,484			1,152,808	1,154,484
Interest	757,626	781,120			757,626	781,120
Parks and recreation						
Economic development	441,200	312,931			441,200	312,931
Water and sewer			1,987,285	2,008,365	1,987,285	2,008,365
Emergency medical services			45,873	46,869	45,873	46,869
Construction and other			36,243	3,007	36,243	3,007
Other	184,245	191,740			184,245	191,740
Total expenses	4,871,181	4,829,841	2,069,401	2,058,241	6,940,582	6,888,082
Change in net assets	\$1,104,923	\$129,822	\$222,071	\$705,432	\$1,326,994	\$ 835,254

Financial Analysis of the Government's Funds

As noted earlier, the City of Lindale uses 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 ability to finance upcoming requirements. In particular, unreserved fund balances may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. As a measure of the Governmental fund's liquidity, the 2009 year ending fund balance of \$7,949,764 had five major components. These include the economic development fund balance of \$2,523,466, \$35,674 in capital projects, \$842,389 in the unrestricted general fund, \$2,392,385 in 2009 capital projects bond fund and \$1,240,039 in other governmental funds. The unrestricted portion of the General Fund represented 23.16% percent of the 2009 expenses that is more than the 13.3% expenses coverage in fiscal year 2008.

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

The 2009 unrestricted net assets of the proprietary fund amounted to \$519,039 as compared to the 2008 \$74,573 which is all held by the water and sewer fund.

The capital improvement fund recognizes and records all the transactions associated with the construction in progress for the improvements and expansion of the City's infrastructure, water distribution and waste water treatment facilities. In 2009 interest income of \$604 was recorded in addition to construction expenses of \$36,243. A (\$548,904) net transfer from the Capital Projects Fund resulted in a 2009 change to the Proprietary Fund net assets of (\$574,543). A \$546,547 transfer to the Water Fund resulted in a 2009 change to the Proprietary Fund net assets of \$532,958. The Highway 16 West Sewer System Expansion Project, funded by the Texas Community Development Block Grant and local funds, receivables for the year 2009 was \$224,865 with net assets of \$270,056.

General Fund Budgetary Highlights

In the current fiscal year, even though expenditures exceeded appropriations in the Public Works department of the General Fund by \$310,949, these over-expenditures were funded by greater than anticipated revenues and available fund balance in the General Fund.

Capital Assets and Debt Administration

Capital Assets. The City of Lindale's investment in capital assets net of accumulated depreciation and related debt for both the governmental and business-type activities as of September 30, 2009 is \$11,418,017 that is comparable to the 2008 total of \$10,824,933. Net capital assets without the related debt reflect the capital asset value of \$28,955,903 changed from the 2008 \$27,151,025.

Capital Assets at Year-End Less Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$7,354,860	\$6,365,941	\$172,926	\$172,926	\$7,527,786	\$6,538,867
Construction in progress	157,351	23,034	374,459	40,517	531,810	63,551
Building and Improvements	2,995,000	2,816,804	261,194	249,694	3,256,194	3,066,498
Infrastructure	5,190,986	4,798,983			5,190,986	4,798,983
Machinery and Equipment	891,881	829,431	620,948	589,243	1,512,829	1,418,674
Water and sewer system	-	-	18,657,602	18,171,869	18,657,602	18,171,869
Total	16,590,078	14,834,193	20,087,129	19,224,249	36,677,207	34,058,442
Less Accumulated Depreciation	(1,916,341)	(1,599,531)	(5,804,963)	(5,307,886)	(7,721,304)	(6,907,417)
Combined Total	\$14,673,737	\$13,234,662	\$14,282,166	\$13,916,363	\$28,955,903	\$27,151,025

Additional information on the City's capital assets can be found in footnote 4C of this financial report.

Long term debt. During the fiscal year 2009, the City of Lindale issued \$3,080,000 combination tax utility system revenue certificate of obligation that matures serially in various amount through August 15, 2027. The proceeds of the issue is to pay contractual obligations to be incurred for (i) improvements and extensions to the City's Waterworks and Sewer System, including the acquisition of land, rights-of-way and equipment, (ii) street construction and improvements, including curbs, gutters, signalization, sidewalks and drainage improvements related thereto and the acquisition of land and rights-of-way, (iii) improving and equipping park and recreational facilities, (iv) improving and equipping a new municipal building for administrative facilities and the police department, (v) constructing, improving and equipping a new community center and (vi) constructing and improving a municipal parking facility and (vii) professional services rendered in connection therewith.

At the end of the fiscal year 2009, the City governmental activities had outstanding debt obligations of \$15,945,000 plus \$179,672 of unamortized bond premium and deferred defeasance credit of \$131,819 that totals \$15,992,853. The business-type activities had outstanding notes payable totaling \$47,563.

Compensated absence obligations are those amounts owed to employees for accumulated vacation and sick leave time that will be taken in the future.

Outstanding Debt at Year-End

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Certificates of obligation	\$12,330,000	\$9,730,000			\$12,330,000	\$9,730,000
General obligations	3,615,000	3,690,000			3,615,000	3,690,000
Deferred defeasance	(131,819)	(143,879)			(131,819)	(143,879)
Capital Lease	65,621	85,778	30,881	40,366	96,502	126,144
Unamortized bond premium	179,672	145,787			179,672	145,787
Notes payable	3,709,608	3,839,820	47,563	58,425	3,757,171	3,898,245
Compensated absences	143,171	134,918	38,390	32,603	181,561	167,521
Combined total	\$19,911,253	\$17,482,424	\$116,834	\$131,394	\$20,028,087	\$17,613,818

The City's outstanding debt is not rated. Additional information on the City's long-term debt can be found in footnote 4F of this financial report.

Economic Factors and Next Year's Budgets and Rates

This is the first time in several years that the spirit of optimism was replaced with caution because of the down turn in the national economy and some apprehension of the effect locally to our City.

The tax rate was increased from \$.4831 to \$.5023 which is an increase of 1.92 cents. It is still lower than the tax rate for the year 2007-2008. The 2009 tax rate was the lowest in 25 years.

For the first time in several years the City's 2009-2010 Budget did not provide for an employee cost of living raise. However, current benefits are being maintained. Four

positions that had not been filled previously are still not budgeted to be filled. The City wants to see a trend of positive in its revenues or savings in the expenditures before the addition of employees or buying recurring capital items.

The 2009-2010 Budget did allow for a new vehicle for the Police Department, new warning system for Community Development, and an increase of \$4,000 to the Lindale Library for a total contribution of \$40,000. During 2010, the City should see the completion of the new Municipal Building for the Administrative Offices and Police Department. Also, the dewatering belt press should be installed and operational and eliminate the need for contract hauling of sludge at the waste water treatment plant.

Request for information

This financial report is designed to provide a general overview of the City of Lindale's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Lindale P.O. Box 130 Lindale, Texas or call 903-882-3422.

BASIC FINANCIAL STATEMENTS

**CITY OF LINDALE, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

EXHIBIT 1

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	6,200,053	478,478	\$ 6,678,531
Investments	1,450,000	-	1,450,000
Receivables (net of allowance for doubtful accounts)	539,037	222,151	761,188
Prepaid expenses	555	-	555
Internal balances	302	(302)	-
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	10,000	159,317	169,317
Bond issue costs (net)	445,046	-	445,046
Capital Assets (net of accumulated depreciation):			
Land	7,354,860	172,926	7,527,786
Buildings and improvements	2,427,773	207,914	2,635,687
Infrastructure	4,444,611	-	4,444,611
Machinery and equipment	289,142	77,466	366,608
Construction in progress	157,351	374,459	531,810
Water and sewer system	-	13,449,401	13,449,401
Total Assets	23,318,730	15,141,810	38,460,540
LIABILITIES			
Accounts payable and accrued expenses	199,794	78,109	277,903
Deposits and other refundable balances	-	159,317	159,317
Deferred revenue	-	-	-
Accrued interest	84,834	-	84,834
Non-current liabilities:			
Due within one year	836,065	28,538	864,603
Due in more than one year	19,075,188	88,296	19,163,484
Total Liabilities	20,195,881	354,260	20,550,141
NET ASSETS			
Investment in capital assets, net of related debt	(2,580,438)	13,998,455	11,418,017
Restricted for:			
Debt retirement	915,811	-	915,811
Parks			
Expendable	5,695	-	5,695
Nonexpendable	207,902	-	207,902
Capital improvements	2,428,059	270,056	2,698,115
Unrestricted	2,145,820	519,039	2,664,859
Total Net Assets	\$ 3,122,849	\$ 14,787,550	\$ 17,910,399

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

CITY OF LINDALE, TEXAS
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2009

PROGRAM ACTIVITIES PRIMARY GOVERNMENT:	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		TOTAL
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
Governmental activities:							
General government	827,763	193,500	-	-	\$ (634,263)	\$ -	\$ (634,263)
Public safety	1,507,539	437,790	-	-	(1,069,749)	-	(1,069,749)
Public works	1,152,808	740,505	-	99,920	(312,383)	-	(312,383)
Economic development	441,200	-	-	-	(441,200)	-	(441,200)
Interest	757,626	-	-	-	(757,626)	-	(757,626)
Other	184,245	-	9,235	-	(175,010)	-	(175,010)
Total governmental activities	4,871,181	1,371,795	9,235	99,920	(3,390,231)	-	(3,390,231)
Business-type activities:							
Water and sewer	1,987,285	1,968,648	-	224,865	-	206,228	206,228
Emergency Medical Services	45,873	47,326	-	-	-	1,453	1,453
Construction	36,243	-	-	-	-	(36,243)	(36,243)
Total business-type activities	2,069,401	2,015,974	-	224,865	-	171,438	171,438
Total primary government	\$ 6,940,582	\$ 3,387,769	\$ 9,235	\$ 324,785	(3,390,231)	171,438	(3,218,793)
General revenues:							
Current and delinquent property taxes					1,783,891	-	1,783,891
Franchise taxes					276,786	-	276,786
Sales tax					1,949,401	-	1,949,401
Hotel/motel taxes					289,850	-	289,850
Interest and rent					218,460	14,199	232,659
Sale of lots					13,200	-	13,200
Transfers					(36,434)	36,434	-
Total general revenues and transfers					4,495,154	50,633	4,545,787
Change in net assets					1,104,923	222,071	1,326,994
Net assets - beginning of year, as originally stated					2,081,578	14,565,479	16,647,057
Prior Period Adjustment					(63,652)	-	(63,652)
Net assets - beginning of year, as restated					2,017,926	14,565,479	16,583,405
Net assets - end of year					\$ 3,122,849	\$ 14,787,550	\$ 17,910,399

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

CITY OF LINDALE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	MAJOR FUNDS					OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	LINDALE ECONOMIC DEVELOPMENT	CAPITAL PROJECTS	2009 CAPITAL PROJECTS BOND FUND	DEBT SERVICE			
ASSETS								
Cash and cash equivalents	1,073,194	639,329	35,674	2,403,605	915,811	\$ 1,132,440	\$ -	\$ 6,200,053
Investments	-	1,450,000	-	-	-	-	-	1,450,000
Receivables (net of allowance for doubtful accounts):								
Taxes	18,130	100,309	-	-	32,259	107,599	-	258,297
Sanitation	75,096	-	-	-	-	-	-	75,096
Other	200,648	-	-	-	-	4,996	-	205,644
Prepaid expenses	-	353,055	-	-	-	-	(352,500)	555
Due from other funds	21,544	-	-	4,996	-	-	-	26,540
Cash - restricted	-	10,000	-	-	-	-	-	10,000
Total Assets	\$ 1,388,612	\$ 2,552,693	\$ 35,674	\$ 2,408,601	\$ 948,070	\$ 1,245,035	\$ (352,500)	\$ 8,226,185
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	64,469	19,227	-	16,216	-	-	-	99,912
Accrued expenses	89,882	-	-	-	-	-	-	89,882
Due to other funds	21,242	-	-	-	-	-	-	26,238
Deferred revenue	370,630	-	-	-	32,259	4,996	-	50,389
Option contract liability	-	10,000	-	-	-	-	352,500	10,000
Total Liabilities	546,223	29,227	-	16,216	32,259	4,996	352,500	276,421
Fund Balances								
Reserved for:								
Debt retirement	-	-	-	-	915,811	-	-	915,811
Parks	-	-	-	-	-	213,597	-	213,597
Capital improvements	-	-	35,674	2,392,385	-	-	-	2,428,059
Total Reserved Fund Balances	-	-	35,674	2,392,385	915,811	213,597	-	3,557,467
Unreserved:								
Undesignated	842,389	2,523,466	-	-	-	1,026,442	-	4,392,297
Total Undesignated Fund Balances	842,389	2,523,466	-	-	-	1,026,442	-	4,392,297
Total Fund Balances	842,389	2,523,466	35,674	2,392,385	915,811	1,240,039	-	7,949,764
Total Liabilities and Fund Balances	\$ 1,388,612	\$ 2,552,693	\$ 35,674	\$ 2,408,601	\$ 948,070	\$ 1,245,035	\$ 352,500	\$ 8,226,185

