

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

CITY OF LINDALE

LINDALE, TEXAS

SEPTEMBER 30, 2013



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 SEPTEMBER 30, 2013
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FINANCIAL SECTION



HENRY & PETERS, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Lindale, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Lindale, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Lindale, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Lindale, Texas' basic financial statements. The additional supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lindale, Texas' internal control over financial reporting and compliance.

Henry + Peters, P.C.

Tyler, Texas
March 24, 2014

City Of Lindale
Management's Discussion and Analysis
For the Year Ended September 30, 2013

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, 2013.

Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by \$19,708,412 (net position). The net position is made up of \$13,720,497 in capital assets net of related debt, \$1,612,031 restricted to meet the City's ongoing debt obligations to creditors, \$211,545 restricted for parks, \$1,214,952 set aside for tourism, \$172,361 restricted for other purposes and \$2,777,026 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 \$5,436,064. Of the balance, \$1,835,195 is unassigned and available by the City's designation and policies.
- At the end of the current fiscal year, unassigned fund balance in the general fund was \$1,835,195 that represents 46.08% of the total 2013 general fund expenditures.
- The City's total non-current liabilities decreased to \$13,596,596. That is a \$515,200 decrease over the prior year 2012 balance of \$14,111,796. The decrease from 2013 to 2012 is due to no new loans being taken out in 2013 and principal payments being applied.

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 tenth 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 position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. 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 position changed during the fiscal year. All changes in net position 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, public works (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 three major governmental funds – general, debt service, and hotel/motel tax. 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 position displays the assets, liabilities and net position 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 position, over time, may serve as a useful indicator of the City's financial position. At the end of the fiscal year September 30, 2013, the City's assets exceeded liabilities by \$19,708,412. This amount is greater than the 2012 balance of \$18,753,404. By far the largest portion of the City's net assets is the \$13,720,497 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 2013 investment in capital assets amount of \$13,720,497 was greater than the 2012 total of \$13,636,512 due to improvements and extensions to the water and sewer system together with other infrastructure projects. 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	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 6,393,250	\$ 5,519,689	\$ 2,196,718	\$ 2,414,193	\$ 8,589,968	\$ 7,933,882
Capital assets	11,687,971	11,628,865	13,720,497	13,647,980	25,408,468	25,276,845
Total Assets	18,081,221	17,148,554	15,917,215	16,062,173	33,998,436	33,210,727
Total Deferred Outflows	259,481	97,305	-	-	259,481	97,305
Current liabilities	592,074	204,252	360,835	238,580	952,909	442,832
Non current liabilities	13,538,774	14,076,075	57,822	35,721	13,596,596	14,111,796
Total Liabilities	14,130,848	14,280,327	418,657	274,301	14,549,505	14,554,628
Net invested in capital assets	-	-	13,720,497	13,636,512	13,720,497	13,636,512
Restricted	3,210,889	3,010,976	-	-	3,210,889	3,010,976
Unrestricted	998,965	(45,444)	1,778,061	2,151,360	2,777,026	2,105,916
Total Net Position	\$ 4,209,854	\$ 2,965,532	\$ 15,498,558	\$ 15,787,872	\$ 19,708,412	\$ 18,753,404

Governmental activities. Consistent with the preceding governmental net position, this is the tenth year to report governmental activities under the new reporting standard GASB No. 34. Increased sales and use taxes, and increased collection amount of current and delinquent property taxes, transfers, sales of lots and decreased franchise taxes, interest and rent have resulted in the governmental activities adding \$1,244,322 to the governmental activities net position in fiscal year 2013. This is \$437,117 less than fiscal year 2012 change in net position of governmental activities.

City of Lindale's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Charges for services	\$ 1,385,414	\$ 1,716,294	\$ 2,286,058	\$ 2,475,074	\$ 3,671,472	\$ 4,191,368
Operating grants and contributions	229,938	18,832	-	-	229,938	18,832
Capital grants and contributions	-	109,271	-	-	-	109,271
General revenue:						
Property taxes	2,101,113	2,071,780	-	-	2,101,113	2,071,780
Franchise taxes	281,172	313,025	-	-	281,172	313,025
Sales tax	1,440,375	2,028,645	-	-	1,440,375	2,028,645
Hotel/Motel taxes	277,825	302,995	-	-	277,825	302,995
Sale of lots	22,800	20,000	-	-	22,800	20,000
Interest and rent	96,247	143,470	32,918	32,120	129,165	175,590
Transfers	375,000	200,000	(375,000)	(200,000)	-	-
Total revenues	6,209,884	6,924,312	1,943,976	2,307,194	8,153,860	9,231,506

Expenses:						
General government	885,863	771,396	-	-	885,863	771,396
Public safety	1,695,214	1,752,240	-	-	1,695,214	1,752,240
Public works	1,372,249	1,304,803	-	-	1,372,249	1,304,803
Economic Development	1,780	221,251	-	-	1,780	221,251
Interest	556,848	933,447	-	-	556,848	933,447
Water and sewer operations	-	-	2,228,258	1,976,737	2,228,258	1,976,737
Emergency medical services			5,032	5,032	5,032	5,032
Other	453,608	259,736			453,608	259,736
Total expenses	4,965,562	5,242,873	2,233,290	1,981,769	7,198,852	7,224,642
Change in net position	1,244,322	1,681,439	(289,314)	325,425	955,008	2,006,864

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, unassigned 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 2013 year ending fund balance of \$5,436,064 had four major components. These include \$2,027,339 in the general fund, \$1,612,031 in debt service fund, \$1,214,952 in hotel/motel tax fund and \$581,742 in other governmental funds. The unrestricted portion of the General Fund represented 46.08% percent of the 2013 expenses that is less than the 48.97% expenses coverage in fiscal year 2012.

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

The 2013 unrestricted net assets of the proprietary fund amounted to \$1,778,061 as compared to the 2012 \$2,151,360 which is all held by the water and sewer fund.

A (\$375,000) net transfer from the Water Fund resulted in a 2013 change to the Proprietary Fund net assets of (\$289,314).

General Fund and Water Fund Budgetary Highlights

In the current fiscal year, appropriations exceeded expenditures in each department of the General Fund and Water fund, with the exception of the general fund administration. The General and Water Fund Budgets were amended due to unexpected expenditures. The Water Fund Revenues increased because of drought conditions and other entities purchasing water from the City of Lindale.

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, 2013 of \$13,720,497 is comparable to the 2012 total of \$13,636,512. Net capital assets without the related debt, reflect the capital asset value of \$25,408,468 changed from the 2012 value of \$25,276,845.

Capital Assets at Year-End Less Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,564,698	\$ 3,564,698	\$ 172,926	\$ 172,926	\$ 3,737,624	\$ 3,737,624
Construction in progress	264,844	-	454,921	-	719,765	-
Buildings and improvements	4,082,161	4,071,729	261,194	261,194	4,343,355	4,332,923
Water and sewer system Infrastructure	-	-	19,906,695	19,815,853	19,906,695	19,815,853
Machinery and equipment	5,625,097	5,625,097	-	-	5,625,097	5,625,097
Total	15,112,201	14,662,460	21,598,836	20,960,882	36,711,037	35,623,342
Less Accumulated Depreciation	(3,424,230)	(3,033,595)	(7,878,339)	(7,312,902)	(11,302,569)	(10,346,497)
Combined Total	\$ 11,687,971	\$ 11,628,865	\$ 13,720,497	\$ 13,647,980	\$ 25,408,468	\$ 25,276,845

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

Long term debt. The government has issued bonds in prior years to fund construction projects, improve or expand the water and sewer system.

At the end of the fiscal year 2013, the City governmental activities had outstanding debt obligations of \$13,225,000 plus \$117,767 of unamortized bond premium that totals \$13,342,767.

During the current year, the City issued \$2,405,000 in Refunding Bonds as an advanced refunding to early defease \$2,160,000 of the principal balance of the Series 2004 Combination Tax and Utility System Certificates of Obligation. The proceeds of the bond issue were placed in an irrevocable trust for the future debt service of the advance refunded bonds. The amount of the advance refunded bond is considered defeased and the liability has been removed from the City's financial statements. The difference between the refunding issue and the defeased amount has been recorded as a deferred outflow of resources and is being amortized as a component of interest expense over the life of the defeased debt. The transaction resulted in a savings of \$193,448 in future debt service payments.

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		Total	
	2013	2012	2013	2012	2013	2012
Certificates of obligation	\$ 7,990,000	\$ 10,515,000	\$ -	\$ -	\$ 7,990,000	\$ 10,515,000
General obligations	5,235,000	3,305,000	-	-	5,235,000	3,305,000
Unamortized bond premium	117,767	132,232	-	-	117,767	132,232
Notes payable	-	-	-	11,468	-	11,468
Compensated absences	196,007	123,843	57,822	24,253	253,829	148,096
Combined Total	\$ 13,538,774	\$ 14,076,075	\$ 57,822	\$ 35,721	\$ 13,596,596	\$ 14,111,796

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

As in the previous four years, we remain cautious in planning for the City in the near future. The unstable economy has forced us to remain conservative in our budgeting even though there has been a spark of recovery from time to time. When we see a continuous trend of improvement in the economic recovery, we will display more optimism in our budgeting.

The tax rate was decreased from \$.4930 to \$.4828 which is a slight decrease from the previous year. That is the fourth lowest tax rate in 26 years. If we continue to increase the amount of funds from the utilities to be used toward the retirement of bond indebtedness, we feel the tax rate will continue to be in the same area, if not less.

Sales tax plays such a critical part in the revenues of our City; it sometimes makes it difficult to forecast when we will see positive signs of those changing. We budgeted more in the sales tax revenues for the coming year than last year but not as much as we actually received this past year.

We have always maintained that one of the most valuable assets the City has is its employees. The 2013-2014 Budget maintained current employee benefits and allowed for a 3% pay increase. Four positions that had not been filled previously are still not budgeted to be filled. We have created one new position in the Police Department. The position of Administrative Assistant to the Chief of Police will create a better flow of information from the Municipal Court, police officers and dispatchers. The position will also be responsible for activating current warrants and disposing of outdated ones and handling of open records request. The City wants to proceed with optimism but caution when filling full time positions.

The budget is separated into the general expenditures of maintenance and operations for all departments and capital improvements for next year and future capital needs. Capital expenditures will receive Council approval before purchases are made.

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
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	PRIMARY GOVERNMENT			COMPONENT UNIT LINDALE ECONOMIC DEVELOPMENT CORPORATION
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash and cash equivalents	\$ 4,811,159	\$ 1,174,157	\$ 5,985,316	\$ 706,334
Investments	520,840	478,336	999,176	1,430,000
Receivables (net of allowance for doubtful accounts)	1,022,135	342,383	1,364,518	113,695
Prepaid expenses	-	-	-	232,618
Restricted assets:				
Temporarily restricted				
Cash and cash equivalents	-	201,842	201,842	-
Bond insurance costs (net)	39,116	-	39,116	-
Capital assets (net of accumulated depreciation):				
Land	3,564,698	172,926	3,737,624	3,659,769
Buildings and improvements	3,131,323	181,794	3,313,117	-
Infrastructure	4,329,416	-	4,329,416	1,703,740
Machinery and equipment	397,690	209,425	607,115	7,982
Construction in progress	264,844	454,921	719,765	-
Water and sewer system	-	12,701,431	12,701,431	-
Total capital assets	11,687,971	13,720,497	25,408,468	5,371,491
Total assets	18,081,221	15,917,215	33,998,436	7,854,138
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding (net of amortization)	259,481	-	259,481	-
Total deferred outflows of resources	259,481	-	259,481	-
LIABILITIES				
Accounts payable and accrued expenses	294,746	158,993	453,739	-
Deposits and other refundable balances	-	201,842	201,842	-
Unearned revenue	232,063	-	232,063	-
Accrued interest	65,265	-	65,265	9,558
Non-current liabilities:				
Due within one year	919,073	19,274	938,347	177,393
Due in more than one year	12,619,701	38,548	12,658,249	2,946,440
Total liabilities	14,130,848	418,657	14,549,505	3,133,391
NET POSITION				
Investment in capital assets, net of related debt	-	13,720,497	13,720,497	2,259,518
Restricted for:				
Tourism	1,214,952	-	1,214,952	-
Debt retirement	1,612,031	-	1,612,031	-
Parks - nonexpendable	211,545	-	211,545	-
Capital improvements	-	-	-	-
Other purposes	172,361	-	172,361	-
Unrestricted	998,965	1,778,061	2,777,026	2,461,229
Total net position	\$ 4,209,854	\$ 15,498,558	\$ 19,708,412	\$ 4,720,747

