

CITY OF LINDALE, TEXAS

**BASIC FINANCIAL STATEMENTS and
REQUIRED SUPPLEMENTAL and
OTHER INFORMATION**

FISCAL YEAR ENDED SEPTEMBER 30, 2011

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CITY OF LINDALE, TEXAS

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INDEPENDENT AUDITORS' REPORT

City Council
City of Lindale, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lindale, Texas as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lindale, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lindale, Texas as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2012 on our consideration of the City of Lindale, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lindale, Texas' basic financial statements. The accompanying financial information listed as additional supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

Tyler, Texas

January 10, 2012

City Of Lindale
Management's Discussion and Analysis
For the Year Ended September 30, 2011

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, 2011.

Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by \$21,086,360 (net assets). These net assets are made up of \$13,389,863 in capital assets net of related debt, \$324,671 set aside for capital improvements, \$1,240,491 restricted to meet the City's ongoing debt obligations to creditors, \$208,921 restricted for parks, \$1,753,448 restricted for economic development and \$1,005,157 set aside for tourism, \$84,425 restricted for other purposes and \$3,079,384 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 \$6,269,544. Of the balance, \$1,504,007 is undesignated and available by the City's designation and policies.
- At the end of the current fiscal year, undesignated fund balance in the general fund was \$1,504,007 that represents 42.25% of the total 2011 general fund expenditures.
- The City's total non-current liabilities decreased to \$18,282,584. That is a \$911,361 decrease over the prior year 2010 balance of \$19,193,945. The decrease from 2011 to 2010 is due to no new loans being taken out in 2011 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 eighth year that the City is reporting using the new reporting model.

The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Lindale that are principally supported by taxes and other governmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, 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 four major governmental funds – general, economic development, 2009 capital projects bond fund and debt service. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for these funds, which are considered to be major funds. Data from the other governmental funds is presented as a single aggregated presentation as these funds are considered nonmajor governmental funds.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplemental information concerning the City's budget and actual expenditures. In addition to the supplemental budget information, non-major fund information is presented for the governmental funds and business type activities.

Government-wide Financial Analysis

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

As noted earlier, net assets, over time, may serve as a useful indicator of the City's financial position. At the end of the fiscal year September 30, 2011, the City's assets exceeded liabilities by \$21,086,360. This amount is greater than the 2010 balance of \$18,931,879. By far the largest portion of the City's net assets is the \$13,389,863 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 2011 investment in capital assets is greater than the prior years due to improvements and extensions to the water and sewer system together with other infrastructure projects. The 2011 investment

in capital assets amount of \$13,389,863 was greater than the 2010 total of \$11,785,393. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 7,280,140	\$ 7,506,870	\$ 1,829,305	\$ 1,284,367	\$ 9,109,445	\$ 8,791,237
Capital assets	17,239,149	15,862,576	13,924,016	13,957,153	31,163,165	29,819,729
Total assets	24,519,289	23,369,446	15,753,321	15,241,520	40,272,610	38,610,966
Current liabilities	682,306	248,979	221,360	236,163	903,666	485,142
Noncurrent liabilities	18,213,070	19,103,814	69,514	90,131	18,282,584	19,193,945
Total liabilities	18,895,376	19,352,793	290,874	326,294	19,186,250	19,679,087
Net invested in capital	(500,644)	(2,171,760)	13,890,507	13,900,664	13,389,863	11,728,904
Restricted	4,617,113	2,216,627	-	-	4,617,113	2,216,627
Unrestricted	1,507,444	3,971,786	1,571,940	1,014,562	3,079,384	4,986,348
Total net assets	\$ 5,623,913	\$ 4,016,653	\$15,462,447	\$14,915,226	\$ 21,086,360	\$ 18,931,879

Governmental activities. Consistent with the preceding governmental net assets, this is the eighth year to report governmental activities under the new reporting standard GASB No. 34. Increased franchise taxes, sales and use taxes, and decreased collection of current and delinquent property taxes, transfers, interest and rent and sales of lots resulted in the governmental activities adding \$1,607,260 to the governmental activities net assets in fiscal year 2011.

City of Lindale's Change in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Charges for services	\$1,226,097	\$1,297,650	\$2,306,886	\$2,185,120	\$3,532,983	\$3,482,770
Operating Grants and contribution	23,216	9,135	-	-	23,216	9,135
Capital grants and contribution	768,287	84,350	-	25,135	768,287	109,485
General revenue						
Property taxes	2,056,190	2,063,430	-	-	2,056,190	2,063,430
Franchise taxes	280,843	267,045	-	-	280,843	267,045
Sales and use taxes	2,283,353	2,202,753	-	-	2,283,353	2,202,753
Interest and rent	187,852	266,754	17,164	18,353	205,016	285,107
Sales of lots	22,200	26,650	-	-	22,200	26,650
Other	-	-	-	-	-	-
Transfers	(157,443)	54,418	157,443	(54,418)	-	-
Total revenue	6,690,595	6,272,185	2,481,493	2,174,190	9,172,088	8,446,375
Expenses						
General government	877,073	932,632	-	-	877,073	932,632
Public Safety	1,730,283	1,697,924	-	-	1,730,283	1,697,924
Public Works	1,164,710	1,050,945	-	-	1,164,710	1,050,945
Interest	823,672	904,059	-	-	823,672	904,059
Parks and recreation	-	-	-	-	-	-
Economic development	246,730	554,389	-	-	246,730	554,389
Water and sewer	-	-	1,929,240	2,009,901	1,929,240	2,009,901
Emergency medical services	-	-	5,032	36,613	5,032	36,613
Construction and other	-	-	-	-	-	-
Other	240,867	238,432	-	-	240,867	238,432
Total expenses	5,083,335	5,378,381	1,934,272	2,046,514	7,017,607	7,424,895
Change in net assets	\$1,607,260	\$893,804	\$547,221	\$127,676	\$2,154,481	\$1,021,480