CITY OF LINDALE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets (Exhibit 1)

	Total Governmental Funds
Total fund balances governmental funds (Exhibit 3 page 1)	\$ 7,949,764
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	14,673,737
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	50,389
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.	(84,834)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	(19,466,207)
Net Assets of governmental activities	<u>\$ 3,122,849</u>

CITY OF LINDALE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	MAJOR FUNDS					OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	LINDALE ECONOMIC DEVELOPMENT	CAPITAL PROJECTS	2009 CAPITAL PROJECTS BOND FUND	DEBT SERVICE			
REVENUES								
Current and delinquent property taxes	641,290	\$ -	\$ -	\$ -	1,128,892	\$ -	\$ -	\$ 1,770,182
Franchise taxes	276,786	-	-	-	-	-	-	276,786
Sales tax	1,304,422	644,979	-	-	-	-	-	1,949,401
Building permits	29,358	-	-	-	-	-	-	29,358
Fines and forfeitures	437,790	-	-	-	-	-	-	437,790
Solid waste collections	740,505	-	-	-	-	-	-	740,505
Interest	14,854	72,308	4,515	28,673	38,814	25,568	-	184,732
Rents	15,400	3,000	-	-	-	-	-	18,400
Building and security	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-
Sale of lots	-	-	-	-	-	600	-	600
Donations	-	-	-	-	-	13,200	-	13,200
Hotel / Motel tax	-	-	-	-	-	9,235	-	9,235
LEDC Reimbursement	116,503	-	-	-	-	289,850	-	289,850
Grant revenue	-	-	-	-	-	-	(116,503)	-
Miscellaneous income	52,299	70,571	11,000	-	-	99,920	-	99,920
						29,672	-	163,542
Total Revenues	3,629,207	790,858	15,515	28,673	1,167,706	468,045	-	5,983,501
EXPENDITURES								
General Government	725,107	-	-	-	-	-	-	725,107
Public safety	1,472,896	-	-	-	-	-	-	1,472,896
Public works	1,343,448	-	-	-	-	-	-	1,343,448
Economic development	95,721	461,982	-	-	-	-	-	441,200
Other	-	-	-	-	-	238,505	116,503	238,505
Debt service:								
Principal	-	130,212	-	-	555,000	-	-	685,212
Interest and fees	-	179,562	-	-	579,788	-	-	759,350
Loan issuance costs	-	-	-	125,548	-	-	-	125,548
Capital outlay	-	-	996,255	177,750	-	166,790	-	1,340,795
Total Expenditures	3,637,172	771,756	996,255	303,298	1,134,788	405,295	-	7,132,061
Revenues Over (Under) Expenditures	(7,965)	19,102	(980,740)	(274,625)	32,918	62,750	-	(1,148,560)
OTHER FINANCING SOURCES (USES)								
Transfers in	407,766	-	-	-	-	45,166	(60,930)	392,002
Transfers out	-	-	(11,400)	(462,203)	-	(15,763)	60,930	(428,436)
Bond proceeds	-	-	-	3,080,000	-	-	-	3,080,000
Bond premium	-	-	-	49,213	-	-	-	49,213
Total Other Financing Sources (Uses)	407,766	-	(11,400)	2,667,010	-	29,403	-	3,092,779
Net Change in Fund Balances	399,801	19,102	(992,140)	2,392,385	32,918	92,153	-	1,944,219
Fund Balance, October 1, 2008	442,588	2,304,364	1,027,814	-	882,893	1,147,886	-	6,005,545
Fund Balance, September 30, 2009	<u>\$ 842,389</u>	<u>\$ 2,523,466</u>	<u>\$ 35,674</u>	<u>\$ 2,392,385</u>	<u>\$ 915,811</u>	<u>\$ 1,240,039</u>	<u>\$ -</u>	<u>\$ 7,949,764</u>

EXHIBIT 5

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

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

Net change in fund balances - total governmental funds	\$ 1,944,219
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	1,488,252
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	13,709
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(2,341,257)</u>
Change in net assets of governmental activities	<u>\$ 1,104,923</u>

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

CITY OF LINDALE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Current and delinquent property taxes	\$ 638,741	\$ 638,741	\$ 641,290	\$ 2,549
Franchise taxes	260,000	260,000	276,786	16,786
Sales tax	1,250,000	1,300,000	1,318,681	18,681
Building permits	60,000	60,000	29,358	(30,642)
Fines and forfeitures	300,000	420,000	437,790	17,790
Solid waste collections	646,633	646,633	734,789	88,156
Interest	10,000	10,000	14,854	4,854
Rents	15,000	15,000	15,400	400
LEDC Reimbursement	95,000	95,000	116,503	21,503
Miscellaneous income	10,600	10,600	52,299	41,699
Total Revenues	3,285,974	3,455,974	3,637,750	181,776
EXPENDITURES				
General Government	838,789	863,474	818,070	45,404
Public safety	1,476,135	1,567,275	1,520,993	46,282
Public works	972,450	1,025,525	1,336,474	(310,949)
Total Expenditures	3,287,374	3,456,274	3,675,537	(219,263)
Revenues Over (Under) Expenditures	(1,400)	(300)	(37,787)	(37,487)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	407,766	407,766
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	407,766	407,766
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	(1,400)	(300)	369,979	370,279
Budget Basis to GAAP Basis Adjustments (Note A)	-	-	29,822	29,822
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	(1,400)	(300)	399,801	400,101
Fund Balance, October 1, 2008	1,400	300	442,588	442,288
Fund Balance, September 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 842,389</u>	<u>\$ 842,389</u>

CITY OF LINDALE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009

Note A - Explanation of Differences Between Budget Basis Presentation and GAAP

Basis Presentation:

Sources/Inflows of Resources:

Differences - Budget to GAAP

Increase in accrued service revenues for services earned during the current year
but billed in the following year

\$ 5,716
(14,259)

Change in sales tax receivable

Uses/Outflows of Resources:

Differences - Budget to GAAP

Increase in accrued expenses for services rendered or goods provided during the current
year but paid for in the following year

(13,506)

Increase in bad debt reserve

(3,385)

Decrease in accounts payable

55,256

Net Change in Budget Basis Presentation and GAAP Basis Presentation

\$ 29,822

**CITY OF LINDALE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009**

	BUSINESS-TYPE ACTIVITIES				
	ENTERPRISE FUNDS				
	WATER & SEWER FUND	CAPITAL IMPROVEMENT FUND	TCDP 2006 GRANT FUND	TXCDBG #728239 FUND	TOTAL ENTERPRISE FUNDS
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 478,478	\$ -	\$ -	\$ -	\$ 478,478
Due from other funds	27,094	-	-	-	27,094
Accounts receivable (Net)	222,151	-	-	-	222,151
Total Current Assets	<u>727,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>727,723</u>
Restricted current assets:					
Temporarily Restricted					
Customer deposits	159,317	-	-	-	159,317
Cash for construction	-	-	-	-	-
Total restricted current assets	<u>159,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,317</u>
Capital Assets:					
Land	172,926	-	-	-	172,926
Water & Sewer system	18,657,602	-	-	-	18,657,602
Buildings	261,194	-	-	-	261,194
Machinery & equipment	620,948	-	-	-	620,948
Construction in progress	90,748	-	-	283,711	374,459
Less: Accumulated depreciation	<u>(5,804,963)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,804,963)</u>
Total Capital Assets Net Of Accumulated Depreciation	<u>13,998,455</u>	<u>-</u>	<u>-</u>	<u>283,711</u>	<u>14,282,166</u>
Total Noncurrent Assets:	<u>13,998,455</u>	<u>-</u>	<u>-</u>	<u>283,711</u>	<u>14,282,166</u>
Total Assets	<u>\$ 14,885,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283,711</u>	<u>\$ 15,169,206</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 38,305	\$ -	\$ -	\$ 13,655	\$ 51,960
Accrued expenses	26,149	-	-	-	26,149
Due to other funds	27,396	-	-	-	27,396
Compensated absences	6,398	-	-	-	6,398
Capital lease payable - current portion	10,190	-	-	-	10,190
Notes payable - current portion	11,950	-	-	-	11,950
Total Current Liabilities	<u>120,388</u>	<u>-</u>	<u>-</u>	<u>13,655</u>	<u>134,043</u>
Current liabilities payable from restricted assets:					
Customer deposits	159,317	-	-	-	159,317
Total current liabilities payable from restricted assets	<u>159,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,317</u>
Noncurrent Liabilities:					
Compensated absences	31,992	-	-	-	31,992
Capital lease payable	20,691	-	-	-	20,691
Notes payable	35,613	-	-	-	35,613
Total Noncurrent Liabilities	<u>88,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,296</u>
Total Liabilities	<u>368,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>381,656</u>
NET ASSETS					
Invested in capital assets, net of related debt	13,998,455	-	-	-	13,998,455
Restricted for:					
Capital improvements	-	-	-	270,056	270,056
Unrestricted	<u>519,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>519,039</u>
Total Net Assets	<u>\$ 14,517,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,056</u>	<u>\$ 14,787,550</u>

CITY OF LINDALE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUSINESS-TYPE ACTIVITIES					TOTAL ENTERPRISE FUNDS
	WATER & SEWER FUND	CAPITAL IMPROVEMENT FUND	TCDP 2006 GRANT FUND	TXCDBG #728239 FUND	ELIMINATIONS	
OPERATING REVENUES						
Charges for services:						
Water sales	\$ 1,136,487	\$ -	\$ -	\$ -	\$ -	\$ 1,136,487
Sewer charges	783,195	-	-	-	-	783,195
EMS	47,326	-	-	-	-	47,326
Tap and connect fees	22,300	-	-	-	-	22,300
Miscellaneous	16,666	10,000	-	-	-	26,666
Rents	12,725	-	-	-	-	12,725
Total Operating Revenues	<u>2,018,699</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,028,699</u>
OPERATING EXPENSES						
Water and sewer operations	1,490,208	-	-	-	-	1,490,208
Emergency Medical Services	45,873	-	-	-	-	45,873
Construction	-	36,243	-	-	-	36,243
Depreciation	497,077	-	-	-	-	497,077
Total Operating Expenses	<u>2,033,158</u>	<u>36,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,069,401</u>
Operating Income (Loss)	<u>(14,459)</u>	<u>(26,243)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,702)</u>
NON-OPERATING REVENUES (EXPENSES)						
Grant revenue	-	-	-	224,865	-	224,865
Interest and fiscal charge expense	(7,450)	-	-	-	-	(7,450)
Interest income	8,320	604	-	-	-	8,924
Total non-operating revenue (expenses)	<u>870</u>	<u>604</u>	<u>-</u>	<u>224,865</u>	<u>-</u>	<u>226,339</u>
Income before transfers	(13,589)	(25,639)	-	224,865	-	185,637
Transfers in	546,547	7,817	-	38,791	(164,718)	428,437
Transfers out	-	(556,721)	-	-	164,718	(392,003)
Total Transfers	<u>546,547</u>	<u>(548,904)</u>	<u>-</u>	<u>38,791</u>	<u>-</u>	<u>36,434</u>
Change in Net Assets	532,958	(574,543)	-	263,656	-	222,071
Net Assets, October 1, 2008	<u>13,984,536</u>	<u>574,543</u>	<u>-</u>	<u>6,400</u>	<u>-</u>	<u>14,565,479</u>
Net Assets, September 30, 2009	<u>\$ 14,517,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,056</u>	<u>\$ -</u>	<u>\$ 14,787,550</u>