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

EXHIBIT 2

**CITY OF LINDALE
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2013**

PROGRAM ACTIVITIES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN FINANCIAL POSITION			COMPONENT UNIT LINDALE ECONOMIC DEVELOPMENT CORPORATION	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			TOTAL
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
PRIMARY GOVERNMENT:								
Governmental activities								
General government	\$ 885,863	\$ 104,279	\$ 218,448	\$ -	\$ (563,136)	\$ (563,136)	\$ -	
Public safety	1,695,214	340,564	-	-	(1,354,650)	(1,354,650)	-	
Public works	1,372,249	859,858	-	-	(512,391)	(512,391)	-	
Economic development	1,780	-	-	-	(1,780)	(1,780)	-	
Interest	556,848	-	-	-	(556,848)	(556,848)	-	
Other	453,608	80,713	11,490	-	(361,405)	(361,405)	-	
Total governmental activities	4,965,562	1,385,414	229,938	-	(3,350,210)	(3,350,210)	-	
Business-type activities								
Water and sewer	2,228,258	2,286,056	-	-	-	57,798	57,798	
Emergency medical services	5,032	2	-	-	-	(5,030)	(5,030)	
Total business-type activities	2,233,290	2,286,058	-	-	-	52,768	52,768	
Total primary government	\$ 7,198,852	\$ 3,671,472	\$ 229,938	\$ -	(3,350,210)	(3,297,442)	-	
COMPONENT UNIT:								
Lindale Economic Development Corporation	\$ 380,992	\$ -	\$ -	\$ -	\$ -	\$ -	(380,992)	
Total business-type activities	\$ 380,992	\$ -	\$ -	\$ -	\$ -	\$ -	(380,992)	
General revenues								
Current and delinquent property taxes					2,101,113	2,101,113	-	
Franchise taxes					281,172	281,172	-	
Sales tax					1,440,375	1,440,375	715,210	
Hotel/motel taxes					277,825	277,825	-	
Interest and rent					96,247	129,165	10,801	
Gain on sale of assets					-	-	265,263	
Miscellaneous					-	-	8,534	
Sale of lots					22,800	22,800	-	
Transfers					375,000	(375,000)	-	
Total general revenues and transfers					4,394,532	4,252,450	999,808	
Change in net position					1,244,322	(289,314)	618,816	
Net Position - beginning of year, as restated (Note 1)					2,920,684	15,640,028	4,101,931	
Prior period adjustments					44,848	147,844	-	
Net Position - end of year					\$ 4,209,854	\$ 15,498,558	\$ 4,720,747	

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

**CITY OF LINDALE
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	MAJOR FUNDS			OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	HOTEL MOTEL TAX			
ASSETS						
Cash and cash equivalents	\$ 1,734,631	\$ 1,612,031	\$ 1,132,995	\$ 331,502	\$ -	\$ 4,811,159
Investments	270,250	-	-	250,590	-	520,840
Receivables (net of allowance for doubtful accounts):						
Property taxes	18,266	27,422	-	-	-	45,688
Sanitation	103,046	-	-	-	-	103,046
Grants	-	-	-	218,448	-	218,448
Other	572,996	-	81,957	-	-	654,953
Due from other funds	188,490	-	-	-	(188,490)	-
Total Assets	\$ 2,887,679	\$ 1,639,453	\$ 1,214,952	\$ 800,540	\$ (188,490)	\$ 6,354,134
LIABILITIES						
Accounts payable	\$ 204,083	\$ -	\$ -	\$ 30,308	\$ -	\$ 234,391
Accrued expenses	60,355	-	-	-	-	60,355
Unearned revenue - LEDC rent	232,063	-	-	-	-	232,063
Due to other funds	-	-	-	188,490	(188,490)	-
Total Liabilities	496,501	-	-	218,798	(188,490)	526,809
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	18,266	27,422	-	-	-	45,688
Unavailable revenue - fines	345,573	-	-	-	-	345,573
Total Deferred Inflows of Resources	363,839	27,422	-	-	-	391,261
FUND BALANCES						
Nonspendable:						
Permanent fund principal	-	-	-	211,545	-	211,545
Restricted for:						
Capital improvements	-	-	-	197,836	-	197,836
Debt service	-	1,612,031	-	-	-	1,612,031
Tourism	-	-	1,214,952	-	-	1,214,952
Court technology	-	-	-	40,576	-	40,576
Building security	-	-	-	34,224	-	34,224
Child safety	-	-	-	9,739	-	9,739
Law enforcement purposes	-	-	-	11,644	-	11,644
PEG facilities	-	-	-	55,032	-	55,032
Boy Scout building upkeep	-	-	-	21,146	-	21,146
Assigned to:						
Cemetery	153,797	-	-	-	-	153,797
Parks and recreation	29,913	-	-	-	-	29,913
Kinzie house	5,017	-	-	-	-	5,017
Police education	3,417	-	-	-	-	3,417
Unassigned	1,835,195	-	-	-	-	1,835,195
Total Fund Balances	2,027,339	1,612,031	1,214,952	581,742	-	5,436,064
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,887,679	\$ 1,639,453	\$ 1,214,952	\$ 800,540	\$ (188,490)	\$ 6,354,134

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

**CITY OF LINDALE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

	Total Governmental Funds
Total fund balances governmental funds	\$ 5,436,064
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	11,687,971
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds balance sheet.	391,261
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.	(65,265)
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.	(13,240,177)
Net position of governmental activities	\$ 4,209,854

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

CITY OF LINDALE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	MAJOR FUNDS			OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	HOTEL MOTEL TAX			
REVENUES						
Current and delinquent property taxes	\$ 847,756	\$ 1,258,091	\$ -	\$ -	\$ -	\$ 2,105,847
Franchise taxes	281,172	-	-	-	-	281,172
Sales tax	1,440,375	-	-	-	-	1,440,375
Building permits	104,279	-	-	-	-	104,279
Fines and forfeitures	234,009	-	-	-	-	234,009
Solid waste collections	859,858	-	-	-	-	859,858
Interest	20,984	15,658	8,559	2,906	-	48,107
Rents	48,140	-	-	-	-	48,140
Sale of lots	22,800	-	-	-	-	22,800
Donations	11,490	-	-	-	-	11,490
Hotel / Motel tax	-	-	277,825	-	-	277,825
Grants	-	-	-	218,448	-	218,448
Miscellaneous income	45,902	3,737	1,053	30,021	-	80,713
Total Revenues	3,916,765	1,277,486	287,437	251,375	-	5,733,063
EXPENDITURES						
General government	747,011	-	-	-	-	747,011
Public safety	1,522,865	-	-	-	-	1,522,865
Public works	1,156,636	-	-	-	-	1,156,636
Economic development	1,780	-	-	-	-	1,780
Other	104,203	-	125,755	223,650	-	453,608
Debt service:						
Principal	-	840,000	-	-	-	840,000
Interest and fees	-	543,944	-	-	-	543,944
Capital outlay	449,741	-	-	-	-	449,741
Total Expenditures	3,982,236	1,383,944	125,755	223,650	-	5,715,585
Revenues Over (Under) Expenditures	(65,471)	(106,458)	161,682	27,725	-	17,478
OTHER FINANCING SOURCES (USES)						
Transfers in	60,200	375,000	-	-	(60,200)	375,000
Transfers out	-	-	(60,200)	-	60,200	-
Bond Issue Cost	-	(57,072)	-	-	-	(57,072)
Bond Proceeds	-	2,405,000	-	-	-	2,405,000
Payment to escrow - bond refunding	-	(2,347,928)	-	-	-	(2,347,928)
Total Other Financing Sources (Uses)	60,200	375,000	(60,200)	-	-	375,000
Net Change in Fund Balances	(5,271)	268,542	101,482	27,725	-	392,478
Fund balance, October 1, 2012, as restated (Note 1)	1,988,891	1,343,489	1,113,470	554,017	-	4,999,867
Prior period adjustment	43,719	-	-	-	-	43,719
Fund balance, September 30, 2013	\$ 2,027,339	\$ 1,612,031	\$ 1,214,952	\$ 581,742	\$ -	\$ 5,436,064

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

CITY OF LINDALE
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, 2013

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

Net change in fund balances - total governmental funds	\$ 392,478
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.	59,106
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	101,821
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. This amount reflects the change in the accrued liability for compensated absences.	(72,164)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	(1,617)
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 position. Also, governmental funds report the effect of 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>764,698</u>
Change in net position of governmental activities	<u><u>\$ 1,244,322</u></u>

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

CITY OF LINDALE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Current and delinquent property taxes	\$ 807,000	\$ 807,000	\$ 845,794	\$ 38,794
Franchise taxes	265,000	265,000	281,172	16,172
Sales tax	1,250,000	1,250,000	1,437,643	187,643
Building permits	35,000	35,000	104,279	69,279
Fines and forfeitures	420,000	420,000	466,130	46,130
Solid waste collections	767,000	767,000	854,882	87,882
Interest	9,000	7,000	20,984	13,984
Rents	47,250	47,250	48,140	890
LEDC Reimbursement	100,835	100,835	100,593	(242)
Sale of lots	21,000	21,000	22,800	1,800
Donations	10,900	10,900	11,490	590
Miscellaneous income	11,000	11,000	45,902	34,902
Total revenues	<u>3,743,985</u>	<u>3,741,985</u>	<u>4,239,809</u>	<u>497,824</u>
EXPENDITURES				
General government	985,030	1,034,130	1,009,067	25,063
Public safety	1,916,655	1,955,455	1,823,487	131,968
Public works	1,293,150	1,331,250	1,243,756	87,494
Cemetery administration	32,400	35,600	34,448	1,152
Parrott Park Museum administration	112,900	113,200	72,479	40,721
Total expenditures	<u>4,340,135</u>	<u>4,469,635</u>	<u>4,183,237</u>	<u>286,398</u>
Revenues over (under) expenditures	(596,150)	(727,650)	56,572	784,222
OTHER FINANCING SOURCES (USES)				
Transfers in	229,150	229,150	60,200	(168,950)
Total other financing sources (uses)	<u>229,150</u>	<u>229,150</u>	<u>60,200.00</u>	<u>(168,950)</u>
Revenues and other sources over (under) expenditures and other uses - budget basis	(367,000)	(498,500)	116,772	615,272
Budget basis to GAAP basis adjustments (Note A)	-	-	(122,043)	(122,043)
Revenues and other sources over (under) expenditures and other uses - GAAP basis	(367,000)	(498,500)	(5,271)	493,229
Fund balance, October 1, 2012, as restated (Note 1)	<u>2,032,610</u>	<u>2,032,610</u>	<u>2,032,610</u>	<u>-</u>
Fund balance, September 30, 2013	<u><u>\$ 1,665,610</u></u>	<u><u>\$ 1,534,110</u></u>	<u><u>\$ 2,027,339</u></u>	<u><u>\$ 493,229</u></u>

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

CITY OF LINDALE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

Note A - Explanation of differences between budget basis presentation and GAAP basis presentation:

Sources/inflows of resources:

Differences - Budget to GAAP

Increase in property tax receivable	\$	1,962
Increase in sales tax receivable		2,732
Increase in solid waste collection receivable		4,976

Uses/outflows of resources:

Differences - Budget to GAAP

Increase in accrued expenses	(31,157)
Increase in bad debt reserve	(640)
Increase in accounts payable	(99,916)
	(99,916)

Net change in budget basis presentation and GAAP basis presentation

\$	(122,043)
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The notes to the basic financial statements are an integral part of this statement.