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 2011 year ending fund balance of \$6,269,544 had five major components. These include the economic development fund balance of \$1,753,448, \$324,671 in 2009 capital projects fund, \$1,506,964 in the general fund, \$1,210,491 in debt service fund and \$1,473,970 in other governmental funds. The unrestricted portion of the General Fund represented 42.25% percent of the 2011 expenses that is more than the 35.93% expenses coverage in fiscal year 2010.

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

The 2011 unrestricted net assets of the proprietary fund amounted to \$1,571,940 as compared to the 2010 \$958,073 which is all held by the water and sewer fund.

A \$157,443 net transfer to the Water Fund resulted in a 2011 change to the Proprietary Fund net assets of \$547,221.

General Fund and Water Fund Budgetary Highlights

In the current fiscal year, appropriations exceeded expenditures in each department of the General Fund and also in the Water Fund. The General and Water Fund Budgets were amended on June 7, 2011 and September 30, 2011 due to an increase in cost of materials. The Water Fund Revenues increased significantly 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, 2011 is \$13,389,863 that is comparable to the 2010 total of \$11,785,393. Net capital assets without the related debt reflect the capital asset value of \$31,163,164 changed from the 2010 value of \$29,819,729.

**Capital Assets at Year-End
Less Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$7,633,883	\$7,372,899	\$172,926	\$172,926	\$7,806,809	\$7,545,825
Construction in progress	1,473,483	14,483	-	-	1,473,483	14,483
Building and Improvements	4,032,888	4,039,651	261,194	261,194	4,294,082	4,300,845
Infrastructure	5,501,230	5,501,230	-	-	5,501,230	5,501,230
Machinery and Equipment	1,279,833	1,216,730	618,177	618,177	1,898,010	1,834,907
Water and sewer system	-	-	19,691,897	19,205,215	19,691,897	19,205,215
Total	19,921,317	18,144,993	20,744,194	20,257,512	40,665,511	38,402,505
Less Accumulated Depreciation	(2,682,168)	(2,282,417)	(6,820,179)	(6,300,359)	(9,502,347)	(8,582,776)
Combined Total	\$17,239,149	\$15,862,576	\$13,924,015	\$13,957,153	\$31,163,164	\$29,819,729

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 2011, the City governmental activities had outstanding debt obligations of \$14,575,000 plus \$147,440 of unamortized bond premium and deferred defeasance credit of \$108,498 that totals \$14,613,942. The business-type activities had outstanding notes payable totaling \$23,767.

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

Outstanding Debt at Year-End

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Certificates of obligation	\$11,160,000	\$11,775,000	-	-	\$11,160,000	\$11,775,000
General obligations	3,415,000	3,520,000	-	-	3,415,000	3,520,000
Deferred defeasance	(108,498)	(120,003)	-	-	(108,498)	(120,003)
Capital Lease	20,702	43,966	9,742	20,690	30,444	64,656
Unamortized bond premium	147,440	163,264	-	-	147,440	163,264
Notes payable	3,429,910	3,573,072	23,767	35,799	3,453,677	3,608,871
Compensated absences	148,516	148,515	36,005	33,642	184,521	182,157
Combined total	\$18,213,070	\$19,103,814	\$69,514	\$90,131	\$18,282,584	\$19,193,945

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 three 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 \$.493364 to \$.493300 which is a slight decrease from the previous year. That is the third lowest tax rate in 25 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 2011-2012 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. The City wants to proceed with optimism but caution when filling full time positions.

This year 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, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 5,688,868	\$ 1,456,020	\$ 7,144,888
Investments	450,000	-	450,000
Receivables (net of allowance for doubtful accounts)	778,492	189,343	967,835
Prepaid expenses	555	-	555
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	-	183,942	183,942
Bond issue costs (net)	362,225	-	362,225
Capital Assets (net of accumulated depreciation):			
Land	7,633,883	172,926	7,806,809
Buildings and improvements	3,271,772	195,418	3,467,190
Infrastructure	4,486,030	-	4,486,030
Machinery and equipment	373,981	58,527	432,508
Construction in progress	1,473,483	-	1,473,483
Water and sewer system	-	13,497,145	13,497,145
Total Assets	24,519,289	15,753,321	40,272,610
LIABILITIES			
Accounts payable and accrued expenses	605,236	37,418	642,654
Deposits and other refundable balances	-	183,942	183,942
Deferred revenue	-	-	-
Accrued interest	77,070	-	77,070
Non-current liabilities:			
Due within one year	949,278	28,242	977,520
Due in more than one year	17,263,792	41,272	17,305,064
Total Liabilities	18,895,376	290,874	19,186,250
NET ASSETS			
Investment in capital assets, net of related debt	(500,644)	13,890,507	13,389,863
Restricted for:			
Economic development	1,753,448	-	1,753,448
Tourism	1,005,157	-	1,005,157
Debt retirement	1,240,491	-	1,240,491
Parks			
Nonexpendable	208,921	-	208,921
Capital improvements	324,671	-	324,671
Other purposes	84,425	-	84,425
Unrestricted	1,507,444	1,571,940	3,079,384
Total Net Assets	\$ 5,623,913	\$ 15,462,447	\$ 21,086,360