CITY OF LINDALE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

Increase (Decrease) in Cash and Cash Equivalents

	BUSINESS-TYPE ACTIVITIES					TOTAL ENTERPRISE FUNDS
	WATER & SEWER FUND	CAPITAL IMPROVEMENT FUND	TCDP 2006 GRANT FUND	TXCDBG #728239 FUND	ELIMINATIONS	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers and users	\$ 1,998,185	\$ 10,000	\$ -	\$ -	\$ -	\$ 2,008,185
Cash paid to suppliers for goods and services	(952,386)	(40,003)	(127,631)	-	-	(1,120,020)
Cash paid to employees for services	(574,431)	-	-	-	-	(574,431)
Net cash provided by (used in) operating activities	471,368	(30,003)	(127,631)	-	-	313,734
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Advances (to) from other funds	2,740	(39,854)	-	22,840	-	(14,274)
Transfers in	-	7,817	-	15,951	(15,951)	7,817
Transfers out	-	(15,951)	-	-	15,951	-
Net cash provided by (used in) non-capital financing activities	2,740	(47,988)	-	38,791	-	(6,457)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets and equipment	(39,022)	(517,930)	-	(263,656)	-	(820,608)
Grant revenue received	-	-	127,631	224,865	-	352,496
Payment on note payable	(10,862)	-	-	-	-	(10,862)
Payment on capital lease	(9,485)	-	-	-	-	(9,485)
Interest paid	(7,450)	-	-	-	-	(7,450)
Net cash (used in) capital and related financing activities	(66,819)	(517,930)	127,631	(38,791)	-	(495,909)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest earned on investments	8,320	604	-	-	-	8,924
Net cash provided by investing activities	8,320	604	-	-	-	8,924
Net increase (decrease) in cash	415,609	(595,317)	-	-	-	(179,708)
Cash, beginning of period	222,186	595,317	-	-	-	817,503
Cash, end of period	\$ 637,795	\$ -	\$ -	\$ -	\$ -	\$ 637,795
Reconciliation of cash to Exhibit 7.						
Cash - current asset	\$ 478,478	\$ -	\$ -	\$ -	\$ -	\$ 478,478
Cash - restricted current asset	159,317	-	-	-	-	159,317
Total cash, end of period	\$ 637,795	\$ -	\$ -	\$ -	\$ -	\$ 637,795

CITY OF LINDALE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

Increase (Decrease) in Cash and Cash Equivalents

Reconciliation of Operating Income (Loss) To Net Cash
Provided By (Used In) Operating Activities:

Operating income (loss)	\$ (14,459)	\$ (26,243)	\$ -	\$ -	\$ -	\$ (40,702)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	497,077	-	-	-	-	497,077
Increase in accounts receivable	(32,139)	-	-	-	-	(32,139)
Increase (Decrease) in accounts payable	3,477	(3,760)	(127,631)	-	-	(127,914)
Increase in customer deposits	11,625	-	-	-	-	11,625
Increase in compensated absences	5,787	-	-	-	-	5,787
Total adjustments	485,827	(3,760)	(127,631)	-	-	354,436
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 471,368</u>	<u>\$ (30,003)</u>	<u>\$ (127,631)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313,734</u>

CITY OF LINDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1: — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Lindale, Texas operates under a Mayor-City Council form of government and provides the following services: general administration, police, planning and zoning, street, solid waste, and water and sewer services.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

B. The Reporting Entity

These financial statements present all of the funds of the City.

The financial statements of the City of Lindale, Texas include all funds and account groups and other organizations for which the City is financially accountable. Financial accountability is determined on the basis of appointment of a voting majority of the respective governing board, imposition of will, financial benefit or burden and financial accountability as a result of fiscal dependency. In determining the financial reporting entity, the City complies with the provisions of Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and Government Accounting Standards Board Statement No. 39 "Determining Whether Certain Organizations are Component Units – an amendment of GASB No. 14", and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Individual Component Unit Disclosure – Blended Component Units

The City has one separate component unit. The Lindale Economic Development Corporation (LEDC) is governed by a five (5) member board, appointed by the City Council and Mayor. The sole purpose of the LEDC is to determine the use of the proceeds of the one-half cent city sales tax for community development activities within the City. Although it is legally separate from the City, the LEDC is reported as a component unit of the City of Lindale because of the City's control over the financial operations and decisions of the LEDC.

All other entities associated with the City are excluded from the financial statements because they are autonomous governments or are administrative in nature.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The Lindale Economic Development Fund is a special revenue fund which is used to account for the activities of the Lindale Economic Development Corporation, a component unit of the City.

The Capital Projects Fund is a governmental capital projects fund used to account for construction costs to be funded by the proceeds from the Series 2006 Certificates of Obligation.

The 2009 Capital Projects Bond Fund is a governmental capital projects fund used to account for construction costs to be funded by the proceeds from the Series 2009 Certificates of Obligation.

The Debt Service Fund accounts for the repayment of the City's general obligation debt.

The government reports the following major proprietary funds:

The Water and Sewer Fund is used to account for sale of water and wastewater treatment by the City to businesses and residential customers.

The Capital Improvements Fund accounts for the construction of water and sewer construction projects.

The TCDP 2006 Grant Fund accounts for the costs of water and sewer construction projects funded by a Community Development Program grant and local funds.

The TXCDBG #728239 Fund accounts for the costs of a water and sewer construction project funded by a Community Development Program grant and local funds.

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided and (2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivery goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise 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 include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Assets, Liabilities, and Net Assets or Equity

1. Cash and cash equivalents – the City considers all cash in demand deposit accounts and petty cash accounts to be cash and cash equivalents, as well as certificates of deposit and funds maintained in external investment pools that can be readily converted to cash on a daily basis.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds:” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible.

The City provides an allowance for doubtful accounts based upon the anticipated collectibility of each specific account, as determined by experience.

Property taxes are levied October 1 on the assessed value of property at January 1 and are due by January 31 of the following year. Unpaid taxes attach as an enforceable lien on property as of January 31. Revenue from taxes assessed is recorded as deferred revenue on October 1. The deferred revenue from taxes is then recognized as revenue during the year as the taxes are actually received.

3. Due from Other Funds

Current portions of long-term interfund loans receivable (reported in “Due from” asset accounts) are considered “available spendable resources”.

4. Capital Assets – includes property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 (amount not rounded) and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-40
Machinery and equipment	5-10
Infrastructure	40

5. Construction in progress – Expenditures on incomplete capital projects have been capitalized as construction in progress. The assets resulting from these projects will be transferred from the construction in progress accounts to the appropriate asset account as the projects are completed.
6. Bond issue costs – Bond issue costs are amortized over the life of the bonds under straight line or the effective interest method.
7. Fund equity – Reserves of fund balance are used to indicate that a portion of fund equity is not available for expenditure or is legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.
8. Net Assets – represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of the City’s capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets. Net assets reported as restricted are those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations.
9. Capitalized interest – The City has capitalized interest on construction projects when material.
10. Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets - One element of that reconciliation states that “Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.” The details of this \$14,673,737 difference are as follows:

Capital assets, October 1, 2008, net of accumulated depreciation	\$13,185,485
Capital asset additions, net of retirements	1,805,684
Depreciation of capital assets, current year	<u>(317,432)</u>
	<u>\$14,673,737</u>

Another element states that “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.” The details of this \$(19,466,207) difference are as follows:

Long-term liabilities, October 1, 2008	\$(17,482,424)
New debt issued during the year	(3,080,000)
Premium on new debt, net of amortization	(33,885)
Principal paid on debt for the year	705,369
Bond issue and insurance costs	484,746
Amortization of bond issue and insurance costs	(39,700)
Accretion of deferred defeasance	(12,060)
Change in compensated absences	<u>(8,253)</u>
	<u>\$(19,466,207)</u>

B. Explanation of certain differences between the governmental fund statement of revenue, expenditures, and changes in fund balance and the government-wide statement of activities - One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated to their estimated useful lives and reported as depreciation expense. The details of this \$1,488,252 difference are as follows:

Capital outlay, asset additions, net of retirements	\$1,805,684
Depreciation expense	<u>(317,432)</u>
	<u>\$1,488,252</u>

Another element states "The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this \$(2,341,257) difference are as follows:

New debt issued during the year	\$ (3,080,000)
Principal paid on debt for the year	705,369
Premium on new debt, net of amortization	(33,885)
Bond issue and insurance costs	125,548
Amortization of bond issue and insurance costs	(39,700)
Accretion of deferred defeasance	(12,060)
Change in accrued interest	1,724
Change in compensated absences	<u>(8,253)</u>
	<u>\$ (2,341,257)</u>

NOTE 3 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. **Budgetary Information**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The budget for the General Fund, Debt Service Fund, Hotel Motel Tax Fund, Cemetery Fund, Court Technology Fund, Building Security Fund and the Water and Sewer Fund are adopted essentially on the cash basis. The budgetary comparisons for these funds are on this non-GAAP budgetary basis.
2. Appropriations lapse at year end.
3. Encumbrance accounting is not used.

NOTE 4 — DETAILED NOTES ON ALL FUNDS

A. **Deposits and Investments**

As of September 30, 2009, the City had the following deposits and investments:

	<u>BOOK BALANCE</u>	<u>BANK BALANCE</u>
Depository Accounts		
Insured	\$ 999,700	\$ 1,000,000
Collateral held by pledging bank's Trust Department in City's name	<u>5,847,848</u>	<u>5,961,855</u>
Total Depository Accounts	6,847,548	6,961,855

Petty Cash on hand	<u>300</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$6,847,848</u>	<u>\$6,961,855</u>

Investments – Certificates of Deposit		
Insured	\$ 250,000	\$ 250,000
Collateral held by pledging bank's Trust Department in City's name	<u>1,200,000</u>	<u>1,200,000</u>
Total Investments – Certificates of Deposit	<u>\$1,450,000</u>	<u>\$1,450,000</u>

Interest Rate Risk – The City's investment policy allows for investments to be made in order to achieve the highest return of interest on excess cash.

B. Receivables

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

	General Fund	Lindale Economic Development	Debt Service	Water and Sewer Fund	Other Governmental Funds	Total
Receivables:						
Taxes	\$ 27,030	\$ -	\$ 48,095	\$ -	\$ 107,599	\$ 182,724
Sanitation	84,204	-	-	-	-	84,204
Sales Tax	200,648	100,309	-	-	-	300,957
Accounts	-	-	-	265,131	4,996	270,127
Gross Receivables	311,882	100,309	48,095	265,131	112,595	838,012
Less: Allowance for Uncollectibles	<u>(18,008)</u>	<u>-</u>	<u>(15,836)</u>	<u>(42,980)</u>	<u>-</u>	<u>(76,824)</u>
Net Receivables	<u>\$ 293,874</u>	<u>\$ 100,309</u>	<u>\$ 32,259</u>	<u>\$ 222,151</u>	<u>\$ 112,595</u>	<u>\$ 761,188</u>

C. Capital Assets

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

PRIMARY GOVERNMENT	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 6,365,941	\$ 988,919	\$ -	\$ 7,354,860
Construction in Progress	<u>23,034</u>	<u>142,351</u>	<u>(8,034)</u>	<u>157,351</u>
Total Capital Assets, Not Being Depreciated	6,388,975	1,131,270	(8,034)	7,512,211
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,767,005	227,995	-	2,995,000
Infrastructure	4,798,983	392,003	-	5,190,986
Machinery and Equipment	<u>829,431</u>	<u>62,450</u>	<u>-</u>	<u>891,881</u>
Total Capital Assets, Being Depreciated	8,395,419	682,448	-	9,077,867
Less Accumulated Depreciation For:				
Buildings and Improvements	(494,467)	(72,760)	-	(567,227)