CITY OF LINDALE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
HOTEL-MOTEL OCCUPANCY TAX FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Hotel / Motel tax	\$ 275,000	\$ 275,000	\$ 279,238	\$ 4,238
Miscellaneous income	-	-	1,053	1,053
Interest income	1,000	1,000	8,559	7,559
Total revenues	<u>276,000</u>	<u>276,000</u>	<u>288,850</u>	<u>12,850</u>
EXPENDITURES				
Hotel-Motel Administration:				
Signs and displays	20,000	25,010	25,001	9
Sponsorships	30,000	31,000	31,000	-
Professional	15,000	15,000	379	14,621
Chamber of Commerce	62,375	69,376	69,375	1
Building and grounds	500	500	-	500
Total expenditures	<u>127,875</u>	<u>140,886</u>	<u>125,755</u>	<u>15,131</u>
Revenues over (under) expenditures	148,125	135,114	163,095	(2,281)
OTHER FINANCING SOURCES (USES)				
Transfers out	(115,400)	(115,400)	(60,200)	55,200
Total other financing sources (uses)	<u>(115,400)</u>	<u>(115,400)</u>	<u>(60,200)</u>	<u>55,200</u>
Revenues and other financing sources over (under) expenditures and other financing uses - budget basis	32,725	19,714	102,895	52,919
Budget basis to GAAP basis adjustments (Note A)	-	-	(1,413)	(1,413)
Revenues and other financing sources over (under) expenditures and other financing uses - GAAP basis	32,725	19,714	101,482	81,768
Fund balance, October 1, 2012	<u>1,113,470</u>	<u>1,113,470</u>	<u>1,113,470</u>	<u>367,000</u>
Fund balance, September 30, 2013	<u>\$ 1,146,195</u>	<u>\$ 1,133,184</u>	<u>\$ 1,214,952</u>	<u>\$ 448,768</u>

Note A - Explanation of differences between budget basis presentation and GAAP basis presentation:

Sources/inflows of resources:

Differences - budget to GAAP

Change in sales tax receivable

\$ (1,413)

Net change in budget basis presentation and GAAP basis presentation

\$ (1,413)

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

EXHIBIT 9

**CITY OF LINDALE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013**

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUNDS
	WATER & SEWER FUND
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,174,157
Investments	478,336
Accounts receivable (net)	342,383
Total current assets	1,994,876
Restricted current assets:	
Temporarily restricted	
Cash and cash equivalents	201,842
Total restricted current assets	201,842
Capital assets:	
Land	172,926
Water & Sewer system	19,906,695
Buildings	261,194
Machinery & equipment	803,100
Construction in progress	454,921
Less: accumulated depreciation	(7,878,339)
Total capital assets net of accumulated depreciation	13,720,497
Total noncurrent assets:	13,720,497
Total assets	\$ 15,917,215
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 145,594
Accrued expenses	13,399
Compensated absences	19,274
Total current liabilities	178,267
Current liabilities payable from restricted assets:	
Customer deposits	201,842
Total current liabilities payable from restricted assets	201,842
Noncurrent liabilities:	
Compensated absences	38,548
Total noncurrent liabilities	38,548
Total liabilities	418,657
NET POSITION	
Invested in capital assets, net of related debt	13,720,497
Unrestricted	1,778,061
Total net position	\$ 15,498,558

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

CITY OF LINDALE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>BUSINESS-TYPE ACTIVITIES</u>
	<u>ENTERPRISE FUNDS</u>
	<u>WATER & SEWER FUND</u>
OPERATING REVENUES	
Charges for services:	
Water sales	\$ 1,420,501
Sewer charges	799,846
EMS	2
Tap and connect fees	51,106
Miscellaneous	14,603
Rents	13,446
Total operating revenues	2,299,504
OPERATING EXPENSES	
Water and sewer operations	1,653,394
Depreciation	565,437
Total operating expenses	2,218,831
Operating income (loss)	80,673
NON-OPERATING REVENUES (EXPENSES)	
Interest and fiscal charge expense	(14,459)
Interest income	19,472
Total non-operating revenue (expenses)	5,013
Income before transfers	85,686
Transfers out	(375,000)
Total transfers	(375,000)
Change in net position	(289,314)
Net position, October 1, 2012	15,640,028
Prior period adjustment	147,844
Net position, September 30, 2013	\$ 15,498,558

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

CITY OF LINDALE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>BUSINESS-TYPE ACTIVITIES</u>
	<u>ENTERPRISE FUNDS</u>
	WATER & SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 2,257,417
Cash paid to suppliers for goods and services	(894,951)
Cash paid to employees for services	(610,644)
	<hr/>
Net cash provided by operating activities	751,822
	<hr/>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers out	(375,000)
Net cash used in non-capital financing activities	(375,000)
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets and equipment	(637,954)
Payment on note payable	(11,468)
Interest paid	(14,459)
	<hr/>
Net cash used in capital and related financing activities	(663,881)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	19,472
	<hr/>
Net cash provided by investing activities	19,472
	<hr/>
Net decrease in cash	(267,587)
	<hr/>
Cash, beginning of period	1,643,586
	<hr/>
Cash, end of period	\$ 1,375,999
	<hr/> <hr/>
Reconciliation of cash to Exhibit 9:	
Cash - current asset	\$ 1,174,157
Cash - restricted current asset	201,842
Total cash, end of period	\$ 1,375,999
	<hr/> <hr/>

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

CITY OF LINDALE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2013

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

Operating income (loss)	\$	80,673
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense		565,437
Increase in accounts receivable		(50,112)
Increase in accounts payable		109,374
Increase in accrued expenses		4,856
Increase in customer deposits		8,025
Increase in compensated absences		33,569
		671,149
Total adjustments		671,149
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	751,822

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

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CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Lindale, Texas (City) 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 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.

Component Units

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

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

Lindale Economic Development Corporation (LEDC)

LEDC is a Texas nonprofit corporation organized for the purpose of benefiting and accomplishing public purposes of the City of Lindale, Texas, by promoting, assisting and enhancing economic development activities for the City. The Board members are appointed by the City of Lindale City Council. LEDC is funded by a one-half cent sales tax levied on taxable sales within the City of Lindale. The statements of LEDC are located in the additional supplemental information section of this report. LEDC is reported in a separate column to emphasize that it is legally separate from the City.

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. The Reporting Entity - continued

LEDC was reported as a blended component unit in prior years as a major special revenue fund and part of governmental activities. In the current year, LEDC has been reclassified as a discretely presented component unit. Accordingly, governmental fund balances and net position of governmental activities have been restated and reduced by \$1,801,416 and \$4,101,931, respectively.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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.

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The City reports the following major governmental funds:

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

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

The Hotel/Motel Tax Fund is used to account for the receipt and disbursement of funds generated by the Hotel-Motel Occupancy Tax.

The City 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.

Governments have the option of following private-sector guidance for their business-type activities and enterprise funds issued after November 30, 1989. The City has elected not to follow private-sector guidance issued after November 30, 1989.

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 delivering 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.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position 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 with original maturity of three months or less when purchased.

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity - continued

2. Investments – Investments for the City, as well as its component unit, are reported at fair value. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. The City is authorized by its governing board to invest in the obligations of the United States government, its agents and instrumentalities, certificates of deposit at financial institutions, local government investment pools, no load registered money market funds and repurchase agreements.

3. 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.” While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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 amounts.

The City provides an allowance for doubtful accounts based upon the anticipated collectability 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 inflows of resources - unavailable revenue property taxes on October 1. The deferred inflow from taxes is then recognized as revenue during the year as the taxes are received.

4. Due from Other Funds

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

5. Capital Assets – including 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.

(Continued)

**CITY OF LINDALE, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity - continued

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

The City has a collection of antique farm equipment housed in the Parrott Park Museum. The collection is not capitalized because it meets all the following conditions.

- The collection is held for reasons other than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to City policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

6. 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.

7. Bond issue costs – During the current year the City chose early implementation of GASB Statement No. 65. Under GASB Statement No. 65, bond issue costs are expensed when incurred and a restatement to beginning net position has been made in accordance with this statement.

8. Compensated Absences

A liability for unused vacation and sick time for all full time employees is calculated and reported in the proprietary fund and government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the proprietary fund and government-wide statements.

Vacation time is earned based on years of service, which range from six months to 20 years. Regular full-time employees with six months of service earn five days of vacation and regular full-time employees with 20 years of service earn 20 days of vacation. Employees are expected to take their vacation time each year, however amounts may be carried over with no maximum.

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity - continued

8. Compensated Absences - continued

Each regular full-time employee earns sick leave at the rate of six hours per month of service and may accumulate maximum sick leave of 120 working days. However, only employees with ten years or more of continuous service shall be paid for accumulated sick leave, not to exceed 60 days. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, "*Accounting for Compensated Absences*," no liability is recorded for nonvested accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of cumulative sick leave benefits that it is estimated to be taken as "terminal leave" prior to retirement.

The regular workweek is based on 40 hours actually worked. Overtime, unless required to be paid by Federal statutes, is accumulated as compensatory (comp) time and earned at time and a half for non-exempt employees and at straight time for exempt employees. Comp time is accumulated and either taken off or paid at the employees' current rate of pay on termination, resignation, retirement or death.

9. Long-term Obligations

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

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. Fund Balance Classification

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned.

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity - continued

11. Fund Balance Classification - continued

Nonspendable - This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - These amounts can only be used for specific purposes imposed by an ordinance by City Council, the City's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

The Cemetery Fund, Parrott Park Museum Fund, Kinzie House Fund, and Police Education Fund have previously been classified as non-major special revenue funds. Based on the sources of the revenues, these funds have been reclassified as general funds. The cumulative effect of these funds is an increase in the general funds' fund balance and a decrease in the non-major fund's fund balance of \$196,778. Beginning fund balance has been restated to reflect the reclassification.

The City's minimum fund balance policy requires that fund balance be maintained at a level of three months of expenditures in the General fund and three months of expenses in the Water & Sewer Fund.

When more than one classification of fund balance is available for use, it is the City's policy to use the most restricted resources first.

12. Financial Position

During the current year, the City adopted GASB Statement No. 63, which redefines how net assets are presented in the financial statements. The Statement of Net Assets is now the Statement of Net Position. Net position represents the difference between assets and liabilities, and is divided into three components.

Net investment in capital assets - This component 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 and adjusted for any deferred outflows or inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt.

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity - continued

12. Financial Position - continued

Restricted - This component consist of 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, reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted - This component consist of the net amount of the assets, deferred outflows and inflows of resources, and liabilities not included in net investment in capital assets or restricted components of net position.

13. Capitalized interest - The City has capitalized interest on construction projects when material.

14. 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, liabilities, and deferred outflows/inflows of resources 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.

15. New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 66, *Technical Corrections-2012*, which improves financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for periods beginning after December 15, 2012. The City is evaluating the impact of this statement on the City's financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which improves financial reporting of public employee pensions. This statement is effective for periods beginning after June 15, 2013. The City is evaluating the impact of this statement on the City's financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which improves financial reporting of public employee pensions. This statement is effective for periods beginning after June 15, 2014. The City is evaluating the impact of this statement on the City's financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves financial reporting of combination arrangements. This statement is effective for periods beginning after December 15, 2013. The City is evaluating the impact of this statement on the City's financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which improves financial reporting of nonexchange financial guarantees. This statement is effective for periods beginning after June 15, 2013. The City is evaluating the impact of this statement on the City's financial statements.

(Continued)

**CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity - continued

15. New Accounting Pronouncements - continued

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This statement is effective for periods beginning after June 15, 2014. The City is evaluating the impact of this statement on the City's financial statements.

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 position

The governmental fund balance sheet includes a reconciliation between fund balance for total governmental funds and net position as reported in the government-wide statement of net position. 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 \$11,687,971 difference are as follows:

Beginning balance of capital assets, net of accumulated depreciation	\$ 11,628,865
Capital asset additions, net of retirements	449,741
Depreciation of capital assets, current year	<u>(390,635)</u>
	<u>\$ 11,687,971</u>

Another element of that reconciliation explains 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 \$13,240,177 difference are as follows:

Bonds payable	\$ (13,225,000)
Bond premium, net	(117,767)
Bond insurance costs, net	39,116
Deferred charge on refunding, net	259,481
Compensated absences	<u>(196,007)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (13,240,177)</u>

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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

B. Explanation of certain differences between the government fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation indicates that "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." The details of this \$59,106 difference are as follows:

Capital outlay	\$ 449,741
Depreciation expense	<u>(390,635)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 59,106</u>

Another element of that reconciliation states that "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 position. 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." The details of this \$764,698 difference are as follows:

Issuance of debt	\$ (2,405,000)
Principal payments on long-term debt	3,000,000
Deferred charge on refunding cost incurred	187,928
Amortization of deferred charge on refunding	(25,752)
Amortization of bond insurance costs	(6,943)
Amortization of bond premium	<u>14,465</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 764,698</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 (including the Cemetery Fund and Parrott Park Fund), Debt Service Fund, Hotel Motel Tax Fund, Court Technology Fund, Building Security Fund, Child Safety Fees 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.

(Continued)

**CITY OF LINDALE, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013**

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cash and investments as of September 30, 2013 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Primary Government	
Cash and cash equivalents	\$ 5,985,316
Restricted cash and cash equivalents	201,842
Investments	999,176
Component Unit	
Cash and cash equivalents	706,334
Investments	<u>1,430,000</u>
 Total Cash and Investments	 <u><u>\$ 9,322,668</u></u>
 Cash on hand	 \$ 460
Savings and checking accounts	6,893,032
Investments	<u>2,429,176</u>
 Total Cash and Investments	 <u><u>\$ 9,322,668</u></u>

Custodial Credit Risk - In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits.