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

CITY OF LINDALE, TEXAS
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2011

	PROGRAM REVENUES			CAPITAL GRANTS AND CONTRIBUTIONS			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS		GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES			
						GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
PRIMARY GOVERNMENT:									
Governmental activities:									
General government	\$ 877,073	\$ 105,026	\$ -	\$ 18,090	\$ (753,957)	\$ -	\$ -	\$ (753,957)	
Public safety	1,730,283	378,751	1,560	-	(1,349,972)	-	-	(1,349,972)	
Public works	1,164,710	742,320	-	13,700	(408,690)	-	-	(408,690)	
Economic development	246,730	-	-	736,497	489,767	-	-	489,767	
Interest	823,672	-	-	-	(823,672)	-	-	(823,672)	
Other	240,867	-	21,656	-	(219,211)	-	-	(219,211)	
Total governmental activities	5,083,335	1,226,097	23,216	768,287	(3,065,735)	-	-	(3,065,735)	
Business-type activities:									
Water and sewer	1,929,240	2,306,860	-	-	-	377,620	-	377,620	
Emergency Medical Services	5,032	26	-	-	-	(5,006)	-	(5,006)	
Total business-type activities	1,934,272	2,306,886	-	-	-	372,614	-	372,614	
Total primary government	\$ 7,017,607	\$ 3,532,983	\$ 23,216	\$ 768,287	\$ (3,065,735)	\$ 372,614	\$ -	\$ (2,693,121)	
General revenues:									
Current and delinquent property taxes					2,056,190	-	-	2,056,190	
Franchise taxes					280,843	-	-	280,843	
Sales tax					1,967,369	-	-	1,967,369	
Hotel/motel taxes					315,984	-	-	315,984	
Interest and rent					187,852	17,164	-	205,016	
Sale of lots					22,200	-	-	22,200	
Transfers					(157,443)	157,443	-	-	
Total general revenues and transfers					4,672,995	174,607	-	4,847,602	
Change in net assets					1,607,260	547,221	-	2,154,481	
Net assets - beginning of year					4,016,653	14,915,226	-	18,931,879	
Net assets - end of year					\$ 5,623,913	\$ 15,462,447	\$ -	\$ 21,086,360	

CITY OF LINDALE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	MAJOR FUNDS					ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	LINDALE ECONOMIC DEVELOPMENT	2009 CAPITAL PROJECTS BOND FUND	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS		
ASSETS							
Cash and cash equivalents	\$ 1,644,749	\$ 1,129,809	\$ 324,671	\$ 1,210,491	\$ 1,379,148	\$ -	\$ 5,688,868
Investments	-	450,000	-	-	-	-	450,000
Receivables (net of allowance for doubtful accounts):							
Taxes	14,864	106,656	-	28,271	95,741	-	245,532
Sanitation	50,853	-	-	-	-	-	50,853
Other	213,345	268,762	-	-	-	-	482,107
Prepaid expenses	-	303,118	-	-	-	(302,563)	555
Total Assets	\$ 1,923,811	\$ 2,258,345	\$ 324,671	\$ 1,238,762	\$ 1,474,889	\$ (302,563)	\$ 6,917,915
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 64,408	\$ 504,897	\$ -	\$ -	\$ 919	\$ -	\$ 570,224
Accrued expenses	35,012	-	-	-	-	-	35,012
Deferred revenue	317,427	-	-	28,271	-	302,563	43,135
Total Liabilities	416,847	504,897	-	28,271	919	302,563	648,371
Fund Balances:							
Nonspendable:							
Permanent fund principal	-	-	-	-	208,921	-	208,921
Restricted for:							
Economic development	-	1,753,448	-	-	-	-	1,753,448
Capital improvements	-	-	324,671	-	-	-	324,671
Debt service	-	-	-	1,210,491	-	-	1,210,491
Tourism	-	-	-	-	1,005,157	-	1,005,157
Court technology	-	-	-	-	27,134	-	27,134
Building security	-	-	-	-	16,586	-	16,586
Child safety	-	-	-	-	8,368	-	8,368
Law enforcement purposes	-	-	-	-	11,452	-	11,452
Boy Scout building upkeep	-	-	-	-	20,885	-	20,885
Assigned to:							
Downtown improvements	2,957	-	-	-	-	-	2,957
Cemetery	-	-	-	-	148,430	-	148,430
Parks and recreation	-	-	-	-	17,218	-	17,218
Kinzie house	-	-	-	-	3,523	-	3,523
Police education	-	-	-	-	6,296	-	6,296
Unassigned	1,504,007	-	-	-	-	-	1,504,007
Total Fund Balances	1,506,964	1,753,448	324,671	1,210,491	1,473,970		6,269,544
Total Liabilities and Fund Balances	\$ 1,923,811	\$ 2,258,345	\$ 324,671	\$ 1,238,762	\$ 1,474,889	\$ 302,563	\$ 6,917,915