Infrastructure	(623,092)	(123,283)	-	(746,375)
Machinery and Equipment	<u>(481,350)</u>	<u>(121,389)</u>	-	<u>(602,739)</u>
Total Accumulated Depreciation	<u>(1,598,909)</u>	<u>(317,432)</u>	-	<u>(1,916,341)</u>
Net Total Assets Being Depreciated	<u>6,796,510</u>	<u>365,016</u>	-	<u>7,161,526</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,185,485</u>	<u>\$ 1,496,286</u>	<u>\$ (8,034)</u>	<u>\$ 14,673,737</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 172,926	\$ -	\$ -	\$ 172,926
Construction in Progress	<u>40,517</u>	<u>339,767</u>	<u>(5,825)</u>	<u>374,459</u>
Total Capital Assets, Not Being Depreciated	213,443	339,767	(5,825)	547,385
Capital Assets, Being Depreciated:				
Water and Sewer System	18,171,869	485,733	-	18,657,602
Buildings	249,694	11,500	-	261,194
Machinery and Equipment	<u>589,243</u>	<u>31,705</u>	-	<u>620,948</u>
Total Capital Assets, Being Depreciated	19,010,806	528,938	-	19,539,744
Less Accumulated Depreciation For:				
Water and Sewer System	(4,758,848)	(449,353)	-	(5,208,201)
Buildings	(47,013)	(6,267)	-	(53,280)
Machinery and Equipment	<u>(502,025)</u>	<u>(41,457)</u>	-	<u>(543,482)</u>
Total Accumulated Depreciation	<u>(5,307,886)</u>	<u>(497,077)</u>	-	<u>(5,804,963)</u>
Net Total Assets Being Depreciated	<u>13,702,920</u>	<u>31,861</u>	-	<u>13,734,781</u>
Business -Type Activities Capital Assets, Net	<u>\$ 13,916,363</u>	<u>\$ 371,628</u>	<u>\$ (5,825)</u>	<u>\$ 14,282,166</u>

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

Governmental Activities:	
General Government	\$ 39,751
Public Safety	80,747
Public Works	<u>196,934</u>
Total depreciation expense, governmental activities	<u>\$317,432</u>
Business-Type Activities:	
Water and Sewer Operations	\$492,045
Emergency Medical Services	<u>5,032</u>
Total	<u>\$497,077</u>

Construction Commitments

The City has several active construction projects as of September 30, 2009. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Estimated Remaining</u>
Municipal building	\$ 147,617	\$ 703,383
Highway 16 West Sewer System Improvements	<u>374,459</u>	<u>69,931</u>
	<u>\$ 522,076</u>	<u>\$ 773,314</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2009 is as follows:

Interfund receivables/payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 21,544
Water and Sewer Fund	General Fund	21,242
2009 Capital Projects Bond Fund	TP&W Fund	<u>4,996</u>
		<u>\$ 47,782</u>

Interfund transfers:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Kinzie Trust	General Fund	\$ 15,763
Capital Improvement Fund	General Fund	392,003
2009 Capital Projects Bond Fund	TP&W Fund	45,166
2009 Capital Projects Bond Fund	Capital Improvement Fund	7,817
Capital Improvement Fund	TXCDBG #728239 Fund	38,791
Capital Projects Fund	Water and Sewer Fund	11,400
2009 Capital Projects Bond Fund	Water and Sewer Fund	409,219
Capital Improvement Fund	Water and Sewer Fund	<u>125,927</u>
		<u>\$ 1,046,086</u>

E. Leases

Operating Leases

The City leases four copy machines, one located in the City Hall conference room, one at the Water Department building, one in Municipal Court, and one in Code Enforcement, under four separate lease agreements. Total costs for such leases were \$8,416 for the year ended September 30, 2009. The future minimum lease payments for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2010	7,147
2011	4,265
2012	<u>2,297</u>
TOTAL	<u>\$ 13,709</u>

Capital Leases

The City has entered into a lease agreement as lessee for financing the purchase of the City's new software, INCODE. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Asset:		
INCODE software	\$105,008	\$ 49,415
Less: Accumulated depreciation	<u>(50,754)</u>	<u>(23,884)</u>
TOTAL	<u>\$ 54,254</u>	<u>\$ 25,531</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009 were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2010	\$ 25,669	\$ 12,080
2011	25,669	12,080
2012	<u>21,391</u>	<u>10,066</u>
Total minimum lease payments	72,729	34,226
Less: Amount representing interest	<u>(7,108)</u>	<u>(3,345)</u>
Present value of minimum lease payments	<u>\$ 65,621</u>	<u>\$ 30,881</u>

F. Long-term debt

The government has issued bonds in prior years to fund construction projects to improve or expand the water and sewer system as well as the City's streets and for constructing and equipping a public safety/administration building, municipal parking facilities, equipping the police and code enforcement departments and professional services rendered in connection therewith. Also, bonds issued in prior years were used to refinance a portion of its old bonds. These bonds will be repaid from amounts levied against the property owners benefited by the construction. Outstanding bonds at September 30, 2009 are comprised of the following issues:

Governmental Activities:

\$4,730,000 Series 2004 Combination Tax and Utility System Revenue Refunding Bonds maturing serially in various amounts through 8-15-20. Interest rates varying from 2.5 % to 4.5 %.	\$3,690,000
\$3,140,000 Series 2004 Combination Tax and Utility System Certificates of Obligation maturing serially in various amounts through 8-15-25. Interest rates varying from 2.5 % to 4.8 %.	2,680,000
\$3,910,000 Series 2005 Unlimited Tax Refunding Bonds maturing serially in various amounts through 8-15-25. Interest rates varying from 3.25% to 5.00 %.	3,615,000
\$3,000,000 Series 2006 Combination Tax and Utility System Revenue Certificates of Obligation maturing serially in various amounts through 8-15-25. Interest rates varying from 4.25% to 5.00%.	2,880,000
\$3,080,000 Series 2009 Combination Tax and Utility System Revenue Certificates of Obligation maturing serially in various amounts through 8-15-27. Interest rates varying from 4.00% to 4.75%.	<u>3,080,000</u>
Total Outstanding Governmental Bonded Debt	15,945,000
Plus: Unamortized Bond Premium	176,672
Less: Deferred Loss on Refunding, net of accretion	<u>(131,819)</u>
Net Outstanding Governmental Bonded Debt	<u>\$15,992,853</u>

The funding requirements to amortize all bonds outstanding as of September 30, 2009, including interest, are as follows:

YEAR ENDED	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
9-30			
2010	\$ 650,000	\$ 733,494	\$ 1,383,494
2011	720,000	659,148	1,379,148
2012	755,000	629,898	1,384,898
2013	785,000	598,260	1,383,260
2014	815,000	565,360	1,674,649
2015-2019	4,660,000	2,285,032	6,945,032
2020-2024	5,780,000	1,188,907	6,968,907
2025-2027	<u>1,780,000</u>	<u>114,750</u>	<u>1,894,750</u>
	15,945,000	6,774,849	22,719,849
Unamortized Bond Premium	179,672	-	179,672
Deferred defeasance, net of accretion	<u>(131,819)</u>	<u>-</u>	<u>(131,819)</u>
	<u>\$15,992,853</u>	<u>\$ 6,774,849</u>	<u>\$22,767,702</u>

Each bond issue has a respective bond ordinance authorizing (a) creation of an interest and sinking fund for the bond issue and (b) establishment of a required minimum balance to be held by each issue in order to pay the next interest and sinking requirement due.

The bond ordinances also require that the following information concerning insurance coverage as of September 30, 2009 be disclosed.

Insurer	Policy	Limit of Liability		Expiration Date
		Each Occurrence	Annual Aggregate	
Texas Municipal League	General Liability	\$2,000,000	\$4,000,000	10/1/2009
	Law Enforcement	1,000,000	2,000,000	10/1/2009
	Errors & Omissions	1,000,000	2,000,000	10/1/2009
	Auto Liability	500,000	n/a	10/1/2009
	Auto Physical Damage	10,000	n/a	10/1/2009
Texas Municipal League	Real & Personal Property	1,000,000	5,650,664	10/1/2009
	Mobile Equipment	n/a	460,604	10/1/2009
	Boiler & Machinery	100,000	n/a	10/1/2009
Texas Municipal League	Workers Comp	n/a	1,662,143	10/1/2009

As of September 30, 2009, the City was in compliance with all requirements of its bond ordinances.

The City also has the following notes payable at September 30, 2009:

GOVERNMENTAL ACTIVITIES

LEDC note payable to Southside Bank; original loan amount of \$4,000,000; interest varies from 4.75% to 5.229%; payable in 60 monthly installments of \$25,814 beginning July 1, 2007, followed by 180 monthly installments of \$26,643 beginning September 1, 2012, secured by real estate.

\$3,709,608
(136,534)

LONG-TERM PORTION

\$3,573,074

BUSINESS-TYPE ACTIVITIES

Note payable to Lindale State Bank at 3.0% payable in monthly installments of \$1,061 plus interest, secured by EMS building
Less: Current portion

\$ 47,563
(11,950)

LONG-TERM PORTION

\$ 35,613

The approximate maturities of notes payable for the next five years are as follows:

<u>YEAR ENDED</u> <u>SEPTEMBER 30,</u>	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>
2010	\$ 136,534	\$ 11,950
2011	143,162	12,222
2012	148,152	12,499
2013	151,733	12,445
2014	159,860	10,892
2015-2019	936,816	-

2020-2024	1,216,030	-
2025-2027	<u>817,321</u>	-
Total	<u>\$ 3,709,608</u>	<u>\$ 47,563</u>

Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2009 was as follows:

	Beginning Balance 10/1/2008	Additions	Reductions	Ending Balance 9/30/2009	Due Within One Year
Governmental Activities:					
Certificates of Obligation	\$ 9,730,000	\$ 3,080,000	\$ (480,000)	\$ 12,330,000	\$ 555,000
General Obligation	3,690,000	-	(75,000)	3,615,000	95,000
Unamortized Bond Premium	145,787	49,213	(15,328)	179,672	-
Deferred defeasance	(143,879)	-	12,060	(131,819)	-
Capital Lease	85,778	-	(20,157)	65,621	25,669
Notes Payable	3,839,820	-	(130,212)	3,709,608	136,534
Compensated Absences	134,918	8,253	-	143,171	23,862
Governmental Activity Long-Term Liabilities	<u>\$ 17,482,424</u>	<u>\$ 3,137,466</u>	<u>\$ (708,637)</u>	<u>\$ 19,911,253</u>	<u>\$ 836,065</u>
Business-Type Activities:					
Notes Payable	\$ 58,425	\$ -	\$ (10,862)	\$ 47,563	\$ 11,950
Capital Lease	40,366	-	(9,485)	30,881	10,190
Compensated Absences	32,603	5,787	-	38,390	6,398
Business-Type Activity Long-Term Liabilities	<u>\$ 131,394</u>	<u>\$ 5,787</u>	<u>\$ (20,347)</u>	<u>\$ 116,834</u>	<u>\$ 28,538</u>

NOTE 5 — GROUP CONCENTRATIONS OF CREDIT RISK

The City provides water, sewer, sanitation and emergency medical services to its residents. Residents are provided with these services and are billed each month for usage in the prior month. The credit granted by the City for usage of these services is all with residents of the City. As of September 30, 2009, the City had \$297,247 in net receivables from its residents for the usage of these services.

NOTE 6 — COMMITMENTS

On January 1, 2006, the City entered into a written contract with Allied Waste Systems, Inc. for the collection and disposal of garbage for residents as well as commercial and industrial units within the City limits. The service is to be paid for according to rates set forth within the contract. The contract is for a term of four years and nine months beginning January 1, 2006 and ending September 30, 2010 and is renewable for a successive five years upon mutual agreement of both parties.

On April 1, 2008, LEDC entered into a reciprocal agreement with Tyler Junior College whereby LEDC agrees to reimburse Tyler Junior College for its rental expense of classroom space in Lindale quarterly in the amount of \$2,500 per month plus the taxes and insurance paid by Tyler Junior College for this space. In return, Tyler Junior

College agrees to provide throughout the entire two year lease term, or additional year, if extended, college level curriculum in two classroom spaces at the maximum level demand will sustain, specifically including, but not limited to, computer/technology training courses. Executed April 24, 2009 and beginning May 1, 2009, LEDC entered into a supplemental reciprocal agreement with Tyler Junior College whereby LEDC agrees to reimburse Tyler Junior College for its rental expense of classroom space located in Suite A and Suite B, Identity Center, quarterly, in advance, at the rate of \$4,000 per month, plus the taxes and insurance paid by Tyler Junior College for this rental space.

NOTE 7 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance and insurance with the Texas Municipal League (TML). The City pays its coverage in three installments. As of September 30, 2009, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2009, there was no reduction in insurance coverage from the prior year. There were no settlements in the prior three fiscal years which exceeded insurance coverage carried by the City.