At September 30, 2013, the carrying value of the City's bank deposits was \$7,186,334 while the bank balance was \$7,478,486. All bank balances not covered by federal depository insurance, were covered by collateral held in the pledging financial institutions' trust department in the City's name.

At September 30, 2013, the carrying value of LEDC's (a discretely presented component unit) bank deposits was \$2,136,334 while the bank balance was \$2,138,334. All bank balances not covered by federal depository insurance, were covered by collateral held in the pledging financial institutions' trust department in the LEDC's name.

The City Council has adopted a written investment policy regarding the investments of its funds as defined by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the Council's investment policies. All significant legal and contractual provisions for investments were complied with during the year.

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.

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 - DETAILED NOTES ON ALL FUNDS - CONTINUED

A. Deposits and Investments - continued

Concentrations - The City's investment policy requires the diversification of maturities in order to reduce the need to sell investments prior to maturity, thus reducing market risk. The City's investment policy specifies no more than 20% of the portfolio may be invested for a period greater than one year. Also, unless matched to specific requirements, no portion of the portfolio may be invested for a period greater than two years. The City is in compliance with this provision as all certificates of deposit classified as investments had maturity dates of one year or less.

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	Debt Service	Hotel Motel Fund	Other Governmental Funds	Water and Sewer Fund	Total
Receivables:						
Property tax	\$ 31,909	\$ 47,904	\$ -	\$ -	\$ -	\$ 79,813
Sanitation	117,308	-	-	-	-	117,308
Sales tax	227,423	-	-	-	-	227,423
Hotel / Motel tax	-	-	81,957	-	-	81,957
Grant	-	-	-	218,448	-	218,448
Accounts	845,738	-	-	-	408,901	1,254,639
Gross receivables	1,222,378	47,904	81,957	218,448	408,901	1,979,588
Less: Allowance for uncollectibles	(528,070)	(20,482)	-	-	(66,518)	(615,070)
Net receivables	<u>\$ 694,308</u>	<u>\$ 27,422</u>	<u>\$ 81,957</u>	<u>\$ 218,448</u>	<u>\$ 342,383</u>	<u>\$ 1,364,518</u>

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 - DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital Assets

Capital asset activity for the year ended September 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,564,698	\$ -	\$ -	\$ 3,564,698
Construction in progress	-	264,844	-	264,844
Total capital assets, not being depreciated	<u>3,564,698</u>	<u>264,844</u>	<u>-</u>	<u>3,829,542</u>
Capital assets, being depreciated:				
Buildings and Improvements	4,071,729	10,432	-	4,082,161
Infrastructure	5,625,097	-	-	5,625,097
Machinery & Equipment	1,400,936	174,465	-	1,575,401
Total capital assets being depreciated	<u>11,097,762</u>	<u>184,897</u>	<u>-</u>	<u>11,282,659</u>
Less accumulated depreciation for:				
Buildings and Improvements	(839,330)	(111,508)	-	(950,838)
Infrastructure	(1,155,053)	(140,628)	-	(1,295,681)
Machinery & Equipment	(1,039,212)	(138,499)	-	(1,177,711)
Total accumulated depreciation	<u>(3,033,595)</u>	<u>(390,635)</u>	<u>-</u>	<u>(3,424,230)</u>
Total capital assets, being depreciated, net	<u>8,064,167</u>	<u>(205,738)</u>	<u>-</u>	<u>7,858,429</u>
Governmental activities capital assets, net	<u>\$ 11,628,865</u>	<u>\$ 59,106</u>	<u>\$ -</u>	<u>\$ 11,687,971</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 172,926	\$ -	\$ -	\$ 172,926
Construction in progress	-	454,921	-	454,921
Total capital assets, not being depreciated	<u>172,926</u>	<u>454,921</u>	<u>-</u>	<u>627,847</u>
Capital assets, being depreciated:				
Buildings	261,194	-	-	261,194
Water and Sewer System	19,815,853	90,842	-	19,906,695
Machinery and equipment	710,909	92,191	-	803,100
Total capital assets being depreciated	<u>20,787,956</u>	<u>183,033</u>	<u>-</u>	<u>20,970,989</u>
Less accumulated depreciation for:				
Buildings	(72,870)	(6,530)	-	(79,400)
Water and Sewer System	(6,697,209)	(508,055)	-	(7,205,264)
Machinery and equipment	(542,823)	(50,852)	-	(593,675)
Total accumulated depreciation	<u>(7,312,902)</u>	<u>(565,437)</u>	<u>-</u>	<u>(7,878,339)</u>
Total capital assets, being depreciated, net	<u>13,475,054</u>	<u>(382,404)</u>	<u>-</u>	<u>13,092,650</u>
Business-type activities capital assets, net	<u>\$ 13,647,980</u>	<u>\$ 72,517</u>	<u>\$ -</u>	<u>\$ 13,720,497</u>

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 - DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital Assets - continued

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

Governmental activities:	
General Government	\$ 65,460
Public Safety	116,573
Public Works	208,602
Total depreciation expense - governmental activities	<u>\$ 390,635</u>
Business-type activities:	
Water & Sewer Operations	\$ 560,405
Emergency Medical Service	5,032
Total depreciation expense - business-type activities	<u>\$ 565,437</u>

Capital asset activity for LEDC for the year ended September 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,925,385	\$ -	\$ (265,616)	3,659,769
Total capital assets, not being depreciated	<u>3,925,385</u>	<u>-</u>	<u>(265,616)</u>	<u>3,659,769</u>
Capital assets, being depreciated:				
Infrastructure	1,681,515	92,674	-	1,774,189
Machinery & Equipment	18,787	2,144	-	20,931
Total capital assets being depreciated	<u>1,700,302</u>	<u>94,818</u>	<u>-</u>	<u>1,795,120</u>
Less accumulated depreciation for:				
Infrastructure	(28,025)	(42,424)	-	(70,449)
Machinery & Equipment	(8,843)	(4,106)	-	(12,949)
Total accumulated depreciation	<u>(36,868)</u>	<u>(46,530)</u>	<u>-</u>	<u>(83,398)</u>
Total capital assets, being depreciated, net	<u>1,663,434</u>	<u>48,288</u>	<u>-</u>	<u>1,711,722</u>
Business-type activities capital assets, net	<u>\$ 5,588,819</u>	<u>\$ 48,288</u>	<u>\$ (265,616)</u>	<u>\$ 5,371,491</u>

Construction Commitments

The City has the following construction projects as of September 30, 2013:

Project	Spent-to-Date	Estimated Remaining Commitment
Market Center	\$ 216,069	\$ 133,931
Elevated Storage Tank	176,521	1,723,478
Pool Lake Sewer Line	278,989	106,502

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 - DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund Receivables, Payables, and Transfers

The interfund balance in the Nonmajor Governmental Funds resulted from overdrafts in the City's pooled cash accounts that were funded by the General Fund.

The composition of interfund balances as of September 30, 2013, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 188,490

Interfund transfers are made in accordance with the City's adopted budget or through approvals to meet unexpected operating needs.

The composition of interfund transfers as of September 30, 2013, is as follows:

Transfers Out	Transfers In	Amount
Water & Sewer Fund	Debt Service Fund	\$ 375,000
Hotel/Motel Tax Fund	General Fund	60,200
		\$ 435,200

E. Leases

Operating Leases

The City leases five copy machines, one located in the City Hall workroom, one at the Water Department building, one in Municipal Court, one in Code Enforcement, and one in the Police Department, under five separate lease agreements. Total costs for such leases were \$11,221 for the year ended September 30, 2013. The future minimum lease payments for these leases are as follows:

Year Ending September 30	Amount
2014	\$ 11,221
2015	5,790
2016	2,150
Total	\$ 19,161

(Continued)

**CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 4 - DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Long-term debt

Bonds

The City 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, 2013 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 %.	\$2,530,000
\$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 %.	185,000
\$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 %.	3,190,000
\$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%.	2,360,000
\$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%.	2,610,000
\$2,405,000 Series 2012 General Obligation Refunding Bonds Maturing 8-15-25 with an interest rate of 2.36%	<u>2,350,000</u>
Total Outstanding Governmental Bonded Debt	13,225,000
Plus: Unamortized Bond Premium	<u>117,767</u>
Net Outstanding Governmental Bonded Debt	<u>\$13,342,767</u>

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 - DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Long-term debt - continued

Bonds - continued

During the current year, the City issued \$2,405,000 in Refunding Bonds as an advanced refunding to early defease \$2,160,000 of the principal balance of the Series 2004 Combination Tax and Utility System Certificates of Obligation. The proceeds of the bond issue were placed in an irrevocable trust for the future debt service of the advance refunded bonds. The amount of the advance refunded bond is considered defeased and the liability has been removed from the City's financial statements. The difference between the refunding issue and the defeased amount has been recorded as a deferred outflow of resources and is being amortized as a component of interest expense over the life of the defeased debt. The advance refunding generated net present savings of \$195,520 and reduced total debt service payments by \$193,448.

The funding requirements to amortize all bonds outstanding as of September 30, 2013, including interest, are as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2014	\$ 840,000	\$ 522,120	\$ 1,362,120
2015	875,000	487,378	1,362,378
2016	920,000	451,140	1,371,140
2017	955,000	415,633	1,370,633
2018	995,000	378,600	1,373,600
2019-2023	5,610,000	1,258,567	6,868,567
2024-2027	3,030,000	225,894	3,255,894
	<u>\$ 13,225,000</u>	<u>\$ 3,739,331</u>	<u>\$ 16,964,331</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, 2013 be disclosed.

Insurer	Policy	Limit of Liability		Expiration Date
		Each Occurrence	Annual Aggregate	
Texas Municipal League	General Liability	\$ 2,000,000	\$ 4,000,000	10/1/2013
	Law Enforcement	1,000,000	2,000,000	10/1/2013
	Errors & Omissions	1,000,000	2,000,000	10/1/2013
	Auto Liability	500,000	n/a	10/1/2013
	Auto Physical Damage	10,000	n/a	10/1/2013
Texas Municipal League	Real & Personal Property	1,000,000	12,289,300	10/1/2013
	Mobile Equipment	n/a	324,362	10/1/2013
	Boiler & Machinery	100,000	n/a	10/1/2013
Texas Municipal League	Workers Comp	n/a	1,844,325	10/1/2013

As of September 30, 2013, the City was in compliance with all requirements of its bond ordinances.

(Continued)

**CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 4 - DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Long-term debt - continued

Notes payable

LEDC has the following notes payable at September 30, 2013:

Note payable to Southside Bank; original loan amount of \$4,000,000; interest of 4.00%; 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.

	\$ 3,111,973
Less: Current portion	<u>(173,440)</u>
Long-term portion	<u>\$ 2,938,533</u>

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

<u>Year Ending September 30</u>	Component Unit		
	Principal	Interest	Total
2014	\$ 173,440	\$ 121,307	\$ 294,747
2015	180,506	114,241	294,747
2016	187,561	107,186	294,747
2017	195,502	99,245	294,747
2018	203,467	91,280	294,747
2019-2023	1,148,377	325,358	1,473,735
2024-2027	1,023,120	82,182	1,105,301
	<u>\$ 3,111,973</u>	<u>\$ 940,798</u>	<u>\$ 4,052,771</u>

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 - DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Long-term debt - continued

Changes in long-term liabilities

Long-term liability activity for the City for the year ended September 30, 2013 was as follows:

	Beginning Balance 10/1/2012	Additions	Reductions	Ending Balance 9/30/2013	Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 10,515,000	\$ -	\$ (2,830,000)	\$ 7,685,000	\$ 695,000
General obligation	3,305,000	2,405,000	(170,000)	5,540,000	145,000
Unamortized bond premium	132,232	-	(14,465)	117,767	13,737
Compensated absences	123,843	194,926	(122,762)	196,007	65,336
Total governmental activities long-term liabilities	<u>\$ 14,076,075</u>	<u>\$ 2,599,926</u>	<u>\$ (3,137,227)</u>	<u>\$ 13,538,774</u>	<u>\$ 919,073</u>
Business-type activities:					
Notes payable	\$ 11,468	\$ -	\$ (11,468)	\$ -	\$ -
Compensated absences	24,253	73,308	(39,739)	57,822	19,274
Total business-type activities long-term liabilities	<u>\$ 35,721</u>	<u>\$ 73,308</u>	<u>\$ (51,207)</u>	<u>\$ 57,822</u>	<u>\$ 19,274</u>

The liabilities listed above for compensated absences will be liquidated by the City's General and Proprietary Funds.