CITY OF LINDALE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

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

	Total Governmental Funds
Total fund balances governmental funds (Exhibit 3 page 1)	\$ 6,269,544
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	17,239,149
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	43,135
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.	(77,070)
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.	<u>(17,850,845)</u>
Net Assets of governmental activities	<u>\$ 5,623,913</u>

CITY OF LINDALE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	MAJOR FUNDS					ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	LINDALE ECONOMIC DEVELOPMENT	2009 CAPITAL PROJECTS BOND FUND	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS		
REVENUES							
Current and delinquent property taxes	712,917	\$ -	\$ -	\$ 1,340,650	\$ -	\$ -	\$ 2,053,567
Franchise taxes	280,843	-	-	-	-	-	280,843
Sales tax	1,316,543	650,826	-	-	-	-	1,967,369
Building permits	65,634	-	-	-	-	-	65,634
Fines and forfeitures	358,753	-	-	-	-	-	358,753
Solid waste collections	742,320	-	-	-	-	-	742,320
Interest	33,582	37,291	-	20,921	17,594	-	109,388
Rents	48,000	14,640	-	-	-	-	62,640
Sale of lots	-	-	-	-	22,200	-	22,200
Donations	-	-	-	-	11,963	-	11,963
Hotel / Motel tax	-	-	-	-	315,984	-	315,984
LEDC Reimbursement	100,370	-	-	-	-	(100,370)	-
Grant revenue	-	736,497	-	-	31,790	-	768,287
Miscellaneous income	28,181	11,211	-	-	31,251	-	70,643
Total Revenues	3,687,143	1,450,465	-	1,361,571	430,782	(100,370)	6,829,591
EXPENDITURES							
General Government	844,829	-	-	-	-	-	844,829
Public safety	1,648,653	-	-	-	-	-	1,648,653
Public works	968,861	-	-	-	-	-	968,861
Economic development	97,158	249,942	-	-	-	100,370	246,730
Other	-	-	-	-	200,312	-	200,312
Debt service:							
Principal	-	143,162	-	720,000	-	-	863,162
Interest and fees	-	166,612	-	660,647	-	-	827,259
Capital outlay	-	1,462,976	143,492	-	91,586	-	1,698,054
Total Expenditures	3,559,501	2,022,692	143,492	1,380,647	291,898	100,370	7,297,860
Revenues Over (Under) Expenditures	127,642	(572,227)	(143,492)	(19,076)	138,884	-	(468,269)
OTHER FINANCING SOURCES (USES)							
Transfers in	155,272	-	-	150,000	112,441	(122,356)	295,357
Transfers out	-	-	(452,800)	-	(122,356)	122,356	(452,800)
Total Other Financing Sources (Uses)	155,272	-	(452,800)	150,000	(9,915)	-	(157,443)
Net Change in Fund Balances	282,914	(572,227)	(596,292)	130,924	128,969	-	(625,712)
Fund Balance, October 1, 2010	1,224,050	2,325,675	920,963	1,079,567	1,345,001	-	6,895,256
Fund Balance, September 30, 2011	<u>\$ 1,506,964</u>	<u>\$ 1,753,448</u>	<u>\$ 324,671</u>	<u>\$ 1,210,491</u>	<u>\$ 1,473,970</u>	<u>\$ -</u>	<u>\$ 6,269,544</u>

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

EXHIBIT 5

**CITY OF LINDALE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

Net change in fund balances - total governmental funds	\$ (625,712)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	1,376,573
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,622
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>853,777</u>
Change in net assets of governmental activities	<u><u>\$ 1,607,260</u></u>

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

CITY OF LINDALE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Current and delinquent property taxes	\$ 700,000	\$ 700,000	\$ 712,917	\$ 12,917
Franchise taxes	250,000	250,000	280,843	30,843
Sales tax	1,200,000	1,200,000	1,322,138	122,138
Building permits	30,000	60,000	65,634	5,634
Fines and forfeitures	400,000	400,000	358,753	(41,247)
Solid waste collections	767,000	767,000	762,041	(4,959)
Interest	5,000	25,000	33,582	8,582
Rents	47,250	47,250	48,000	750
LEDC Reimbursement	97,640	97,640	100,370	2,730
Miscellaneous income	10,000	10,000	28,181	18,181
Total Revenues	3,506,890	3,556,890	3,712,459	155,569
EXPENDITURES				
General Government	938,886	1,071,624	956,133	115,491
Public safety	1,696,116	1,762,824	1,680,909	81,915
Public works	1,043,245	1,058,111	971,592	86,519
Total Expenditures	3,678,247	3,892,559	3,608,634	283,925
Revenues Over (Under) Expenditures	(171,357)	(335,669)	103,825	439,494
OTHER FINANCING SOURCES (USES)				
Transfers in	171,357	171,357	155,272	(16,085)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	171,357	171,357	155,272	(16,085)
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	-	(164,312)	259,097	423,409
Budget Basis to GAAP Basis Adjustments (Note A)	-	-	23,817	23,817
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	-	(164,312)	282,914	447,226
Fund Balance, October 1, 2010	-	164,312	1,224,050	1,059,738
Fund Balance, September 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,506,964</u>	<u>\$ 1,506,964</u>