NOTE 8 – EMPLOYEES’ PENSION PLAN OBLIGATIONS

Plan Description

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

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

	<u>Plan Year 2008</u>	<u>Plan Year 2009</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Year required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is 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 applicable period for that City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 221,685
Interest on Net Pension Obligation	-
Adjustment to the ARC	<u>-</u>
Annual Pension Cost (APC)	221,685
Contributions Made	<u>221,685</u>
Increase (decrease) in net pension obligation	-
Net Pension Obligation/(Asset), beginning of year	<u>-</u>
Net Pension Obligation/(Asset), end of year	<u><u>\$ -</u></u>

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Actual</u> <u>Contribution</u> <u>Made</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation/</u> <u>(Asset)</u>
9/30/2007	\$ 101,435	\$ 101,435	100%	\$ -
9/30/2008	112,759	112,759	100%	-
9/30/2009	221,685	221,685	100%	-

General System-wide Actuarial Assumptions

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Valuation Date	12/31/2006	12/31/2007	12/31/2008
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 years; open period	30 years; closed period	29 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return*	7%	7%	7.5%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3%	3%	3%
Cost-of-Living Adjustments	N/A	2.1%	2.1%

Funding Status and Funding Progress

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ 860,754	\$ 2,398,834	35.9%	\$ 1,538,080	\$ 1,652,901	93.1%

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2006	\$ 370,445	\$ 408,860	90.6%	\$ 38,415	\$ 1,382,534	2.8%
12/31/2007	587,031	2,083,003	28.2%	1,495,972	1,544,778	96.8%
12/31/2008	860,754	2,398,834	35.9%	1,538,080	1,652,901	93.1%

NOTE 9 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2009, expenditures exceeded appropriations in the Public Works department of the General Fund by \$310,949 and in Lindale Economic Development by \$182. These overexpenditures were funded by greater than anticipated revenues and available fund balance in the General Fund and the Lindale Economic Development Fund.

NOTE 10 – CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$63,652 was reflected on the Statement of Activities under Governmental Activities. The cost of improvements to a building the LEDC has no economic interest in were previously capitalized and depreciated. The prior period adjustment includes \$49,177, which properly reflects the cost of the improvement, net of the depreciation previously taken, as expense. Also, \$14,475 is included in the prior period adjustment to properly reflect prior year accrued interest expense for LEDC.

ADDITIONAL SUPPLEMENTAL INFORMATION

CITY OF LINDALE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2009

	CEMETERY FUND	HOTEL/MOTEL TAX FUND	COURT TECHNOLOGY FUND	BUILDING SECURITY FUND	CHILD SAFETY FEES FUND	POLICE EDUCATION FUND	POLICE FORFEITURE FUND	POLICE LEASE FUND	IB RICE FUND	TP&W FUND	PERMANENT FUND - KINZIE TRUST	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS												
Cash and cash equivalents	\$ 127,945	\$ 690,954	\$ 18,796	\$ 32,467	\$ 1,280	\$ 5,782	\$ 2,278	\$ 9,048	\$ 30,293	\$ -	\$ 213,597	\$ 1,132,440
Receivables:												
Taxes	-	107,599	-	-	-	-	-	-	-	4,996	-	107,599
Grant	-	-	-	-	-	-	-	-	-	-	-	4,996
Total Assets	\$ 127,945	\$ 798,553	\$ 18,796	\$ 32,467	\$ 1,280	\$ 5,782	\$ 2,278	\$ 9,048	\$ 30,293	\$ 4,996	\$ 213,597	\$ 1,245,035
LIABILITIES AND FUND BALANCES												
Liabilities:												
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,996	\$ -	\$ 4,996
Total Liabilities	-	-	-	-	-	-	-	-	-	4,996	-	4,996
Fund Balances:												
Reserved for Parks	127,945	798,553	18,796	32,467	1,280	5,782	2,278	9,048	30,293	-	213,597	213,597
Undesignated/unreserved	-	-	-	-	-	-	-	-	-	-	-	1,026,442
Total Fund Balances	127,945	798,553	18,796	32,467	1,280	5,782	2,278	9,048	30,293	-	213,597	1,240,039
Total Liabilities and Fund Balances	\$ 127,945	\$ 798,553	\$ 18,796	\$ 32,467	\$ 1,280	\$ 5,782	\$ 2,278	\$ 9,048	\$ 30,293	\$ 4,996	\$ 213,597	\$ 1,245,035

CITY OF LINDALE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2009

	CEMETERY FUND	HOTEL/MOTEL FAX FUND	COURT TECHNOLOGY FUND	BUILDING SECURITY FUND	CHILD SAFETY PLANS FUND	POLICE EDUCATION FUND	POLICE FORFEITURE FUND	POLICE LEOSE FUND	IB RICE FUND	TP&W FUND	PERMANENT FUND - KINZIE TRUST	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES												
Service charges	\$ 600	-	-	-	-	-	-	-	-	-	\$ -	\$ 600
Sale of lots	13,200	-	-	-	-	-	-	-	-	-	-	13,200
Donations	9,235	-	-	-	-	-	-	-	-	-	-	9,235
Hotel Motel tax	-	289,850	-	7,492	4,005	3,543	277	1,710	-	-	-	299,850
Miscellaneous	2,010	-	10,635	-	-	-	-	-	700	99,920	-	29,672
Grant revenue	2,976	14,304	474	1,046	-	53	21	89	-	-	5,805	99,920
Interest	-	-	-	-	-	-	-	-	-	-	-	25,568
Total Revenues	28,021	304,554	11,109	8,538	4,005	3,596	298	1,799	700	99,920	5,805	468,045
EXPENDITURES												
Building and grounds maintenance	28,620	-	-	-	-	-	-	-	-	-	-	28,620
Miscellaneous	309	204,990	-	-	-	2,908	103	1,575	-	-	-	209,885
Capital outlay	13,500	-	4,736	-	3,468	-	-	-	-	145,086	-	166,790
Total Expenditures	42,429	204,990	4,736	-	3,468	2,908	103	1,575	-	145,086	-	405,295
Excess (deficiency) of revenues over (under) expenditures	(14,408)	99,564	6,373	8,538	537	688	195	224	700	(45,166)	5,805	62,750
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	-	-	-	-	-	45,166	(15,763)	45,166
Transfers out	-	-	-	-	-	-	-	-	-	-	-	(15,763)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	45,166	(15,763)	29,403
Net Change in Fund Balances	(14,408)	99,564	6,373	8,538	537	688	195	224	700	-	(10,258)	92,153
Fund Balance, October 1, 2008	142,353	698,989	12,423	23,929	743	5,094	2,083	8,824	29,593	-	223,855	1,147,886
Fund Balance, September 30, 2009	\$ 127,945	\$ 798,553	\$ 18,796	\$ 32,467	\$ 1,280	\$ 5,782	\$ 2,278	\$ 9,048	\$ 30,293	\$ -	\$ 213,597	\$ 1,240,039

**CITY OF LINDALE, TEXAS
CEMETERY FUND
DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Service Charge	\$ 500	\$ 500	\$ 600	\$ 100
Miscellaneous Income	-	-	2,010	2,010
Interest income	4,000	4,000	2,976	(1,024)
Sale of Cemetery Plots	12,000	12,000	13,200	1,200
Transfer from Reserves	-	21,000	-	(21,000)
Public Contribution	8,175	8,175	9,235	1,060
TOTAL FINANCING SOURCES - BUDGET BASIS	<u>\$ 24,675</u>	<u>\$ 45,675</u>	28,021	<u>\$ (17,654)</u>
Financial Statement Adjustments:			-	
TOTAL FINANCING SOURCES - GAAP BASIS			<u>\$ 28,021</u>	
EXPENDITURES				
Cemetery Administration:				
Postage	\$ 500	\$ 500	\$ 261	\$ 239
Miscellaneous Supplies	1,000	1,000	48	952
Software contract	375	375	-	375
Professional	300	300	-	300
Cemetery & Grounds	20,000	28,700	28,620	80
Capital Outlay	2,500	14,500	13,500	1,000
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 24,675</u>	<u>\$ 45,375</u>	42,429	<u>\$ 2,946</u>
Financial Statement Adjustments:			-	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ 42,429</u>	

**CITY OF LINDALE, TEXAS
COURT TECHNOLOGY FUND
DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Fines and Fees	\$ 7,000	\$ 7,000	\$ 10,635	\$ 3,635
Interest Income	-	-	474	474
TOTAL FINANCING SOURCES - BUDGET BASIS	<u>\$ 7,000</u>	<u>\$ 7,000</u>	11,109	<u>\$ 4,109</u>
Financial Statement Adjustments:			-	
TOTAL FINANCING SOURCES - GAAP BASIS			<u>\$ 11,109</u>	
EXPENDITURES				
Capital Expenditures:				
Court Technology Equipment	\$ 2,400	\$ 4,900	\$ 4,736	\$ 164
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 2,400</u>	<u>\$ 4,900</u>	4,736	<u>\$ 164</u>
Financial Statement Adjustments:			-	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ 4,736</u>	

CITY OF LINDALE, TEXAS
 BUILDING SECURITY FUND
 DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
 FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Fines and Fees	\$ 3,000	\$ 3,000	\$ 7,492	\$ 4,492
Interest Income	-	-	1,046	1,046
TOTAL FINANCING SOURCES - BUDGET BASIS	<u>\$ 3,000</u>	<u>\$ 3,000</u>	8,538	<u>\$ 5,538</u>
Financial Statement Adjustments:			-	
TOTAL FINANCING SOURCES - GAAP BASIS			<u>\$ 8,538</u>	

**CITY OF LINDALE, TEXAS
HOTEL-MOTEL OCCUPANCY TAX FUND
DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Motel Tax	\$ 225,000	\$ 225,000	\$ 270,044	\$ 45,044
Interest income	10,000	10,000	14,704	4,704
TOTAL FINANCING SOURCES - BUDGET BASIS	<u>\$ 235,000</u>	<u>\$ 235,000</u>	284,748	<u>\$ 49,748</u>
Financial Statement Adjustments:				
Increase in taxes receivable			19,806	
TOTAL FINANCING SOURCES - GAAP BASIS			<u>\$ 304,554</u>	
EXPENDITURES				
Hotel-Motel Administration:				
Salaries	\$ -	\$ 2,826	\$ 2,826	\$ -
Miscellaneous	-	2,960	3,151	(191)
Signs & Displays	32,000	32,000	23,518	8,482
Publications & Advertising	7,000	16,000	15,000	1,000
Utilities	5,000	11,415	11,406	9
Miscellaneous Maintenance	2,500	2,600	160	2,441
Professional	20,000	20,140	5,301	14,839
Transfer to Reserves	31,885	31,885	-	31,885
Communications	-	240	238	2
Chamber of Commerce	61,615	61,615	61,615	-
Historical Society	-	500	420	80
Building & Grounds	75,000	81,910	81,356	554
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 235,000</u>	<u>\$ 264,091</u>	204,990	<u>\$ 59,101</u>
Financial Statement Adjustments:			-	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ 204,990</u>	

**CITY OF LINDALE, TEXAS
DEBT SERVICE FUND
DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)</u>
REVENUES				
Current and delinquent property taxes	\$ 1,132,462	\$ 1,132,462	\$ 1,128,892	\$ (3,570)
Interest income	<u>18,000</u>	<u>18,000</u>	<u>38,814</u>	<u>20,814</u>
TOTAL FINANCING SOURCES - BUDGET BASIS	<u>\$ 1,150,462</u>	<u>\$ 1,150,462</u>	1,167,706	<u>\$ 17,244</u>
Financial Statement Adjustments:			-	
TOTAL REVENUES - GAAP BASIS			<u>\$ 1,167,706</u>	
EXPENDITURES				
Transfer to Escrow	\$ 15,000	\$ 15,000	\$ -	\$ 15,000
Debt Service:				
Bond principal	555,000	555,000	555,000	-
Interest and fees	577,462	577,462	577,463	(1)
Agent fees	<u>3,000</u>	<u>3,000</u>	<u>2,325</u>	<u>675</u>
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 1,150,462</u>	<u>\$ 1,150,462</u>	1,134,788	<u>\$ 15,674</u>
Financial Statement Adjustments:			-	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ 1,134,788</u>	

SCHEDULE "8"