Long-term liability activity for LEDC for the year ended September 30, 2013 was as follows:

	Beginning Balance 10/1/2012	Additions	Reductions	Ending Balance 9/30/2013	Due Within One Year
Component unit:					
Notes payable	\$ 3,278,611	\$ -	\$ (166,638)	\$ 3,111,973	\$ 173,440
Compensated absences	-	14,244	(2,384)	11,860	3,953
Total component unit long-term liabilities	<u>\$ 3,278,611</u>	<u>\$ 14,244</u>	<u>\$ (169,022)</u>	<u>\$ 3,123,833</u>	<u>\$ 177,393</u>

NOTE 5 - GROUP CONCENTRATIONS OF CREDIT RISK

The City provides water, sewer and sanitation 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, 2013, the City had \$445,429 in net receivables from its residents for the usage of these services.

(Continued)

**CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

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 was renewed for a successive five years upon mutual agreement of both parties.

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, 2013, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2013, 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 from TMRS' website at www.TMRS.com.

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

	<u>Plan Year 2012</u>	<u>Plan Year 2013</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

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 8 - EMPLOYEES' PENSION PLAN OBLIGATIONS - CONTINUED

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)	\$ 276,114
Interest on Net Pension Obligation	-
Adjustment to the ARC	<u>-</u>
Annual Pension Cost (APC)	276,114
Contributions made	<u>276,114</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

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
9/30/2011	\$ 279,978	\$ 279,978	100%	\$ -
9/30/2012	264,603	264,603	100%	-
9/30/2013	276,114	276,114	100%	-

(Continued)

**CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 8 - EMPLOYEES' PENSION PLAN OBLIGATIONS - CONTINUED

General System-wide Actuarial Assumptions

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Period	27.1 years; closed period	26.1 years; closed period	25.0 years; closed period
Amortization period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
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	2.1%	2.1%	2.1%

Funding Status and Funding Progress

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2012	\$ 2,657,305	\$ 4,334,257	61.3%	\$ 1,676,952	\$ 1,758,111	95.4%

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

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

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 8 - EMPLOYEES' PENSION PLAN OBLIGATIONS - CONTINUED

Funding Status and Funding Progress - continued

Schedule of Funding Progress (unaudited):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2010	\$ 1,699,413	\$ 3,496,665	48.6%	\$ 1,797,252	\$ 1,756,388	102.3%
12/31/2011	2,145,640	3,852,752	55.7%	1,707,112	1,721,116	99.2%
12/31/2012	2,657,305	4,334,257	61.3%	1,676,952	1,758,111	95.4%

NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2013, expenditures exceeded appropriation in the Administration department of the General Fund by \$50,001. This overexpenditure was funded by excess revenues.

NOTE 10 - SIGNIFICANT TRANSACTIONS WITH COMPONENT UNIT

The City has an agreement with the Lindale Economic Development Corporation whereby one-third of the sales tax revenue of the City is paid to the LEDC. During the year ended September 30, 2013, \$715,210 of sales tax revenue received by the City was allocated to LEDC. On August 28, 2009, the City and LEDC signed a ten year lease agreement whereby the City is leasing office space to LEDC for \$35,250 per year. LEDC paid the full amount of the lease upfront and the amount is being amortized over the life of the lease.

NOTE 11 - PRIOR PERIOD ADJUSTMENTS

During the year, the City implemented GASB Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", and GASB Statement No. 65 "*Items Previously Reported as Assets and Liabilities*". Under GASB Statement No. 63, the term "Net Assets" was changed to "Net Position". Under GASB Statement No. 65, bond issuance costs which were previously amortized over the life of the bond issue are now expensed as incurred. As of September 30, 2012, the City had unamortized bond issue costs of \$277,398. The remaining unamortized balance was written off as a prior period adjustment upon implementation of GASB Statement No. 65. The prior period adjustment for governmental activities was \$277,398, which resulted in a decrease to net position.

Net position of the primary government has been restated in order to reflect an adjustment for municipal court receivables that had been omitted in prior years. The prior period adjustment for governmental activities was \$239,018, which resulted in an increase to net position.

Net position of the primary government has been restated in order to reflect an adjustment for accumulated depreciation that had not been removed with the corresponding asset in prior years. The prior period adjustment for governmental activities was \$39,509, which resulted in an increase to net position.

(Continued)

CITY OF LINDALE, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 11 - PRIOR PERIOD ADJUSTMENTS - CONTINUED

Net position/fund balance of the primary government has been restated in order to reflect an adjustment for utility receivables that had been omitted in prior years. The prior period adjustment for governmental activities, business-type activities, the General fund, and the Water and Sewer Fund was \$43,719, \$147,844, \$43,719, and \$147,844, respectively. All adjustments resulted in an increase to net position/fund balance.

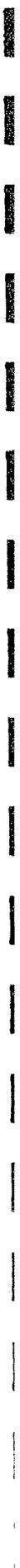
NOTE 12 - SUBSEQUENT EVENTS

On November 5, 2013, the City Council approved a two year extension of the lease term with LEDC in exchange for the transfer of 2.066 acres of land.

On November 5, 2013, the City Council approved the issuance of certificates of obligation in the amount of \$3,150,000.

Subsequent events were evaluated through March 24, 2014, the date on which the financial statements were available to be issued.

ADDITIONAL SUPPLEMENTAL INFORMATION



CITY OF LINDALE
COMBINING BALANCE SHEET
GENERAL FUNDS
SEPTEMBER 30, 2013

	GENERAL FUND	GENERAL RESERVE FUND	GENERAL CAPITAL FUND	CEMETERY FUND	PARROTT PARK MUSEUM FUND	KINZIE HOUSE FUND	POLICE EDUCATION FUND	TOTAL GENERAL FUNDS
ASSETS								
Cash and cash equivalents	\$ 310,517	\$ 909,578	\$ 321,329	\$ 153,797	\$ 30,976	\$ 5,017	\$ 3,417	\$ 1,734,631
Investments	270,250	-	-	-	-	-	-	270,250
Receivables (net of allowance for doubtful accounts):								
Property taxes	18,266	-	-	-	-	-	-	18,266
Sanitation	103,046	-	-	-	-	-	-	103,046
Other	572,996	-	-	-	-	-	-	572,996
Due from other funds	188,490	-	-	-	-	-	-	188,490
Total Assets	\$ 1,463,565	\$ 909,578	\$ 321,329	\$ 153,797	\$ 30,976	\$ 5,017	\$ 3,417	\$ 2,887,679
LIABILITIES								
Accounts payable	\$ 203,020	-	-	-	\$ 1,063	-	-	\$ 204,083
Accrued expenses	60,355	-	-	-	-	-	-	60,355
Unearned revenue - LEDC rent	232,063	-	-	-	-	-	-	232,063
Total Liabilities	495,438	-	-	-	1,063	-	-	496,501
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - property taxes	18,266	-	-	-	-	-	-	18,266
Unavailable revenue - fines	345,573	-	-	-	-	-	-	345,573
Total Deferred Inflows of Resources	363,839	-	-	-	-	-	-	363,839
FUND BALANCES								
Assigned to:								
Cemetery	-	-	-	153,797	-	-	-	153,797
Parks and recreation	-	-	-	-	29,913	-	-	29,913
Kinzie house	-	-	-	-	-	5,017	-	5,017
Police education	-	-	-	-	-	-	3,417	3,417
Unassigned	604,288	909,578	321,329	-	-	-	-	1,835,195
Total Fund Balances	604,288	909,578	321,329	153,797	29,913	5,017	3,417	2,027,339
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,463,565	\$ 909,578	\$ 321,329	\$ 153,797	\$ 30,976	\$ 5,017	\$ 3,417	\$ 2,887,679

CITY OF LINDALE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	GENERAL FUND	GENERAL RESERVE FUND	GENERAL CAPITAL FUND	CEMETERY FUND	PARROTT PARK MUSEUM FUND	KINZIE HOUSE FUND	POLICE EDUCATION FUND	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
REVENUES									
Current and delinquent property taxes	\$ 847,756	-	-	-	-	-	-	-	\$ 847,756
Franchise taxes	281,172	-	-	-	-	-	-	-	281,172
Sales tax	1,440,375	-	-	-	-	-	-	-	1,440,375
Building permits	104,279	-	-	-	-	-	-	-	104,279
Fines and forfeitures	234,009	-	-	-	-	-	-	-	234,009
Solid waste collections	859,858	-	-	-	-	-	-	-	859,858
Interest	19,634	-	-	1,118	215	17	-	-	20,984
Rents	48,140	-	-	-	-	-	-	-	48,140
Sale of lots	-	-	-	22,800	-	-	-	-	22,800
Donations	-	-	-	9,260	2,230	-	-	-	11,490
Miscellaneous income	34,206	-	-	5,050	2,365	-	4,281	-	45,902
Total Revenues	3,869,429	-	-	38,228	4,810	17	4,281	-	3,916,765
EXPENDITURES									
General government	739,547	-	7,464	-	-	-	-	-	747,011
Public safety	1,516,830	-	-	-	-	-	6,035	-	1,522,865
Public works	1,071,102	-	85,534	-	-	-	-	-	1,156,636
Economic development	1,780	-	-	-	-	-	-	-	1,780
Building and grounds maintenance	-	-	-	33,132	5,240	-	-	-	38,372
Miscellaneous	-	-	-	1,315	64,516	-	-	-	65,831
Capital outlay	142,686	-	305,123	-	1,932	-	-	-	449,741
Total Expenditures	3,471,945	-	398,121	34,447	71,688	-	6,035	-	3,982,236
Revenues Over (Under) Expenditures	397,484	-	(398,121)	3,781	(66,878)	17	(1,754)	-	(65,471)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	461,540	-	55,200	5,000	-	(461,540)	60,200
Transfers out	(461,540)	-	-	-	-	-	-	461,540	-
Total Other Financing Sources (Uses)	(461,540)	-	461,540	-	55,200	5,000	-	-	60,200
Net Change in Fund Balances	(64,056)	-	63,419	3,781	(11,678)	5,017	(1,754)	-	(5,271)
Fund Balance, October 1, 2012, as restated (Note 1)	624,625	909,578	257,910	150,016	41,591	-	5,171	-	1,988,891
Prior period adjustment	43,719	-	-	-	-	-	-	-	43,719
Fund Balance, September 30, 2013	\$ 604,288	\$ 909,578	\$ 321,329	\$ 153,797	\$ 29,913	\$ 5,017	\$ 3,417	\$ -	\$ 2,027,339

SCHEDULE 3

CITY OF LINDALE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	2009 CAPITAL PROJECTS FUND	COURT TECHNOLOGY FUND	BUILDING SECURITY FUND	CHILD SAFETY FEES FUND	POLICE LEOSE FUND	POLICE FORFEITURE FUND	PEG FRANCHISE FUND	IB RICE FUND	PERMANENT FUND - KINZIE TRUST	2011 HOME PROGRAM FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS											
Cash and cash equivalents	\$ 197,836	\$ 19,878	\$ 34,224	\$ 9,739	\$ 10,593	\$ 1,051	\$ 55,032	\$ 724	\$ 2,425	\$ -	\$ 331,502
Investments	-	20,698	-	-	-	-	-	20,422	209,470	-	250,590
Receivables:											
Grants	-	-	-	-	-	-	-	-	-	218,448	218,448
Total Assets	\$ 197,836	\$ 40,576	\$ 34,224	\$ 9,739	\$ 10,593	\$ 1,051	\$ 55,032	\$ 21,146	\$ 211,895	\$ 218,448	\$ 800,540
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,308	\$ 30,308
Due to other funds	-	-	-	-	-	-	-	-	350	188,140	188,490
Total Liabilities	-	-	-	-	-	-	-	-	350	218,448	218,798
Fund Balances:											
Nonspendable:											
Permanent fund principal	-	-	-	-	-	-	-	-	211,545	-	211,545
Restricted for:											
Capital improvements	197,836	-	-	-	-	-	-	-	-	-	197,836
Court Technology	-	40,576	-	-	-	-	-	-	-	-	40,576
Building Security	-	-	34,224	-	-	-	-	-	-	-	34,224
Child Safety	-	-	-	9,739	-	-	-	-	-	-	9,739
Law enforcement purposes	-	-	-	-	10,593	1,051	-	-	-	-	11,644
PEG facilities	-	-	-	-	-	-	55,032	-	-	-	55,032
Boy Scout building upkeep	-	-	-	-	-	-	-	21,146	-	-	21,146
Total Fund Balances	197,836	40,576	34,224	9,739	10,593	1,051	55,032	21,146	211,545	-	581,742
Total Liabilities and Fund Balances	\$ 197,836	\$ 40,576	\$ 34,224	\$ 9,739	\$ 10,593	\$ 1,051	\$ 55,032	\$ 21,146	\$ 211,895	\$ 218,448	\$ 800,540