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

CITY OF LINDALE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

Basis Presentation:

Sources/Inflows of Resources:

Differences - Budget to GAAP

Decrease in accrued service revenues for services earned during the current year but billed in the following year	\$ (19,721)
Change in sales tax receivable	(5,595)

Uses/Outflows of Resources:

Differences - Budget to GAAP

Decrease in accrued expenses for services rendered or goods provided during the current year but paid for in the following year	54,483
Increase in bad debt reserve	(3,010)
Increase in accounts payable	(2,340)
	(2,340)

Net Change in Budget Basis Presentation and GAAP Basis Presentation	\$ <u>23,817</u>
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**CITY OF LINDALE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011**

	<u>BUSINESS-TYPE ACTIVITIES</u>
	<u>ENTERPRISE FUNDS</u>
	<u>WATER & SEWER FUND</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,456,020
Accounts receivable (Net)	<u>189,343</u>
Total Current Assets	<u>1,645,363</u>
Restricted current assets:	
Temporarily Restricted	
Customer deposits	<u>183,942</u>
Total restricted current assets	<u>183,942</u>
Capital Assets:	
Land	172,926
Water & Sewer system	19,691,897
Buildings	261,194
Machinery & equipment	618,177
Less: Accumulated depreciation	<u>(6,820,178)</u>
Total Capital Assets Net Of Accumulated Depreciation	<u>13,924,016</u>
Total Noncurrent Assets:	<u>13,924,016</u>
Total Assets	<u>\$ 15,753,321</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 29,072
Accrued expenses	8,346
Compensated absences	6,001
Capital lease payable - current portion	9,742
Notes payable - current portion	<u>12,499</u>
Total Current Liabilities	<u>65,660</u>
Current liabilities payable from restricted assets:	
Customer deposits	<u>183,942</u>
Total current liabilities payable from restricted assets	<u>183,942</u>
Noncurrent Liabilities:	
Compensated absences	30,004
Notes payable	<u>11,268</u>
Total Noncurrent Liabilities	<u>41,272</u>
Total Liabilities	<u>290,874</u>
NET ASSETS	
Invested in capital assets, net of related debt	13,890,507
Unrestricted	<u>1,571,940</u>
Total Net Assets	<u>\$ 15,462,447</u>

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

CITY OF LINDALE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>BUSINESS-TYPE ACTIVITIES</u>
	<u>ENTERPRISE FUNDS</u>
	<u>WATER &</u>
	<u>SEWER</u>
	<u>FUND</u>
OPERATING REVENUES	
Charges for services:	
Water sales	\$ 1,359,205
Sewer charges	885,939
EMS	26
Tap and connect fees	55,745
Miscellaneous	5,971
Rents	11,667
	<hr/>
Total Operating Revenues	2,318,553
	<hr/>
OPERATING EXPENSES	
Water and sewer operations	1,414,452
Depreciation	519,820
	<hr/>
Total Operating Expenses	1,934,272
	<hr/>
Operating Income (Loss)	384,281
	<hr/>
NON-OPERATING REVENUES (EXPENSES)	
Interest and fiscal charge expense	(14,860)
Interest income	20,357
	<hr/>
Total non-operating revenue (expenses)	5,497
	<hr/>
Income before transfers	389,778
	<hr/>
Transfers in	452,800
Transfers out	(295,357)
	<hr/>
Total Transfers	157,443
	<hr/>
Change in Net Assets	547,221
	<hr/>
Net Assets, October 1, 2010	14,915,226
	<hr/>
Net Assets, September 30, 2011	\$ 15,462,447
	<hr/> <hr/>

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

CITY OF LINDALE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Increase (Decrease) in Cash and Cash Equivalents

	<u>BUSINESS-TYPE ACTIVITIES</u>
	<u>ENTERPRISE FUNDS</u>
	<u>WATER & SEWER FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 2,383,289
Cash paid to suppliers for goods and services	(826,190)
Cash paid to employees for services	(614,527)
	<hr/>
Net cash provided by operating activities	942,572
	<hr/>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers out	(295,357)
Net cash used in non-capital financing activities	(295,357)
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets and equipment	(33,883)
Payment on note payable	(12,032)
Payment on capital lease	(10,948)
Interest paid	(14,860)
	<hr/>
Net cash used in capital and related financing activities	(71,723)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned on investments	20,357
	<hr/>
Net cash provided by investing activities	20,357
	<hr/>
Net increase in cash	595,849
	<hr/>
Cash, beginning of period	1,044,113
	<hr/>
Cash, end of period	\$ 1,639,962
	<hr/> <hr/>
Reconciliation of cash to Exhibit 7:	
Cash - current asset	\$ 1,456,020
Cash - restricted current asset	183,942
Total cash, end of period	\$ 1,639,962
	<hr/> <hr/>

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

**CITY OF LINDALE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Increase (Decrease) in Cash and Cash Equivalents

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

Operating income (loss)	\$	384,281
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense		519,820
Decrease in accounts receivable		50,911
Increase (Decrease) in accounts payable		(28,628)
Increase in customer deposits		13,825
Increase in compensated absences		2,363
		<hr/>
Total adjustments		558,291
		<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	942,572
		<hr/> <hr/>

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

CITY OF LINDALE, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1: — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

B. The Reporting Entity

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

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

Individual Component Unit Disclosure – Blended Component Units

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

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivery goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the

cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Assets, Liabilities, and Net Assets or Equity

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

2. Receivables and Payables

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

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

All receivables are shown net of an allowance for uncollectible.