CITY OF LINDALE, TEXAS
 DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
 (NON-GAAP BUDGET BASIS)
 GENERAL FUND
 FISCAL YEAR ENDED SEPTEMBER 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Current and delinquent property taxes	\$ 638,741	\$ 638,741	\$ 641,290	\$ 2,549
Franchise taxes	260,000	260,000	276,786	16,786
Sales tax	1,250,000	1,300,000	1,318,681	18,681
Building permits	60,000	60,000	29,358	(30,642)
Fines and forfeitures	300,000	420,000	437,790	17,790
Garbage Collection	598,633	598,633	680,690	82,057
Garbage Tax	48,000	48,000	54,099	6,099
Miscellaneous Income	10,600	10,600	52,299	41,699
Interest Earned	10,000	10,000	14,854	4,854
Rental of Community Center	15,000	15,000	15,400	400
LEDC Reimbursement	95,000	95,000	116,503	21,503
FINANCING SOURCES - BUDGET BASIS	\$ 3,285,974	\$ 3,455,974	3,637,750	\$ 181,776
Financial Statement Adjustments:				
Sales tax receivable at 9-30-09			200,648	
Sales tax receivable at 9-30-08			(214,907)	
Transfers in			407,766	
Increase in solid waste collection receivable			5,716	
TOTAL FINANCING SOURCES - GAAP BASIS			\$ 4,036,973	

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>GENERAL GOVERNMENT/ADMINISTRATION</u>				
PERSONNEL SERVICES:				
Supervision	\$ 119,171	\$ 119,171	\$ 102,540	\$ 16,631
Salaries-Full-time	31,089	31,089	26,326	4,763
Vacation	-	-	8,415	(8,415)
Sick Leave	-	-	2,129	(2,129)
Holiday	-	-	6,937	(6,937)
Auto allowance	6,000	6,000	5,954	46
Comp Time	-	-	3,140	(3,140)
Retirement	21,880	21,880	20,651	1,229
Social Security/Medicare	11,955	11,955	11,891	64
Health Insurance	13,020	13,020	14,051	(1,031)
Dental	855	855	913	(58)
Life Insurance	660	660	622	38
Vision	330	330	351	(21)
Long term disability	540	540	415	125
Workers comp	276	276	331	(55)
	<u>205,776</u>	<u>205,776</u>	<u>204,666</u>	<u>1,110</u>
Total Personnel Services				
SUPPLIES:				
Office Supplies	6,000	6,000	5,102	898
Postage	1,500	1,500	1,409	91
Miscellaneous Supplies	3,000	3,000	2,234	766
Building & Cleaning Supplies	300	300	76	224
	<u>10,800</u>	<u>10,800</u>	<u>8,821</u>	<u>1,979</u>
Total Supplies				
CONTRACTUAL:				
Communications-Telephone	16,000	5,000	3,705	1,295
Insurance & Bonds	25,000	25,000	23,831	1,169
Publications & Advertising	3,500	3,500	2,701	799
Utilities	20,000	21,100	21,088	12
Librarian	36,000	36,000	36,000	-
Association Dues	2,500	2,500	2,450	50
Travel	15,000	15,000	8,506	6,494
Schools	6,000	6,000	4,734	1,266
Software Contract	9,900	10,450	10,433	17
	<u>133,900</u>	<u>124,550</u>	<u>113,448</u>	<u>11,102</u>
Total Contractual				
MAINTENANCE:				
Building & grounds	2,500	4,900	4,826	74
Janitorial	13,000	13,000	11,700	1,300
Furniture & fixtures	500	500	-	500
Machinery & equipment	4,000	7,000	6,884	116
	<u>20,000</u>	<u>25,400</u>	<u>23,410</u>	<u>1,990</u>
Total Maintenance				
SUNDRY:				
Bank analysis fees	-	600	521	79
Elections	4,000	4,000	3,646	354
Legal	40,000	43,200	43,144	56
Professional	45,000	62,500	58,949	3,551
State Garbage Tax	48,000	49,700	49,674	26
	<u>137,000</u>	<u>160,000</u>	<u>155,934</u>	<u>4,066</u>
Total Sundry				
TOTAL GENERAL GOVERNMENT/ADMINISTRATION	<u>507,476</u>	<u>526,526</u>	<u>506,279</u>	<u>20,247</u>

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
GENERAL GOVERNMENT/CODE ENFORCEMENT				
PERSONNEL SERVICES:				
Supervision	\$ 54,075	\$ 54,075	\$ 44,872	\$ 9,203
Salaries-Full-time	67,877	67,877	59,788	8,089
Vacation	-	-	5,007	(5,007)
Sick Leave	-	-	3,363	(3,363)
Holiday	-	-	5,561	(5,561)
Comp Time	-	-	4,639	(4,639)
Retirement	17,075	17,075	16,372	703
Social Security/Medicare	9,330	9,330	9,428	(98)
Health Insurance	13,100	14,500	14,051	449
Dental	860	860	913	(53)
Life Insurance	660	660	503	157
Vision	330	330	351	(21)
Long Term Disability	540	540	382	158
Workers Comp	2,280	2,780	2,733	47
Total Personnel Services	<u>166,127</u>	<u>168,027</u>	<u>167,963</u>	<u>64</u>
SUPPLIES:				
Office Supplies	2,200	2,200	1,162	1,038
Postage	600	600	408	192
Wearing Apparel	600	600	457	143
Fuel/Gas & Diesel	4,000	4,000	2,667	1,333
Technical Supplies	1,800	1,800	1,545	255
Computer Supplies	3,000	3,000	2,128	872
Total Supplies	<u>12,200</u>	<u>12,200</u>	<u>8,367</u>	<u>3,833</u>
CONTRACTUAL:				
Communications-Telephone	1,500	1,500	1,003	497
Communications	1,200	1,200	720	480
Insurance & Bonds	500	560	552	8
Publications & Advertising	1,200	1,200	1,085	115
Association Dues	2,200	2,200	1,638	562
Travel	2,000	2,000	1,046	954
Schools	5,000	5,000	1,036	3,964
Software Contract	7,386	7,386	7,386	-
Humane Society	3,000	5,000	4,551	449
Total Contractual	<u>23,986</u>	<u>26,046</u>	<u>19,017</u>	<u>7,029</u>
MAINTENANCE:				
Machinery & Equipment	3,000	3,000	2,648	352
Miscellaneous Maintenance	-	575	575	-
Motor Vehicle & Maintenance	1,500	1,500	1,125	375
Total Maintenance	<u>4,500</u>	<u>5,075</u>	<u>4,348</u>	<u>727</u>
SUNDRY:				
Professional	20,000	20,000	11,163	8,837
ETS/Bank charges	-	1,100	978	122
Legal	5,000	5,000	2,676	2,324
Total Sundry	<u>25,000</u>	<u>26,100</u>	<u>14,817</u>	<u>11,283</u>
CAPITAL EXPENDITURES:				
Furniture & Equipment	1,000	1,000	-	1,000
Communications Equipment	3,500	3,500	2,097	1,403
Total Capital Expenditures	<u>4,500</u>	<u>4,500</u>	<u>2,097</u>	<u>2,403</u>
TOTAL GENERAL GOVERNMENT/ CODE ENFORCEMENT	<u>236,313</u>	<u>241,948</u>	<u>216,609</u>	<u>25,339</u>

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT/LEDC				
PERSONNEL SERVICES:				
Supervision	\$ 65,000	\$ 65,000	\$ 61,251	\$ 3,749
Vacation	-	-	1,437	(1,437)
Sick Leave	-	-	(188)	188
Holiday	-	-	2,500	(2,500)
Auto Allowance	9,200	9,200	9,000	200
Retirement	10,150	10,150	9,836	314
Social Security/Medicare	5,525	5,525	5,661	(136)
Health Insurance	4,350	4,350	4,684	(334)
Dental	300	300	305	(5)
Life Insurance	275	275	274	1
Vision	200	200	117	83
Long Term Disability	-	-	195	(195)
Workers Comp	-	-	110	(110)
Total Personnel Services	95,000	95,000	95,182	(182)
TOTAL GENERAL GOVERNMENT/LEDC	95,000	95,000	95,182	(182)
COURT				
PERSONNEL SERVICES:				
Supervision	8,400	8,400	8,400	-
Salaries-Full-time	58,100	58,100	48,239	9,861
Vacation	-	-	3,378	(3,378)
Sick Leave	-	-	2,719	(2,719)
Holiday	-	-	2,667	(2,667)
Comp Time	-	-	927	(927)
Retirement	8,250	8,250	7,698	552
Social Security/Medicare	4,445	4,445	4,432	13
Health Insurance	8,680	8,680	9,367	(687)
Dental	570	570	609	(39)
Life Insurance	440	440	234	206
Vision	220	220	234	(14)
Long Term Disability	360	360	179	181
Workers Comp	200	200	220	(20)
Total Personnel Services	89,665	89,665	89,303	362
SUPPLIES:				
Office Supplies	1,000	1,000	604	396
Postage	500	500	491	9
Total Supplies	1,500	1,500	1,095	405
CONTRACTUAL:				
Communications	500	500	404	96
Software	1,400	1,400	1,400	-
Insurance & Bonds	100	100	50	50
Publications & Advertising	100	100	72	28
Association Dues	200	240	240	-
Travel	1,500	1,500	1,354	146
Schools	1,000	1,000	280	720
Total Contractual	4,800	4,840	3,800	1,040
SUNDRY:				
Court Expense	400	400	102	298
Legal	8,000	13,600	13,565	35
Professional	-	5,000	4,344	656
ETS/Bank charges	-	2,800	2,493	307
Transfer to State-Fines	150,000	164,300	164,211	89
Total Sundry	158,400	186,100	184,715	1,385
TOTAL COURT	254,365	282,105	278,913	3,192

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
POLICE				
PERSONNEL SERVICES:				
Supervision	\$ 57,400	\$ 57,400	\$ 52,421	\$ 4,979
Salaries-Full-time	675,810	675,810	586,179	89,631
Salaries-Part-time	-	-	4,548	(4,548)
Overtime	5,000	8,400	8,389	11
Vacation	-	-	34,693	(34,693)
Sick Leave	-	-	16,512	(16,512)
Holiday	-	-	33,516	(33,516)
Comp Time	-	-	11,271	(11,271)
Retirement	103,400	103,400	98,435	4,965
Social Security/Medicare	56,500	56,500	57,218	(718)
Health Insurance	86,800	90,100	90,019	81
Dental	5,700	5,700	5,842	(142)
Life Insurance	4,400	4,400	2,916	1,484
Vision	2,200	2,200	2,259	(59)
Long Term Disability	3,600	3,600	2,197	1,403
Workers Comp	20,400	24,400	24,375	25
Total Personnel Services	<u>1,021,210</u>	<u>1,031,910</u>	<u>1,030,790</u>	<u>1,120</u>
SUPPLIES:				
Office Supplies	4,500	4,800	4,785	15
Postage	500	500	465	35
Wearing Apparel	5,500	5,500	5,107	393
Fuel/Gas & Diesel	60,000	60,000	29,913	30,087
Technical Supplies	4,000	4,000	3,899	101
Miscellaneous Supplies	3,000	3,560	3,553	7
Total Supplies	<u>77,500</u>	<u>78,360</u>	<u>47,722</u>	<u>30,638</u>
CONTRACTUAL:				
Communications-Telephone	3,500	8,030	8,005	25
Communications	6,000	3,500	3,455	45
Insurance & Bonds	15,000	15,000	13,513	1,487
Publications & Advertising	700	700	437	263
Association Dues	600	600	560	40
Travel	4,000	4,000	1,919	2,081
Schools	3,000	3,500	3,446	54
Contracts - Miscellaneous	35,000	35,000	29,633	5,367
Total Contractual	<u>67,800</u>	<u>70,330</u>	<u>60,968</u>	<u>9,362</u>
MAINTENANCE:				
Machinery & Equipment	6,000	6,000	5,932	68
Motor Vehicle & Maintenance	20,000	24,700	24,624	76
Miscellaneous Maintenance	1,000	1,650	1,647	3
Building & Grounds	1,500	2,000	1,991	9
Total Maintenance	<u>28,500</u>	<u>34,350</u>	<u>34,194</u>	<u>156</u>
SUNDRY:				
Legal	3,000	3,000	1,279	1,721
Professional	4,000	4,300	4,271	29
Miscellaneous	-	2,400	2,385	15
Total Sundry	<u>7,000</u>	<u>9,700</u>	<u>7,935</u>	<u>1,765</u>
CAPITAL EXPENDITURES:				
Motor Vehicle	-	38,320	38,311	9
Total Capital Expenditures	<u>-</u>	<u>38,320</u>	<u>38,311</u>	<u>9</u>
TOTAL POLICE	<u>1,202,010</u>	<u>1,262,970</u>	<u>1,219,920</u>	<u>43,050</u>