SCHEDULE 4

CITY OF LINDALE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2013

	2009 CAPITAL PROJECTS FUND	COURT TECHNOLOGY FUND	BUILDING SECURITY FUND	CHILD SAFETY FEES FUND	POLICE LEOSE FUND	POLICE FORFEITURE FUND	PEG FRANCHISE FUND	IB RICE FUND	PERMANENT FUND- KINZIE TRUST	2011 HOME PROGRAM FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES											
Miscellaneous	\$ -	\$ 11,664	\$ 8,514	\$ 6,292	\$ -	\$ 140	\$ 3,411	\$ -	\$ -	\$ -	\$ 30,021
Grant revenue	-	-	-	-	-	-	-	-	-	218,448	218,448
Interest	-	190	110	25	26	2	-	128	2,425	-	2,906
Total Revenues	-	11,854	8,624	6,317	26	142	3,411	128	2,425	218,448	231,375
EXPENDITURES											
Building and grounds maintenance	-	5,202	-	-	-	-	-	-	-	217,714	222,916
Miscellaneous	-	-	-	-	-	-	-	-	-	734	734
Total Expenditures	-	5,202	-	-	-	-	-	-	-	218,448	223,650
Excess (deficiency) of revenues over (under) expenditures	-	6,652	8,624	6,317	26	142	3,411	128	2,425	-	27,725
Net Change in Fund Balances	-	6,652	8,624	6,317	26	142	3,411	128	2,425	-	27,725
Fund Balance, October 1, 2012, as restated (Note 1)	197,836	33,924	25,600	3,422	10,567	909	51,621	21,018	209,120	-	554,017
Fund Balance, September 30, 2013	\$ 197,836	\$ 40,576	\$ 34,224	\$ 9,739	\$ 10,593	\$ 1,051	\$ 55,032	\$ 21,146	\$ 211,545	\$ -	\$ 581,742

**CITY OF LINDALE
COURT TECHNOLOGY FUND
DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)</u>
REVENUES				
Fines and fees	\$ 9,500	\$ 9,500	\$ 11,664	\$ 2,164
Interest income	-	-	190	190
TOTAL FINANCING SOURCES - BUDGET BASIS	<u>\$ 9,500</u>	<u>\$ 9,500</u>	11,854	<u>\$ 2,354</u>
Financial statement adjustments:			-	
TOTAL FINANCING SOURCES - GAAP BASIS			<u>\$ 11,854</u>	
EXPENDITURES				
Capital expenditures:				
Court technology equipment	\$ 9,500	\$ 9,500	\$ 5,202	\$ 4,298
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 9,500</u>	<u>\$ 9,500</u>	5,202	<u>\$ 4,298</u>
Financial statement adjustments:			-	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ 5,202</u>	

**CITY OF LINDALE
BUILDING SECURITY FUND
DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Fines and fees	\$ 3,000	\$ 3,000	\$ 8,514	\$ 5,514
Interest income	-	-	110	110
TOTAL FINANCING SOURCES - BUDGET BASIS	<u>\$ 3,000</u>	<u>\$ 3,000</u>	8,624	<u>\$ 5,624</u>
Financial statement adjustments:			-	
TOTAL FINANCING SOURCES - GAAP BASIS			<u>\$ 8,624</u>	
EXPENDITURES				
Building securities equipment	\$ 500	\$ 500	-	\$ 500
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 500</u>	<u>\$ 500</u>	-	<u>\$ 500</u>
Financial statement adjustments:			-	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ -</u>	

**CITY OF LINDALE
CHILD SAFETY FEES FUND
DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Fines and fees	\$ 3,000	\$ 3,000	\$ 6,292	\$ 3,292
Interest income	-	-	25	25
TOTAL FINANCING SOURCES - BUDGET BASIS	<u>\$ 3,000</u>	<u>\$ 3,000</u>	6,317	<u>\$ 3,317</u>
Financial statement adjustments:			-	
TOTAL FINANCING SOURCES - GAAP BASIS			<u>\$ 6,317</u>	
EXPENDITURES				
Office supplies	\$ 500	\$ 500	-	\$ 500
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 500</u>	<u>\$ 500</u>	-	<u>\$ 500</u>
Financial statement adjustments:			-	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ -</u>	

**CITY OF LINDALE
DEBT SERVICE FUND
DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Current and delinquent property taxes	\$ 1,136,260	\$ 1,136,260	\$ 1,258,091	\$ 121,831
Interest income	-	-	15,658	15,658
Miscellaneous income	-	-	3,737	3,737
Transfer from other funds	250,000	250,000	375,000	125,000
TOTAL FINANCING SOURCES - BUDGET BASIS	<u>\$ 1,386,260</u>	<u>\$ 1,386,260</u>	1,652,486	<u>\$ 266,226</u>
Financial statement adjustments:			-	
TOTAL REVENUES - GAAP BASIS			<u>\$ 1,652,486</u>	
EXPENDITURES				
Debt Service:				
Bond principal	\$ 785,000	\$ 785,000	\$ 840,000	\$ (55,000)
Interest and fees	598,260	598,260	542,444	55,816
Agent fees	3,000	3,000	1,500	1,500
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 1,386,260</u>	<u>\$ 1,386,260</u>	1,383,944	<u>\$ 2,316</u>
Financial statement adjustments:			-	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ 1,383,944</u>	

**CITY OF LINDALE
 DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
 (NON-GAAP BUDGET BASIS)
 GENERAL FUND
 FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES AND OTHER FINANCING SOURCES				
Current and delinquent property taxes	\$ 807,000	\$ 807,000	\$ 845,794	\$ 38,794
Franchise taxes	265,000	265,000	281,172	16,172
Sales tax	1,250,000	1,250,000	1,437,643	187,643
Building permits	35,000	35,000	104,279	69,279
Fines and forfeitures	420,000	420,000	466,130	46,130
Garbage collection	708,000	708,000	791,359	83,359
Garbage tax	59,000	59,000	63,523	4,523
Miscellaneous income	10,000	10,000	43,887	33,887
Interest earned	9,000	7,000	20,984	13,984
Rental of community center	12,000	12,000	12,890	890
Rental income - LEDC	35,250	35,250	35,250	-
LEDC reimbursement	100,835	100,835	100,593	(242)
Public contribution	9,400	9,400	9,260	(140)
Sale of cemetery plots	21,000	21,000	22,800	1,800
Chapel rental	600	600	750	150
Donations	1,500	1,500	2,230	730
Gift shop income	300	300	1,179	879
Gift shop sales tax	100	100	86	(14)
Transfer from other funds	118,750	118,750	-	(118,750)
Transfer from Hotel Motel fund	110,400	110,400	60,200	(50,200)
TOTAL REVENUES AND OTHER FINANCING SOURCES - BUDGET BASIS	<u>\$ 3,973,135</u>	<u>\$ 3,971,135</u>	4,300,009	<u>\$ 328,874</u>
Financial statement adjustments:				
Increase in property tax receivable			1,962	
Increase in sales tax receivable			2,732	
Increase in solid waste collection receivable			4,976	
State's portion of fines revenue reported as a reduction to the related expenditures			(232,121)	
LEDC reimbursement reported as a reduction to the related expenditures			(100,593)	
TOTAL REVENUES AND OTHER FINANCING SOURCES - GAAP BASIS			<u>\$ 3,976,965</u>	

CITY OF LINDALE
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
<u>GENERAL GOVERNMENT/ADMINISTRATION</u>				
<u>PERSONNEL SERVICES:</u>				
Supervision	\$ 138,600	\$ 138,600	\$ 112,005	\$ 26,595
Salaries-full-time	35,300	35,300	29,868	5,432
Overtime	-	-	177	(177)
Vacation	-	-	13,894	(13,894)
Sick leave	-	-	6,895	(6,895)
Holiday	-	-	8,008	(8,008)
Auto allowance	7,200	7,200	6,922	278
Comp time	-	-	2,832	(2,832)
Retirement	27,500	27,500	27,334	166
Social Security/Medicare	13,900	13,900	13,816	84
Health insurance	16,420	16,420	17,385	(965)
Dental	1,030	1,030	1,085	(55)
Life insurance	715	715	659	56
Vision	350	350	324	26
Long term disability	490	490	505	(15)
Workers comp	490	490	245	245
	<u>241,995</u>	<u>241,995</u>	<u>241,954</u>	<u>41</u>
<u>TOTAL personnel services</u>				
<u>SUPPLIES:</u>				
Office supplies	6,000	6,000	5,936	64
Postage	2,500	2,500	843	1,657
Miscellaneous supplies	4,000	4,100	3,461	639
Building and cleaning supplies	450	450	99	351
	<u>12,950</u>	<u>13,050</u>	<u>10,339</u>	<u>2,711</u>
<u>TOTAL supplies</u>				
<u>CONTRACTUAL:</u>				
Communications-telephone	10,000	10,500	10,444	56
Miscellaneous	1,000	1,000	11	989
Insurance and bonds	25,000	25,000	17,210	7,790
Publications and advertising	6,000	6,000	1,994	4,006
Utilities	28,000	28,000	24,019	3,981
Librarian	40,000	40,000	40,000	-
Association dues	3,200	3,200	2,912	288
Downtown	-	12,000	11,394	606
Travel	10,000	10,800	10,769	31
Schools	6,000	6,000	5,763	237
ETS fees/bank service charges	100	100	36	64
Software contract	10,000	10,000	7,310	2,690
	<u>139,300</u>	<u>152,600</u>	<u>131,862</u>	<u>20,738</u>
<u>TOTAL contractual</u>				
<u>MAINTENANCE:</u>				
Building and grounds	3,000	14,000	13,775	225
Janitorial	19,000	19,000	16,175	2,825
Furniture and fixtures	500	500	140	360
Machinery and equipment	4,000	4,000	3,522	478
	<u>26,500</u>	<u>37,500</u>	<u>33,612</u>	<u>3,888</u>
<u>TOTAL maintenance</u>				
<u>SUNDRY:</u>				
Elections	5,000	5,000	-	5,000
Legal	40,000	40,000	26,946	13,054
Professional	55,000	72,800	70,086	2,714
State garbage tax	59,000	64,000	63,306	694
	<u>159,000</u>	<u>181,800</u>	<u>160,338</u>	<u>21,462</u>
<u>TOTAL sundry</u>				
<u>CAPITAL EXPENDITURES:</u>				
Technical equipment	-	-	15,885	(15,885)
Building and grounds	-	-	85,428	(85,428)
Signs and displays	35,000	35,000	32,528	2,472
	<u>35,000</u>	<u>35,000</u>	<u>133,841</u>	<u>(98,841)</u>
<u>TOTAL capital expenditures</u>				
TOTAL GENERAL GOVERNMENT/ADMINISTRATION	<u>614,745</u>	<u>661,945</u>	<u>711,946</u>	<u>(50,001)</u>