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

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

3. Due from Other Funds

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

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

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

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

5. Construction in progress – Expenditures on incomplete capital projects have been capitalized as construction in progress. The assets resulting from these projects will be transferred from the construction in progress accounts to the appropriate asset account as the projects are completed.
6. Bond issue costs – Bond issue costs are amortized over the life of the bonds under straight line or the effective interest method.

7. Fund Balance classification – During the current year, the City adopted GASB Statement No. 54, which redefined how fund balances of governmental funds are presented in the financial statements. Fund balances are classified as follows:

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 determined by a formal action by City Council ordinance or resolution. 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.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

The details of the fund balances for the governmental funds are included in the Governmental Funds Balance Sheet.

8. Net Assets – represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of the City’s capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets. Net assets reported as restricted are those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations.
9. Capitalized interest – The City has capitalized interest on construction projects when material.
10. Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets - One element of that reconciliation states that “Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.” The details of this \$17,239,149 difference are as follows:

Capital assets, October 1, 2010, net of accumulated depreciation	\$15,862,576
Capital asset additions, net of retirements	1,776,324
Depreciation of capital assets, current year	<u>(399,751)</u>
	<u>\$17,239,149</u>

Another element states that “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.” The details of this \$(17,850,845) difference are as follows:

Long-term liabilities, October 1, 2010	\$(19,103,814)
Amortization of premium	15,824
Principal paid on debt for the year	886,426
Bond issue and insurance costs, net of amortization	362,225
Accretion of deferred defeasance	(11,505)
Change in compensated absences	<u>(1)</u>
	<u>\$(17,850,845)</u>

B. Explanation of certain differences between the governmental fund statement of revenue, expenditures, and changes in fund balance and the government-wide statement of activities - One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated to their estimated useful lives and reported as depreciation expense. The details of this \$1,376,573 difference are as follows:

Capital outlay, asset additions, net of retirements	\$1,776,324
Depreciation expense	<u>(399,751)</u>
	<u>\$1,376,573</u>

Another element states “The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$853,777 difference are as follows:

Principal paid on debt for the year	\$ 886,426
Amortization of premium	15,824
Amortization of bond issue and insurance costs	(40,555)
Accretion of deferred defeasance	(11,505)
Change in accrued interest	<u>3,587</u>
	<u>\$ 853,777</u>

NOTE 3 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

1. The budget for the General Fund, Debt Service Fund, Hotel Motel Tax Fund, Cemetery Fund, Court Technology Fund, Building Security Fund, 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.

NOTE 4 — DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2011, the City had the following deposits and investments:

	<u>BOOK BALANCE</u>	<u>BANK BALANCE</u>
Depository Accounts		
Insured	\$ 749,540	\$ 750,000
Collateral held by pledging bank's Trust Department in City's name	<u>6,578,830</u>	<u>6,702,267</u>
Total Depository Accounts	<u>7,328,370</u>	<u>7,452,267</u>
Petty Cash on hand	<u>460</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$7,328,830</u>	<u>\$7,452,267</u>
Investments – Certificates of Deposit		
Insured	\$ 250,000	\$ 250,000
Collateral held by pledging bank's Trust Department in City's name	<u>200,000</u>	<u>200,000</u>
Total Investments – Certificates of Deposit	<u>\$ 450,000</u>	<u>\$ 450,000</u>

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

B. Receivables

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

	<u>General Fund</u>	<u>Lindale Economic Development</u>	<u>Debt Service</u>	<u>Water and Sewer Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 23,697	\$ -	\$ 45,070	\$ -	\$ 95,741	\$ 164,508
Sanitation	63,646	-	-	-	-	63,646
Sales Tax	213,345	106,656	-	-	-	320,001
Grant	-	268,762	-	-	-	268,762
Accounts	-	-	-	<u>248,872</u>	-	<u>248,872</u>
Gross Receivables	<u>300,688</u>	<u>375,418</u>	<u>45,070</u>	<u>248,872</u>	<u>95,741</u>	<u>1,065,789</u>
Less: Allowance for						
Uncollectibles	<u>(21,626)</u>	<u>-</u>	<u>(16,799)</u>	<u>(59,529)</u>	<u>-</u>	<u>(97,954)</u>
Net Receivables	<u>\$ 279,062</u>	<u>\$ 375,418</u>	<u>\$ 28,271</u>	<u>\$ 189,343</u>	<u>\$ 95,741</u>	<u>\$ 967,835</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2011 is as follows:

<u>PRIMARY GOVERNMENT</u>	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 7,372,899	\$ 260,984	\$ -	\$ 7,633,883
Construction in Progress	14,483	1,473,483	(14,483)	1,473,483
Total Capital Assets, Not Being Depreciated	<u>7,387,382</u>	<u>1,734,467</u>	<u>(14,483)</u>	<u>9,107,366</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,039,651	36,437	(43,200)	4,032,888
Infrastructure	5,501,230	-	-	5,501,230
Machinery and Equipment	1,216,730	77,853	(14,750)	1,279,833
Total Capital Assets, Being Depreciated	<u>10,757,611</u>	<u>114,290</u>	<u>(57,950)</u>	<u>10,813,951</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(657,647)	(103,469)	-	(761,116)
Infrastructure	(877,669)	(137,531)	-	(1,015,200)
Machinery and Equipment	(747,101)	(158,751)	-	(905,852)
Total Accumulated Depreciation	<u>(2,282,417)</u>	<u>(399,751)</u>	<u>-</u>	<u>(2,682,168)</u>
Net Total Assets Being Depreciated	<u>8,475,194</u>	<u>(285,461)</u>	<u>(57,950)</u>	<u>8,131,783</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,862,576</u>	<u>\$ 1,449,006</u>	<u>\$ (72,433)</u>	<u>\$ 17,239,149</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 172,926	\$ -	\$ -	\$ 172,926
Construction in Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	<u>172,926</u>	<u>-</u>	<u>-</u>	<u>172,926</u>
Capital Assets, Being Depreciated:				
Water and Sewer System	19,205,215	486,682	-	19,691,897
Buildings	261,194	-	-	261,194
Machinery and Equipment	618,177	-	-	618,177
Total Capital Assets, Being Depreciated	<u>20,084,586</u>	<u>486,682</u>	<u>-</u>	<u>20,571,268</u>
Less Accumulated Depreciation For:				
Water and Sewer System	(5,707,400)	(487,352)	-	(6,194,752)
Buildings	(59,247)	(6,530)	-	(65,777)
Machinery and Equipment	(533,712)	(25,938)	-	(559,650)
Total Accumulated Depreciation	<u>(6,300,359)</u>	<u>(519,820)</u>	<u>-</u>	<u>(6,820,179)</u>
Net Total Assets Being Depreciated	<u>13,784,227</u>	<u>(33,138)</u>	<u>-</u>	<u>13,751,089</u>
Business -Type Activities Capital Assets, Net	<u>\$ 13,957,153</u>	<u>\$ (33,138)</u>	<u>\$ -</u>	<u>\$ 13,924,015</u>

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

Governmental Activities:	
General Government	\$ 63,983
Public Safety	124,860

Public Works	<u>210,908</u>
Total depreciation expense, governmental activities	<u>\$399,751</u>
Business-Type Activities:	
Water and Sewer Operations	\$514,788
Emergency Medical Services	<u>5,032</u>
Total	<u>\$519,820</u>

Construction Commitments

The City has one active construction project as of September 30, 2011. LEDC also had one active construction project as of September 30, 2011. At year-end, the City's and LEDC's commitments with the contractors were as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Estimated Remaining</u>
LEDC industrial park infrastructure	\$ 1,472,993	\$ 184,370
Lindale cemetery fence	<u>10,507</u>	<u>5,253</u>
	<u>\$ 1,483,500</u>	<u>\$ 189,623</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2011 is as follows:

Interfund transfers:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Kinzie Trust	General Fund	\$ 9,915
Water & Sewer Fund	Debt Service Fund	150,000
Water & Sewer Fund	General Fund	145,357
Hotel/Motel Tax Fund	Kinzie House Fund	19,000
Hotel/Motel Tax Fund	Parrott Park Museum Fund	93,441
2009 Capital Projects Bond Fund	Water and Sewer Fund	<u>452,800</u>
		<u>\$ 870,513</u>

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 \$11,463 for the year ended September 30, 2011. The future minimum lease payments for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2012	11,221
2013	11,221
2014	11,221
2015	7,443
2016	<u>1,935</u>
TOTAL	<u>\$ 43,041</u>

Capital Leases

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

The asset acquired through the capital lease is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Asset:		
INCODE software	\$105,008	\$ 49,415
Less: Accumulated depreciation	<u>(92,757)</u>	<u>(43,650)</u>
TOTAL	<u>\$ 12,251</u>	<u>\$ 5,765</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2012	\$ <u>21,390</u>	\$ <u>10,066</u>
Total minimum lease payments	21,390	10,066
Less: Amount representing interest	<u>(688)</u>	<u>(324)</u>
Present value of minimum lease payments	<u>\$20,702</u>	<u>\$ 9,742</u>

F. Long-term debt

The government has issued bonds in prior years to fund construction projects to improve or expand the water and sewer system as well as the City's streets and for constructing and equipping a public safety/administration building, municipal parking facilities, equipping the police and code enforcement departments and professional services rendered in connection therewith. Also, bonds issued in prior years were used to refinance a portion of its old bonds. These bonds will be repaid from amounts levied against the property owners benefited by the construction. Outstanding bonds at September 30, 2011 are comprised of the following issues:

Governmental Activities:

\$4,730,000 Series 2004 Combination Tax and Utility System Revenue Refunding Bonds maturing serially in various amounts through 8-15-20. Interest rates varying from 2.5 % to 4.5 %.	\$3,130,000
\$3,140,000 Series 2004 Combination Tax and Utility System Certificates of Obligation maturing serially in various amounts through 8-15-25. Interest rates varying from 2.5 % to 4.8 %.	2,520,000
\$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 %.	3,415,000
\$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%.	2,635,000
\$3,080,000 Series 2009 Combination Tax and Utility System Revenue Certificates of Obligation maturing serially in various amounts through 8-15-27. Interest rates varying from 4.00% to 4.75%.	<u>2,875,000</u>
Total Outstanding Governmental Bonded Debt	14,575,000
Plus: Unamortized Bond Premium	147,440
Less: Deferred Loss on Refunding, net of accretion	<u>(108,498)</u>
Net Outstanding Governmental Bonded Debt	<u>\$14,613,942</u>