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
FIRE				
PERSONNEL SERVICES:				
Retirement	\$ 5,760	\$ 8,200	\$ 8,160	\$ 40
Total Personnel Services	<u>5,760</u>	<u>8,200</u>	<u>8,160</u>	<u>40</u>
CAPITAL EXPENDITURES:				
Other Equipment	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>-</u>
Total Capital Expenditures	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>-</u>
TOTAL FIRE	<u>19,760</u>	<u>22,200</u>	<u>22,160</u>	<u>40</u>
PUBLIC WORKS				
PERSONNEL SERVICES:				
Salaries-Full-time	119,480	119,480	100,586	18,894
Overtime	3,500	3,500	1,667	1,833
Vacation	-	-	6,490	(6,490)
Sick Leave	-	-	1,611	(1,611)
Holiday	-	-	5,234	(5,234)
Comp Time	-	-	707	(707)
Retirement	17,220	17,220	14,615	2,605
Social Security/Medicare	9,410	9,410	8,896	514
Health Insurance	17,360	17,360	17,465	(105)
Dental	1,140	1,140	1,135	5
Life Insurance	880	880	453	427
Vision	440	440	437	3
Long Term Disability	720	720	342	378
Workers Comp	4,000	4,000	1,873	2,127
Total Personnel Services	<u>174,150</u>	<u>174,150</u>	<u>161,511</u>	<u>12,639</u>
SUPPLIES:				
Office Supplies	1,500	1,500	231	1,269
Postage	50	50	-	50
Wearing Apparel	1,000	1,000	833	167
Fuel/Gas & Diesel	25,000	25,000	7,162	17,838
Technical Supplies	1,500	1,500	1,289	211
Cleaning Supplies	500	500	306	194
Building Supplies	700	700	406	294
Tractor Supplies	3,500	3,700	3,673	27
Miscellaneous Supplies	500	500	193	307
Total Supplies	<u>34,250</u>	<u>34,450</u>	<u>14,093</u>	<u>20,357</u>
CONTRACTUAL:				
Communications-Telephone	1,500	2,400	2,336	64
Communications	1,000	500	-	500
Insurance & Bonds	1,800	1,800	1,025	775
Utilities	130,000	130,000	113,584	16,416
Association Dues	200	200	50	150
Equipment Rental	2,000	2,000	-	2,000
Schools	200	200	60	140
Solid Waste Contract	522,000	553,300	553,245	55
Janitorial Service	7,150	7,150	6,200	950
Total Contractual	<u>665,850</u>	<u>697,550</u>	<u>676,500</u>	<u>21,050</u>
MAINTENANCE:				
Building and Grounds	20,000	24,200	19,595	4,605
Machinery & Equipment	15,000	29,200	29,196	4
Motor Vehicle & Maintenance	5,000	5,000	1,322	3,678
Streets & Alleys	38,000	38,000	27,657	10,343
Culverts	1,000	1,100	1,089	11
Miscellaneous Maintenance	-	75	75	-
Signals & Markers	14,000	14,000	5,839	8,161
Total Maintenance	<u>93,000</u>	<u>111,575</u>	<u>84,773</u>	<u>26,802</u>
SUNDRY:				
Legal	200	200	-	200
Professional	5,000	7,600	7,594	6
Total Sundry	<u>5,200</u>	<u>7,800</u>	<u>7,594</u>	<u>206</u>

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
CAPITAL EXPENDITURES:				
Streets & Alleys	\$ -	\$ -	\$ 392,003	\$ (392,003)
Total Capital Expenditures	<u>-</u>	<u>-</u>	<u>392,003</u>	<u>(392,003)</u>
 TOTAL PUBLIC WORKS	 <u>972,450</u>	 <u>1,025,525</u>	 <u>1,336,474</u>	 <u>(310,949)</u>
 TOTAL EXPENDITURES - BUDGET BASIS	 <u>\$ 3,287,374</u>	 <u>\$ 3,456,274</u>	 3,675,537	 <u>\$ (219,263)</u>
Financial Statement Adjustments:				
Increase in accrued expenses			13,506	
Increase in bad debt reserve			3,385	
Decrease in accounts payable			<u>(55,256)</u>	
 TOTAL EXPENDITURES - GAAP BASIS			 <u>\$ 3,637,172</u>	

**CITY OF LINDALE, TEXAS
 DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
 (NON-GAAP BUDGET BASIS)
 WATER & SEWER FUND
 FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Charges for services:				
Water sales	\$ 980,000	\$ 1,043,000	\$ 1,108,306	\$ 65,306
Sewer charges	575,305	575,305	757,038	181,733
EMS	50,000	50,000	47,392	(2,608)
Tap and connect fees	50,000	50,000	22,300	(27,700)
Miscellaneous	2,500	2,500	16,666	14,166
Rents	12,800	12,800	12,725	(75)
Interest	<u>1,000</u>	<u>1,000</u>	<u>8,320</u>	<u>7,320</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES - BUDGET BASIS	\$ <u>1,671,605</u>	\$ <u>1,734,605</u>	1,972,747	\$ <u>238,142</u>
Financial Statement Adjustments:				
Water and sewer receivable for September 2008			(148,644)	
Water and sewer receivable for September 2009			203,722	
Water and sewer usage for September 2008 billed in subsequent month			(58,226)	
Water and sewer usage for September 2009 billed in subsequent month			57,420	
Transfers in for asset additions			<u>546,547</u>	
TOTAL REVENUES AND OTHER FINANCING SOURCES - GAAP BASIS			\$ <u>2,573,566</u>	

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
WATER & SEWER FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
WATER & SEWER OPERATIONS				
PERSONNEL SERVICES:				
Supervision	\$ 56,780	\$ 56,780	\$ 48,207	\$ 8,573
Salaries Full-time	343,510	343,510	283,711	59,799
Overtime	24,000	24,000	18,384	5,616
Vacation	-	-	20,034	(20,034)
Sick Leave	-	-	16,012	(16,012)
Holiday	-	-	17,242	(17,242)
Comp Time	-	-	4,919	(4,919)
Retirement	59,405	59,405	54,079	5,326
Social Security/Medicare	32,460	32,460	31,251	1,209
Health Insurance	56,500	56,500	55,485	1,015
Dental	3,800	3,800	3,803	(3)
Life Insurance	2,900	2,900	1,552	1,348
Vision	1,500	1,500	1,386	114
Long Term Disability	2,900	2,900	1,176	1,724
Workers Comp	14,500	14,500	17,190	(2,690)
Total Personnel Services	598,255	598,255	574,431	23,824
SUPPLIES:				
Office supplies	2,800	2,800	2,496	304
Postage	25,000	25,000	19,836	5,164
Wearing apparel	1,600	1,600	1,231	369
Fuel, gas & diesel	18,000	18,000	17,298	702
Technical supplies	2,000	2,000	1,745	255
Cleaning supplies	100	100	100	-
Building supplies	500	500	365	135
Food supplies	200	200	137	63
Chemicals & lab test	40,000	40,000	36,930	3,070
Tractor supplies	2,500	2,500	2,411	89
Miscellaneous supplies	300	700	687	13
Total Supplies and Materials	93,000	93,400	83,236	10,164
CONTRACTUAL:				
Communications - Telephone	12,500	21,100	21,038	62
Communications	4,800	-	-	-
Insurance & Bonds - Casualty	7,000	7,000	6,344	656
Publications & advertising	750	750	289	461
Utilities	355,000	355,000	351,098	3,902
Association dues	900	900	874	26
Equipment rental	1,500	1,500	-	1,500
Travel	300	300	-	300
Schools	5,200	5,200	2,787	2,413
Software contract	15,500	15,530	15,527	3
EMS contract	48,500	48,500	46,008	2,492
Total Contractual	451,950	455,780	443,965	11,815
MAINTENANCE:				
Buildings & grounds	900	2,810	2,804	6
Janitorial	2,400	2,400	-	2,400
Furniture & Fixtures	400	400	198	202
Machinery & equipment	12,000	18,400	18,364	36
Motor vehicles & maintenance	3,500	6,300	6,296	4
Miscellaneous miscellaneous	500	500	213	287
Total Maintenance	19,700	30,810	27,875	2,935

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
WATER & SEWER FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
MAINTENANCE - BUILDING & STRUCTURE:				
Sanitary sewers	30,000	30,620	30,611	9
Water mains	30,000	30,000	26,601	3,399
Plants, towers & wells	175,000	184,350	184,342	8
Total Maintenance - building & structure	<u>235,000</u>	<u>244,970</u>	<u>241,554</u>	<u>3,416</u>
SUNDRY:				
Legal & professional	65,000	65,450	38,932	26,518
ETS/Bank charges	-	3,500	2,991	509
Miscellaneous	100	100	-	100
Inspection fees	12,000	12,000	11,543	457
Total Sundry	<u>77,100</u>	<u>81,050</u>	<u>53,466</u>	<u>27,584</u>
CAPITAL - BUILDING & STRUCTURE:				
Building & Grounds	1,800	-	-	-
Service lines (sewer)	3,000	3,000	336	2,664
Plants, towers & wells	15,000	15,000	6,761	8,239
Mains	50,000	50,000	25,364	24,636
Wells & pumps	10,000	10,000	6,542	3,458
Meters & meter boxes	22,000	22,000	20,384	1,616
Service lines (water)	42,000	42,000	7,439	34,561
Service man holes	6,000	6,000	2,488	3,512
Hydrants & valves	25,000	25,000	23,149	1,851
EMS Building	12,800	12,800	12,728	72
Total Capital - building & structure	<u>187,600</u>	<u>185,800</u>	<u>105,191</u>	<u>80,609</u>
CAPITAL EQUIPMENT:				
Machinery & equipment	-	31,705	31,705	-
Furniture & equipment	200	200	-	200
Communications equipment	800	800	-	800
Other equipment	8,000	8,000	7,066	934
Building & equipment	-	1,800	1,794	6
Total Capital Equipment	<u>9,000</u>	<u>42,505</u>	<u>40,565</u>	<u>1,940</u>
TOTAL EXPENSES - BUDGET BASIS	\$ <u>1,671,605</u>	\$ <u>1,732,570</u>	\$ 1,570,283	\$ <u>162,287</u>
Financial Statement Adjustments:				
Depreciation			497,077	
Bad debt reserve adjustment			22,134	
Increase in compensated absences			5,787	
Capital outlay items not expensed			(39,022)	
Principal payments not expensed			(20,348)	
Increase in accrued expenses			4,697	
TOTAL EXPENSES AND TRANSFERS - GAAP BASIS			\$ <u>2,040,608</u>	

SCHEDULE "12"

CITY OF LINDALE, TEXAS
 SCHEDULE OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS - BY SOURCE
 FISCAL YEAR ENDED SEPTEMBER 30, 2009

	TOTAL	LAND	BUILDINGS	INFRASTRUCTURE	MACHINERY & EQUIPMENT	CONSTRUCTION IN PROGRESS
Governmental assets - October 1, 2008	\$ 14,784,394	\$ 6,365,941	\$ 2,767,005	\$ 4,798,983	\$ 829,431	\$ 23,034
EXPENDITURES FROM GOVERNMENTAL FUNDS:						
<u>GENERAL FUND</u>						
Buildings & improvements	14,000	-	14,000	-	-	-
Street improvements	395,629	-	-	392,003	-	3,626
Infrastructure	-	-	-	-	-	-
Machinery & equipment	43,022	-	-	-	43,022	-
<u>HOTEL/MOTEL TAX FUND</u>						
Buildings & improvements	54,260	-	54,260	-	-	-
<u>CAPITAL PROJECTS FUNDS</u>						
Land	988,919	988,919	-	-	-	-
Buildings & improvements	276,925	-	146,234	-	-	130,691
Machinery & equipment	14,298	-	-	-	14,298	-
<u>CEMETERY FUND</u>						
Buildings & improvements	13,500	-	13,500	-	-	-
<u>CHILD SAFETY FEES FUND</u>						
Machinery & equipment	5,130	-	-	-	5,130	-
<u>GOVERNMENTAL ASSETS -</u>						
SEPTEMBER 30, 2009	\$ 16,590,077	\$ 7,354,860	\$ 2,994,999	\$ 5,190,986	\$ 891,881	\$ 157,351