CITY OF LINDALE
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
<u>GENERAL GOVERNMENT/CODE ENFORCEMENT</u>				
<u>PERSONNEL SERVICES:</u>				
Supervision	\$ 58,650	\$ 58,650	\$ 27,169	\$ 31,481
Salaries-full-time	71,100	71,100	57,272	13,828
Overtime	-	-	154	(154)
Vacation	-	-	5,164	(5,164)
Sick leave	-	-	1,878	(1,878)
Holiday	-	-	4,292	(4,292)
Comp time	-	-	4,404	(4,404)
Retirement	20,000	20,000	15,185	4,815
Social Security/Medicare	10,000	10,000	7,675	2,325
Health insurance	16,420	16,420	11,407	5,013
Dental	1,030	1,030	784	246
Life insurance	570	570	304	266
Vision	350	350	234	116
Long term disability	430	430	209	221
Workers comp	2,500	2,500	1,582	918
Total personnel services	<u>181,050</u>	<u>181,050</u>	<u>137,713</u>	<u>43,337</u>
<u>SUPPLIES:</u>				
Office supplies	3,000	3,000	2,015	985
Postage	600	600	559	41
Wearing apparel	600	900	840	60
Fuel/Gas and diesel	4,000	4,000	1,993	2,007
Technical supplies	2,500	2,500	374	2,126
Computer supplies	3,000	3,000	2,183	817
Total supplies	<u>13,700</u>	<u>14,000</u>	<u>7,964</u>	<u>6,036</u>
<u>CONTRACTUAL:</u>				
Communications-telephone	3,000	4,600	4,554	46
Communications	1,200	1,200	120	1,080
Insurance and bonds	600	600	574	26
Publications and advertising	1,200	1,200	36	1,164
Association dues	1,500	1,500	352	1,148
Travel	2,000	2,000	409	1,591
Schools	4,000	4,000	2,377	1,623
ETS fees/bank service charges	1,200	1,200	546	654
Software contract	5,000	5,000	2,554	2,446
Humane society	3,000	3,000	1,723	1,277
Total contractual	<u>22,700</u>	<u>24,300</u>	<u>13,245</u>	<u>11,055</u>
<u>MAINTENANCE:</u>				
Machinery and equipment	5,500	5,500	3,152	2,348
Motor vehicle and maintenance	1,500	1,500	55	1,445
Total maintenance	<u>7,000</u>	<u>7,000</u>	<u>3,207</u>	<u>3,793</u>
<u>SUNDRY:</u>				
Professional	20,000	20,000	9,399	10,601
Legal	5,000	5,000	4,540	460
Total sundry	<u>25,000</u>	<u>25,000</u>	<u>13,939</u>	<u>11,061</u>
<u>CAPITAL EXPENDITURES:</u>				
Motor vehicle	20,000	20,000	20,459	(459)
Total capital expenditures	<u>20,000</u>	<u>20,000</u>	<u>20,459</u>	<u>(459)</u>
TOTAL GENERAL GOVERNMENT/ CODE ENFORCEMENT	<u>269,450</u>	<u>271,350</u>	<u>196,527</u>	<u>74,823</u>

CITY OF LINDALE
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
<u>GENERAL GOVERNMENT/LEDC</u>				
PERSONNEL SERVICES:				
Supervision	\$ 67,000	\$ 67,000	\$ 62,471	\$ 4,529
Vacation	-	-	1,030	(1,030)
Sick leave	-	-	916	(916)
Holiday	-	-	3,104	(3,104)
Auto allowance	9,200	9,200	9,150	50
Retirement	11,800	11,800	11,604	196
Social Security/Medicare	6,000	6,000	5,865	135
Health insurance	5,800	5,800	5,453	347
Dental	345	345	362	(17)
Life insurance	300	300	254	46
Vision	110	110	108	2
Long term disability	175	175	195	(20)
Workers comp	105	105	82	23
Total personnel services	100,835	100,835	100,594	241
TOTAL GENERAL GOVERNMENT/LEDC	100,835	100,835	100,594	241
<u>COURT</u>				
PERSONNEL SERVICES:				
Supervision	9,000	9,000	9,000	-
Salaries-Full-time	64,900	64,900	53,110	11,790
Overtime	-	-	40	(40)
Vacation	-	-	3,861	(3,861)
Sick Leave	-	-	2,463	(2,463)
Holiday	-	-	2,941	(2,941)
Comp Time	-	-	280	(280)
Retirement	10,000	10,000	9,490	510
Social Security/Medicare	4,950	4,950	4,796	154
Health insurance	11,000	11,000	5,453	5,547
Dental	685	685	362	323
Life insurance	440	440	246	194
Vision	220	220	108	112
Long term disability	360	360	183	177
Workers comp	200	200	163	37
Total personnel services	101,755	101,755	92,496	9,259
SUPPLIES:				
Office supplies	1,200	1,500	1,491	9
Postage	1,000	1,300	1,236	64
Total supplies	2,200	2,800	2,727	73
CONTRACTUAL:				
Communications	1,800	1,800	1,502	298
Software	2,500	3,000	2,561	439
Insurance and bonds	100	100	100	-
Publications and advertising	100	600	584	16
ETS fees/bank service charges	5,300	6,300	5,442	858
Association dues	300	300	150	150
Travel	2,400	2,400	1,100	1,300
Schools	1,000	1,000	350	650
Total contractual	13,500	15,500	11,789	3,711
SUNDRY:				
Court expense	400	400	352	48
Legal	18,000	18,000	8,300	9,700
Professional	10,000	10,000	8,552	1,448
Transfer to State-fines	200,000	226,000	225,666	334
Total sundry	228,400	254,400	242,870	11,530
TOTAL COURT	345,855	374,455	349,882	24,573

CITY OF LINDALE
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
POLICE				
PERSONNEL SERVICES				
Supervision	\$ 63,700	\$ 63,700	\$ 52,877	\$ 10,823
Salaries-full-time	790,000	790,000	657,357	132,643
Salaries-part-time	8,000	8,000	7,463	537
Overtime	30,000	30,000	31,121	(1,121)
Vacation	-	-	47,928	(47,928)
Sick leave	-	-	16,955	(16,955)
Holiday	-	-	36,336	(36,336)
Comp time	-	-	8,864	(8,864)
Retirement	135,000	135,000	128,870	6,130
Social Security/Medicare	68,000	68,000	65,706	2,294
Health insurance	119,900	119,900	107,627	12,273
Dental	7,200	7,200	7,379	(179)
Life insurance	5,000	5,000	3,796	1,204
Vision	2,500	2,500	2,151	349
Long term disability	4,000	4,000	2,235	1,765
Workers comp	23,000	23,000	14,074	8,926
Total personnel services	<u>1,256,300</u>	<u>1,256,300</u>	<u>1,190,739</u>	<u>65,561</u>
SUPPLIES:				
Office supplies	5,000	5,200	5,102	98
Postage	1,000	1,000	859	141
Wearing apparel	5,500	5,500	4,870	630
Fuel/gas and diesel	50,000	52,500	52,403	97
Technical supplies	4,000	4,000	3,789	211
Miscellaneous supplies	3,000	3,600	9,578	(5,978)
Total supplies	<u>68,500</u>	<u>71,800</u>	<u>76,601</u>	<u>(4,801)</u>
CONTRACTUAL:				
Communications-telephone	3,500	3,500	14,808	(11,308)
Communications	18,000	18,000	1,900	16,100
Insurance and bonds	15,000	15,000	13,796	1,204
Publications and advertising	1,500	1,500	357	1,143
Association dues	1,000	1,000	421	579
Travel	4,000	4,700	4,648	52
Schools	4,000	4,000	3,066	934
Contracts - miscellaneous	37,000	37,000	19,707	17,293
Total contractual	<u>84,000</u>	<u>84,700</u>	<u>58,703</u>	<u>25,997</u>
MAINTENANCE:				
Machinery and equipment	11,000	11,000	10,584	416
Motor vehicle and maintenance	25,000	27,300	27,210	90
Miscellaneous maintenance	4,000	4,000	3,387	613
Building and grounds	2,000	2,000	296	1,704
Total maintenance	<u>42,000</u>	<u>44,300</u>	<u>41,477</u>	<u>2,823</u>
SUNDRY:				
Legal	5,000	5,000	4,899	101
Professional	4,000	4,000	3,457	543
Unemployment	-	2,100	2,088	12
Total sundry	<u>9,000</u>	<u>11,100</u>	<u>10,444</u>	<u>656</u>
CAPITAL EXPENDITURES:				
Motor vehicle	62,000	62,000	64,902	(2,902)
Technical equipment	40,000	40,000	19,939	20,061
Total capital expenditures	<u>102,000</u>	<u>102,000</u>	<u>84,841</u>	<u>17,159</u>
TOTAL POLICE	<u>1,561,800</u>	<u>1,570,200</u>	<u>1,462,805</u>	<u>107,395</u>

CITY OF LINDALE
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
FIRE				
PERSONNEL SERVICES:				
Retirement	\$ 9,000	\$ 10,800	\$ 10,800	\$ -
Total personnel services	9,000	10,800	10,800	-
TOTAL FIRE	9,000	10,800	10,800	-
PUBLIC WORKS				
PERSONNEL SERVICES:				
Salaries-part-time	15,000	15,000	107,773	(92,773)
Salaries-full-time	128,800	128,800	15,915	112,885
Overtime	6,000	6,000	3,600	2,400
Vacation	-	-	3,414	(3,414)
Sick leave	-	-	2,898	(2,898)
Holiday	-	-	5,416	(5,416)
Comp time	-	-	608	(608)
Retirement	21,000	21,000	18,724	2,276
Social Security/Medicare	11,500	11,500	10,681	819
Health insurance	21,900	21,900	18,712	3,188
Dental	1,400	1,400	1,268	132
Life insurance	1,000	1,000	426	574
Vision	450	450	379	71
Long term disability	920	920	309	611
Workers comp	2,500	2,500	1,139	1,361
Total personnel services	210,470	210,470	191,262	19,208
SUPPLIES:				
Office supplies	400	400	257	143
Postage	30	30	16	14
Wearing apparel	1,000	1,000	0	1,000
Fuel/gas and diesel	15,000	15,000	13,796	1,204
Technical supplies	1,500	1,500	1,400	100
Cleaning supplies	400	400	84	316
Building supplies	600	600	455	145
Tractor supplies	3,800	4,300	4,259	41
Miscellaneous supplies	500	500	189	311
Total supplies	23,230	23,730	20,456	3,274
CONTRACTUAL:				
Communications-telephone	2,500	4,000	3,773	227
Insurance and bonds	1,800	1,800	926	874
Utilities	130,000	130,600	130,522	78
Association dues	200	200	-	200
Equipment rental	1,000	1,000	731	269
Schools	600	600	-	600
Solid waste contract	600,000	630,200	630,102	98
Janitorial service	7,150	7,150	5,938	1,212
Total contractual	743,250	775,550	771,992	3,558
MAINTENANCE:				
Building and grounds	28,000	28,000	26,680	1,320
Machinery and equipment	25,000	27,200	27,196	4
Motor vehicle and maintenance	6,000	6,000	4,046	1,954
Miscellaneous maintenance	8,000	8,000	539	7,461
Streets and alleys	20,000	20,000	16,776	3,224
Culverts	2,000	2,000	-	2,000
Signals and markers	12,000	12,000	9,618	2,382
Total maintenance	101,000	103,200	84,855	18,345

CITY OF LINDALE
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
SUNDRY:				
Legal	\$ 200	\$ 200	\$ -	\$ 200
Professional	5,000	8,100	8,072	28
Total sundry	5,200	8,300	8,072	228
CAPITAL EXPENDITURES:				
Streets	100,000	100,000	85,534	14,466
Building and grounds	-	-	39,025	(39,025)
Machinery and equipment	-	-	23,495	(23,495)
Motor vehicle	110,000	110,000	19,065	90,935
Total Capital expenditures	210,000	210,000	167,119	42,881
TOTAL PUBLIC WORKS	1,293,150	1,331,250	1,243,756	87,494
CEMETERY ADMINISTRATION				
SUPPLIES:				
Postage	500	500	401	99
Miscellaneous supplies	500	500	135	365
Total supplies	1,000	1,000	536	464
CONTRACTUAL:				
Utilities	500	500	300	200
Software contract	500	500	479	21
Total contractual	1,000	1,000	779	221
MAINTENANCE:				
Cemetery and grounds	30,000	33,200	33,133	67
Total maintenance	30,000	33,200	33,133	67
SUNDRY:				
Legal and professional	400	400	-	400
Total sundry	400	400	-	400
TOTAL CEMETERY ADMINISTRATION	32,400	35,600	34,448	1,152
PARROTT PARK MUSEUM ADMINISTRATION				
PERSONNEL SERVICES:				
Salaries	55,000	55,000	37,108	17,892
Social Security/Medicare	4,500	4,500	2,839	1,661
Total personnel services	59,500	59,500	39,947	19,553
SUPPLIES:				
Office supplies	2,000	2,000	909	1,091
Miscellaneous	1,500	1,700	1,635	65
Total supplies	3,500	3,700	2,544	1,156
CONTRACTUAL:				
Communications	1,500	1,600	1,554	46
Utilities	17,000	17,000	10,868	6,132
Total contractual	18,500	18,600	12,422	6,132
MAINTENANCE:				
Building and grounds maintenance	13,000	13,000	9,357	3,643
Total maintenance	13,000	13,000	9,357	3,643
SUNDRY:				
Professional	300	300	220	80
Gift shop resale items	1,000	1,000	720	280
State comp (sales tax)	100	100	98	2
Total sundry	1,400	1,400	1,038	362