CITY OF LINDALE, TEXAS
 SCHEDULE OF CHANGES IN GOVERNMENTAL LONG-TERM DEBT
 FISCAL YEAR ENDED SEPTEMBER 30, 2009

	GENERAL OBLIGATION BOND PRINCIPAL							LEDC NOTE PAYABLE	COMPENSATED ABSENCES
	2000 SERIES	2004 SERIES	2004 REF SERIES	2005 REF SERIES	2006 SERIES	2009 SERIES	CAPITAL LEASE		
Governmental fund debt, October 1, 2008	\$ 15,000	\$ 2,760,000	\$ 3,955,000	\$ 3,585,620	\$ 3,106,288	-	\$ 85,778	\$ 3,839,820	\$ 134,918
ADDITIONS									
2009 Certificates of Obligation	-	-	-	-	-	3,080,000	-	-	-
2009 Certificates of Obligation Premium	-	-	-	-	-	49,213	-	-	-
Compensated absences	-	-	-	-	-	-	-	-	8,253
Accretion of bond defeasance	-	-	-	12,060	-	-	-	-	-
Total Additions	-	-	-	12,060	-	3,129,213	-	-	8,253
RETIREMENTS									
Bond principal:									
2000 Certificates of Obligation	15,000	-	-	-	-	-	-	-	-
2004 Certificates of Obligation	-	80,000	-	-	-	-	-	-	-
2004 Refunding General Obligation	-	-	265,000	-	-	-	-	-	-
2005 Refunding	-	-	-	75,000	-	-	-	-	-
2006 Certificates of Obligation	-	-	-	-	120,000	-	-	-	-
Total Bond Retirements	15,000	80,000	265,000	75,000	120,000	-	-	-	-
Other Retirements									
Capital lease payments	-	-	-	-	-	-	20,157	-	-
Note principal	-	-	-	-	-	-	-	130,212	-
Amortization of bond premium	-	-	-	3,311	10,460	1,557	-	-	-
Total Other Retirements	-	-	-	3,311	10,460	1,557	20,157	130,212	-
GOVERNMENTAL FUND DEBT, SEPTEMBER 30, 2009	\$ 19,911,253	\$ 2,680,000	\$ 3,690,000	\$ 3,519,369	\$ 2,975,828	\$ 3,127,656	\$ 65,621	\$ 3,709,608	\$ 143,171

SCHEDULE "14"

LINDALE ECONOMIC DEVELOPMENT CORPORATION
 STATEMENT OF FINANCIAL POSITION
 (NONGOVERNMENTAL PRESENTATION)
 SEPTEMBER 30, 2009

Assets	
Current Assets	
Cash and cash equivalents	\$ 649,329
Investments	1,450,000
Sales tax receivable	100,309
Total Current Assets	<u>2,199,638</u>
Other Assets	
Organizational cost	555
Prepaid rent	352,500
Land held for resale	4,053,746
Total Other Assets	<u>4,406,801</u>
Total Assets	<u>\$ 6,606,439</u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 29,227
Accrued interest payable	14,509
Current portion of long-term debt	136,534
Total Current Liabilities	<u>180,270</u>
Long-Term Liabilities	
Notes payable- net of current portion	<u>3,573,074</u>
Total Liabilities	<u>3,753,344</u>
Net Assets	
Unrestricted	<u>2,853,095</u>
Total Liabilities and Net Assets	<u>\$ 6,606,439</u>

SCHEDULE "15"

LINDALE ECONOMIC DEVELOPMENT CORPORATION
 STATEMENT OF ACTIVITIES
 (NONGOVERNMENTAL PRESENTATION)
 SEPTEMBER 30, 2009

	<u>Unrestricted</u>
Revenues, Gains, and Other Support	
Sales tax	\$ 644,979
Interest income	72,308
Rent income	3,000
Other income	70,571
Total Revenues, Gains, and Other Support	<u>790,858</u>
Expenses and Losses	
Salaries, benefits and payroll taxes	116,503
Professional services	46,593
Office supplies	347
Postage/Express Mail	379
Communications	3,504
Conferences and meetings	2,760
Dues and subscriptions	525
Travel	3,377
Memberships	3,040
Interest and bank charges	179,596
Maintenance of properties	4,475
Marketing materials	1,100
Printing and Direct Mail	21
ICSC	4,866
Seminars/Education	873
Sponsorships	500
Minor Office Equipment	584
Board Expenditures	175
TJC Facility Expense	62,781
Business retention grant	200,000
Website	2,712
Lead generation	696
Advertising materials	5,428
Trade show	743
Total Expenses and Losses	<u>641,578</u>
Change in Net Assets	149,280
Net Assets at Beginning of Year	<u>2,703,815</u>
Net Assets at End of Year	<u>\$ 2,853,095</u>

SCHEDULE "16"

LINDALE ECONOMIC DEVELOPMENT CORPORATION
 STATEMENT OF CASH FLOWS
 (NONGOVERNMENTAL PRESENTATION)
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 149,280
Adjustments to change in net assets to cash provided by (used in) operating activities:	
(Increase) decrease in assets:	
Sales tax receivable	7,128
Prepaid rent	(352,500)
Increase (decrease) in liabilities:	
Accounts payable	19,227
Accrued interest payable	34
	<hr/>
Total Adjustments	(326,111)
	<hr/>
Net Cash Use in Operating Activities	(176,831)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from maturities of investments	1,000,000
Purchase of investments	(750,000)
	<hr/>
Net Cash Provided by Investing Activities	250,000
	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on notes payable	(130,212)
	<hr/>
Net Cash Use in Financing Activities	(130,212)
	<hr/>
Net Increase (Decrease) in Cash & Cash Equivalents	(57,043)
Cash and cash equivalents, beginning of year	706,372
	<hr/>
Cash and cash equivalents, end of year	\$ 649,329
	<hr/> <hr/>
SUPPLEMENTAL INFORMATION:	
Cash paid for interest	\$ 179,562
	<hr/> <hr/>

OTHER REPORTS

Michael Gollob, CPA-Retired
Tony K. Morgan, CPA/ABV
Robert W. Peddy, CPA
Barbara R. Bass, CPA
Tommy J. Chambers, CPA
Lisa G. Robinson, CPA
Joe Wylie, CPA
Kevin R. Cashion, CPA

**GOLLOB MORGAN
PEDDY & CO., P.C.**
Certified Public Accountants

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Harvey W. Jackson, CPA
Dianne C. Johnston, CPA
Jeanne C. Lewis, CPA
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Michael W. Stevens, CPA/ABV
Robert Shane Rohrbach, CPA
Raymond C. McKinney, CPA
Teresa J. Campbell, CPA/CFE
Gary D. Davis, CPA
Wesley R. Johnston, CPA
Lori A. Bogan, CPA
James Clinton Carroll, CPA
Melissa J. Carnes, CPA
Michael Jason Creel, CPA
Tina T. Smith, CPA

**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**

To the City Council
City of Lindale, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lindale, Texas, as of and for the year ended September 30, 2009, which collectively comprise the City of Lindale, Texas' basic financial statements and have issued our report thereon dated February 25, 2010. 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 the City of Lindale, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the following deficiencies constitute material weaknesses:

Preparing Financial Statements

Effective internal control over financial reporting involves identification and analysis of the risk of material misstatements to the City's audited financial statements. Controls should also determine how those identified risks should be managed. Management has not identified risks to the preparation of reliable financial statements and as a result has not designed effective controls over the preparation of the financial statements to prevent or detect material misstatements, including footnote disclosures. The City relies on its auditors to prepare its financial statements and footnote disclosures. The auditors can not be part of the City's internal controls over financial reporting.

Court Non-Cash Adjustments for Jail Time Served

Numerous instances were noted where adequate documentation supporting a defendant's jail time served dismissal could not be located in the Court's files. Procedures should be developed and implemented to obtain sufficient documentation proving a defendant did serve jail time and thus support the non-cash dismissal of the case. This deficiency was also noted in the prior year audit.

Pooled Cash Account

Errors were noted on the pooled cash bank account reconciliation. Items were included on the reconciliation as outstanding when they actually were cleared. Also, the claim on cash account in some City funds did not properly reflect all activity. These errors were caused by the overwriting of the accounting system, despite its warnings, to post activity the system was not properly set up to handle at that particular moment. Numerous journal entries were made to try and correct the situation. The entries did not correct the errors. The errors occurred in May 2009 and were not resolved until January 2010. Procedures should be implemented to ensure the accounting system is not overwritten. Procedures should be developed and implemented to review the monthly bank reconciliations in detail to ensure they are accurate. Also, procedures should be developed and implemented so that all journal entries posted to the system must be approved in writing before being posted.

Grant Activity

Federal grant revenue and expenditures in the total amount of \$152,861 were not recorded in the general ledger. All grant receipts and disbursements running through a separate bank account (an account not part of pooled cash) must be recorded through a journal entry to properly state the City's books. If all the grant activity is not properly reflected on the City's books, the City risks possibly missing a Single Audit requirement in a given year. In order to mitigate this risk, procedures should be developed and implemented to review the separate bank account activity to ensure it is properly recorded on the books.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lindale, Texas' 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*.

The City's response to the deficiencies identified in our audit is described in the accompanying letter of response. We did not audit the City's response and, accordingly, we express no opinion on it.

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

Gottlieb, Morgan, Paddy & Co., P.C.

Certified Public Accountants

Tyler, Texas
February 25, 2010



February 25, 2010

We are providing this letter in connection with the audit of the financial statements of the City of Lindale, Texas, as of September 30, 2009 and for the year then ended for the purpose of addressing the identified deficiencies in internal control over financial deficiencies outlined in the letter to the City Council.

Court Non-Cash Adjustments for Jail Time Served

The following procedures have been developed and implemented to obtain sufficient documentation proving a defendant did serve jail time and thus support the non-cash dismissal of the case. Documentation in form of a yellow sheet issued from the court system will require two signatures one from the Judge (personal stamp kept on his person or his original signature) and one from one of the Court Clerks. This yellow sheet will be attached to a document stating why the ticket was a non-cash dismissal of the case by jail time served and a copy of jail records showing where jail time was served. No exceptions to this documentation will be acceptable.

Pooled Cash Account

Strict measures have been set in place to ensure the accounting system is not overwritten. After contacting the Incode software company, a "password only" restriction cannot be placed on the warning about overwriting the system; however, a recommendation to the programmers about this feature has been submitted. A letter from the City Secretary/City Treasurer has been sent to all employees who use Incode regarding system warning overrides on February 16, 2010. It states, "Effective immediately, all overrides of the system must be approved by the City Secretary/City Treasurer". If at anytime during posting or working with Incode if a prompt asking if you would like to override the system occurs, employees are informed that they are **not to proceed**. Anyone caught overriding a warning will be subject to employment termination due to the fact that overriding the system has detrimental effects on the accounting system. The following procedures have been developed and implemented to review the monthly bank reconciliations in detail to ensure they are accurate. 1) all financial end of month bank statement reconciliations for all of the City's accounts will be reviewed and approved by the City Secretary/City Treasurer prior to posting and closing out the month-end; 2) all journal entries (except for normal day to day journal entries) will have written descriptions for their occurrence and be approved in writing by the City Secretary/City Treasurer prior to posting to the accounting system.

Grant Activity

The following procedures have been developed and implemented to mitigate the risk of not properly reflecting all of the grant activity on the City's books. A procedure is set in place that a review and approval of separate bank account activity to ensure it is properly recorded on the books by the City Secretary/City Treasurer is required before posting and closing month end reconciliations. All journal entries and bank statements for this fiscal year have been reviewed and approved by the City Secretary/City Treasurer. We feel like two sets of eyes on the City's books will reduce errors and help resolve any outstanding issues immediately.

With a combined effort and teamwork, our goal is to provide internal control to prohibit these identified deficiencies from occurring in the future and provide accurate and up to date financial reporting free of material misstatement of the City's financial activity.

Sincerely,

Owen Scott
City Administrator