CITY OF LINDALE
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)</u>
CAPITAL EXPENDITURES:				
Building and grounds	\$ 17,000	\$ 17,000	\$ 7,171	\$ 9,829
Total capital expenditures	<u>17,000</u>	<u>17,000</u>	<u>7,171</u>	<u>9,829</u>
TOTAL PARROTT PARK MUSEUM ADMINISTRATION	<u>112,900</u>	<u>113,200</u>	<u>72,479</u>	<u>34,543</u>
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 4,340,135</u>	<u>\$ 4,469,635</u>	4,183,237	<u>\$ 280,220</u>
Financial Statement Adjustments:				
Increase in accrued expenses			31,157	
Increase in bad debt reserve			640	
Increase in accounts payable			99,916	
State's portion of fines revenue reported as a reduction to the related expenditures			(232,121)	
LEDC reimbursement reported as a reduction to the related expenditures			<u>(100,593)</u>	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ 3,982,236</u>	

**CITY OF LINDALE
 DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
 (NON-GAAP BUDGET BASIS)
 WATER & SEWER FUND
 FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)</u>
REVENUES				
Charges for services:				
Water sales	\$ 1,300,000	\$ 1,300,000	\$ 1,376,245	\$ 76,245
Sewer charges	700,000	700,000	791,056	91,056
EMS	-	-	2	2
Tap and connect fees	25,000	25,000	51,106	26,106
Miscellaneous	5,000	5,000	14,603	9,603
Rents	15,000	15,000	13,446	(1,554)
Interest	1,500	1,500	19,472	17,972
TOTAL REVENUES - BUDGET BASIS	<u>\$ 2,046,500</u>	<u>\$ 2,046,500</u>	2,265,930	<u>\$ 219,430</u>
Financial Statement Adjustments:				
Change in accounts receivable, net			<u>53,046</u>	
TOTAL REVENUES - GAAP BASIS			<u>\$ 2,318,976</u>	

CITY OF LINDALE
DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
WATER & SEWER FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
WATER & SEWER OPERATIONS				
PERSONNEL SERVICES:				
Supervision	\$ 107,200	\$ 107,200	\$ 57,486	\$ 49,714
Salaries Full-time	311,100	311,100	289,626	21,474
Salaries Part-time	18,000	18,000	-	18,000
Overtime	-	-	23,073	(23,073)
Vacation	-	-	21,434	(21,434)
Sick Leave	-	-	15,515	(15,515)
Holiday	-	-	18,181	(18,181)
Comp Time	-	-	3,650	(3,650)
Retirement	68,100	68,100	64,908	3,192
Social Security/Medicare	34,000	34,000	32,806	1,194
Health Insurance	66,000	66,000	63,805	2,195
Dental	4,500	4,500	4,262	238
Life Insurance	4,000	4,000	2,916	1,084
Vision	1,800	1,800	1,273	527
Long Term Disability	3,300	3,300	1,201	2,099
Workers Comp	20,000	20,000	10,497	9,503
Total Personnel Services	638,000	638,000	610,633	27,367
SUPPLIES:				
Office supplies	3,500	3,600	3,535	65
Postage	28,000	28,000	24,230	3,770
Wearing apparel	1,600	1,600	818	782
Fuel, gas & diesel	18,000	23,000	22,807	193
Technical supplies	13,000	14,100	14,080	20
Cleaning supplies	100	150	149	1
Building supplies	500	500	276	224
Food supplies	200	200	89	111
Chemicals & lab test	50,000	50,000	27,295	22,705
Tractor supplies	2,500	2,500	2,463	37
Miscellaneous supplies	500	500	332	168
Total Supplies and Materials	117,900	124,150	96,074	28,076
CONTRACTUAL:				
Communications - Telephone	35,000	48,000	47,810	190
Insurance & Bonds - Casualty	7,000	7,000	6,570	430
Publications & advertising	500	605	601	4
Utilities	355,000	355,000	322,222	32,778
Association dues	900	900	824	76
Equipment rental	1,500	1,500	-	1,500
Travel	800	800	136	664
Schools	5,000	5,000	4,017	983
Software contract	12,100	12,100	11,022	1,078
ETS/Bank charges	12,550	13,750	13,745	5
Total Contractual	430,350	444,655	406,947	37,708
MAINTENANCE:				
Buildings & grounds	3,500	3,500	2,627	873
Janitorial	2,400	2,400	2,400	-
Furniture & fixtures	400	400	179	221
Machinery & equipment	18,000	26,700	26,619	81
Motor vehicles & maintenance	4,500	4,500	3,995	505
Miscellaneous	500	500	53	447
Total Maintenance	29,300	38,000	35,873	2,127

CITY OF LINDALE
DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
WATER & SEWER FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
MAINTENANCE - BUILDING & STRUCTURE:				
Sanitary sewers	\$ 30,000	\$ 30,000	\$ 14,679	\$ 15,321
Water mains	30,000	31,000	30,884	116
Plants, towers & wells	160,000	160,000	138,025	21,975
Total Maintenance - building & structure	<u>220,000</u>	<u>221,000</u>	<u>183,588</u>	<u>37,412</u>
SUNDRY:				
Legal & professional	50,000	50,000	39,151	10,849
Miscellaneous	100	100	85	15
Inspection fees	15,000	15,000	14,458	542
Total Sundry	<u>65,100</u>	<u>65,100</u>	<u>53,694</u>	<u>11,406</u>
CAPITAL - BUILDING & STRUCTURE:				
Building & Grounds	1,800	1,900	1,868	32
Service lines (sewer)	3,500	3,500	-	3,500
Plants, towers & wells	15,000	15,000	8,895	6,105
Mains	40,000	43,600	43,548	52
Wells & pumps	10,000	10,000	610	9,390
Meters & meter boxes	35,000	65,000	60,086	4,914
Service lines (water)	35,000	36,200	36,139	61
Service man holes	6,000	6,800	6,708	92
Hydrants & valves	18,000	25,000	24,916	84
EMS Building	12,800	12,800	12,182	618
Total Capital - building & structure	<u>177,100</u>	<u>219,800</u>	<u>194,952</u>	<u>24,848</u>
CAPITAL EQUIPMENT:				
Machinery & equipment	98,000	98,000	129,275	(31,275)
Sewer Lines	-	-	180,713	(180,713)
Plants-Towers-Wells	1,750,000	1,750,000	276,663	1,473,337
Total Capital Equipment	<u>1,848,000</u>	<u>1,848,000</u>	<u>586,651</u>	<u>1,261,349</u>
TRANSFERS:				
Transfer to General Fund	118,750	118,750	-	118,750
Transfer to Debt Service Fund	250,000	250,000	375,000	(125,000)
Total transfers	<u>368,750</u>	<u>368,750</u>	<u>375,000</u>	<u>(6,250)</u>
TOTAL EXPENSES AND TRANSFERS - BUDGET BASIS	<u><u>\$ 3,894,500</u></u>	<u><u>\$ 3,967,455</u></u>	<u>2,543,412</u>	<u><u>\$ 1,424,043</u></u>
Financial Statement Adjustments:				
Depreciation			565,437	
Bad debt reserve adjustment			2,935	
Increase in compensated absences			33,569	
Capital outlay items not expensed			(637,954)	
Principal payments not expensed			(11,468)	
Increase in accounts payable and accrued expenses			<u>114,229</u>	
TOTAL EXPENSES AND TRANSFERS - GAAP BASIS			<u><u>\$ 2,610,160</u></u>	

SCHEDULE 13

CITY OF LINDALE
 SCHEDULE OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS - BY SOURCE
 FISCAL YEAR ENDED SEPTEMBER 30, 2013

	TOTAL	LAND	BUILDINGS	INFRASTRUCTURE	MACHINERY & EQUIPMENT	CONSTRUCTION IN PROGRESS
Governmental assets - October 1, 2012, as restated	\$ 14,662,460	\$ 3,564,698	\$ 4,071,729	\$ 5,625,097	\$ 1,400,936	\$ -
ADDITIONS FROM GOVERNMENTAL FUNDS:						
<u>GENERAL FUND</u>						
Buildings & improvements	275,276	-	10,432	-	-	264,844
Machinery & equipment	174,465	-	-	-	174,465	-
Governmental assets - September 30, 2013	\$ 15,112,201	\$ 3,564,698	\$ 4,082,161	\$ 5,625,097	\$ 1,575,401	\$ 264,844

CITY OF LINDALE
SCHEDULE OF CHANGES IN GOVERNMENTAL LONG-TERM DEBT
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BONDS							COMPENSATED ABSENCES
	2004 SERIES	2004 REF SERIES	2005 REF SERIES	2006 SERIES	2009 SERIES	2012 SERIES		
Governmental fund debt, October 1, 2012, as restated	\$ 14,076,075	\$ 2,435,000	\$ 2,835,000	\$ 3,331,712	\$ 2,566,952	\$ 2,783,568	\$ -	\$ 123,843
ADDITIONS								
Bond Principal:								
2012 Refunding General Obligation	2,405,000	-	-	-	-	-	2,405,000	-
Compensated absences	194,926	-	-	-	-	-	-	194,926
Total Additions	2,599,926	-	-	-	-	-	2,405,000	194,926
RETIREMENTS								
Bond principal:								
2004 Certificates of Obligation	2,250,000	-	-	-	-	-	-	-
2004 Refunding General Obligation	305,000	305,000	-	-	-	-	-	-
2005 Refunding	115,000	-	115,000	-	-	-	-	-
2006 Certificates of Obligation	140,000	-	-	140,000	-	-	-	-
2009 Certificates of Obligation	135,000	-	-	-	-	135,000	-	-
2012 Refunding General Obligation	55,000	-	-	-	-	-	55,000	-
Total Bond Retirements	3,000,000	305,000	115,000	140,000	135,000	55,000	-	-
Other Retirements:								
Amortization of bond premium	14,465	-	2,966	8,716	2,783	-	-	-
Compensated absences	122,762	-	-	-	-	-	-	122,762
Total Other Retirements	137,227	-	2,966	8,716	2,783	-	-	122,762
GOVERNMENTAL FUND DEBT,								
SEPTEMBER 30, 2013	\$ 13,538,774	\$ 185,000	\$ 2,530,000	\$ 3,213,746	\$ 2,418,236	\$ 2,645,785	\$ 2,350,000	\$ 196,007

SCHEDULE 15

LINDALE ECONOMIC DEVELOPMENT CORPORATION
 STATEMENT OF NET POSITION
 (NONGOVERNMENTAL PRESENTATION)
 SEPTEMBER 30, 2013

Assets

Current assets		
Cash and cash equivalents	\$	706,334
Investments		1,430,000
Sales tax receivable		113,695
Total current assets		<u>2,250,029</u>
Property and equipment (net of accumulated depreciation)		1,711,722
Other assets		
Organizational cost		555
Prepaid rent		232,063
Land held for resale		3,659,769
Total other assets		<u>3,892,387</u>
Total assets	\$	<u><u>7,854,138</u></u>

Liabilities and Net Position

Current liabilities		
Accrued interest payable	\$	9,558
Compensated absences		3,953
Current portion of notes payable		173,440
Total current liabilities		<u>186,951</u>
Long-term liabilities		
Compensated absences		7,907
Notes payable-net of current portion		2,938,533
Total long-term liabilities		<u>2,946,440</u>
Total liabilities		<u>3,133,391</u>
Net position		
Unrestricted		<u>4,720,747</u>
Total liabilities and net position	\$	<u><u>7,854,138</u></u>

**LINDALE ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
(NONGOVERNMENTAL PRESENTATION)
SEPTEMBER 30, 2013**

	Unrestricted
Revenues, Gains, and Other Support	
Sales tax	\$ 715,210
Interest income	10,791
Rent income	10
Gain on Sale of Assets	265,263
Other income	8,534
Total Revenues, Gains, and Other Support	999,808
Expenses and Losses	
Salaries, benefits and payroll taxes	112,453
Professional services	23,821
Office rent	35,250
Office supplies	900
Postage/Express Mail	176
Communications	3,201
Conferences and meetings	2,939
Dues and subscriptions	525
Travel	3,137
Memberships	3,040
Interest and bank charges	127,971
Maintenance of properties	1,242
Marketing materials	4,192
Surety Bond	3,000
ICSC	1,974
ETX I-20 Corridor	1,500
Board Expenditures	275
Website	4,782
Advertising materials	4,012
Trade show	72
Depreciation	46,530
Total Expenses and Losses	380,992
Change in Net Position	618,816
Net Position at Beginning of Year	4,101,931
Net Position at End of Year	\$ 4,720,747

HENRY & PETERS, PC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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 Honorable Mayor and City Council
City of Lindale, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Lindale, Texas as of and for the year ended September 30, 2013, which collectively comprise City of Lindale, Texas' basic financial statements and have issued our report thereon dated March 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Lindale, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Lindale, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lindale, Texas' internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henry + Peters, P.C.

Tyler, Texas
March 24, 2014