The funding requirements to amortize all bonds outstanding as of September 30, 2010, including interest, are as follows:

YEAR ENDED	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
<u>9-30</u>			
2012	\$ 755,000	\$ 629,898	\$ 1,384,898
2013	785,000	598,260	1,383,260
2014	815,000	565,360	1,380,360
2015	850,000	531,208	1,381,208
2016	895,000	495,560	1,390,560
2017-2021	5,080,000	1,823,398	6,903,398
2022-2026	5,155,000	670,127	5,825,127
2027	<u>240,000</u>	<u>11,400</u>	<u>251,400</u>
	14,575,000	5,325,211	19,900,211
Unamortized Bond Premium	147,440	-	147,440
Deferred defeasance, net of accretion	<u>(108,498)</u>	<u>-</u>	<u>(108,498)</u>
	<u>\$14,613,942</u>	<u>\$ 5,325,211</u>	<u>\$19,939,153</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, 2011 be disclosed.

Insurer	Policy	Limit of Liability		Expiration Date
		Each Occurrence	Annual Aggregate	
Texas Municipal League	General Liability	\$2,000,000	\$4,000,000	10/1/2011
	Law Enforcement	1,000,000	2,000,000	10/1/2011
	Errors & Omissions	1,000,000	2,000,000	10/1/2011
	Auto Liability	500,000	n/a	10/1/2011
	Auto Physical Damage	10,000	n/a	10/1/2011
Texas Municipal League	Real & Personal Property	1,000,000	11,122,200	10/1/2011
	Mobile Equipment	n/a	276,362	10/1/2011
	Boiler & Machinery	100,000	n/a	10/1/2011
Texas Municipal League	Workers Comp	n/a	1,855,196	10/1/2011

As of September 30, 2011, the City was in compliance with all requirements of its bond ordinances.

The City also has the following notes payable at September 30, 2011:

GOVERNMENTAL ACTIVITIES

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

\$3,429,910
(148,152)

LONG-TERM PORTION

\$3,281,758

BUSINESS-TYPE ACTIVITIES

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

\$ 23,767
(12,499)

LONG-TERM PORTION

\$ 11,268

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

<u>YEAR ENDED</u> <u>SEPTEMBER 30,</u>	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>
2012	\$ 148,152	\$ 12,499
2013	151,733	11,268
2014	159,860	-
2015	168,423	-

2016	177,042	-
2017-2021	1,039,958	-
2022-2026	1,350,085	-
2027	234,657	-
Total	<u>\$ 3,429,910</u>	<u>\$ 23,767</u>

Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2011 was as follows:

	Beginning Balance 10/1/2010	Additions	Reductions	Ending Balance 9/30/2011	Due Within One Year
Governmental Activities:					
Certificates of Obligation	\$ 11,775,000	\$ -	\$ (615,000)	\$ 11,160,000	\$ 645,000
General Obligation	3,520,000	-	(105,000)	3,415,000	110,000
Unamortized Bond Premium	163,264	-	(15,824)	147,440	-
Deferred defeasance	(120,003)	-	11,505	(108,498)	-
Capital Lease	43,966	-	(23,264)	20,702	21,391
Notes Payable	3,573,072	-	(143,162)	3,429,910	148,152
Compensated Absences	148,515	1	-	148,516	24,735
Governmental Activity Long-Term Liabilities	<u>\$ 19,103,814</u>	<u>\$ 1</u>	<u>\$ (890,745)</u>	<u>\$ 18,213,070</u>	<u>\$ 949,278</u>
Business-Type Activities:					
Notes Payable	\$ 35,799	\$ -	\$ (12,032)	\$ 23,767	\$ 12,499
Capital Lease	20,690	-	(10,948)	9,742	9,742
Compensated Absences	33,642	2,363	-	36,005	6,001
Business-Type Activity Long-Term Liabilities	<u>\$ 90,131</u>	<u>\$ 2,363</u>	<u>\$ (22,980)</u>	<u>\$ 69,514</u>	<u>\$ 28,242</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, 2011, the City had \$240,196 in net receivables from its residents for the usage of these services.

NOTE 6 – COMMITMENTS

On January 1, 2006, the City entered into a written contract with Allied Waste Systems, Inc. for the collection and disposal of garbage for residents as well as commercial and industrial units within the City limits. The service is to be paid for according to rates set forth within the contract. The contract is for a term of four years and nine months beginning January 1, 2006 and ending September 30, 2010 and 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, 2011, the City did

not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2011, 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 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Year required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member’s projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

Annual Required Contribution (ARC)	\$ 279,978
Interest on Net Pension Obligation	-
Adjustment to the ARC	<u>-</u>
Annual Pension Cost (APC)	279,978
Contributions Made	<u>279,978</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>

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset)</u>
9/30/2009	221,685	221,685	100%	-
9/30/2010	251,114	251,114	100%	-
9/30/2011	279,978	279,978	100%	-

General System-wide Actuarial Assumptions

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	12/31/2008	12/31/2009	12/31/2010 - Prior to restructuring	12/31/2010 - Restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Period	29 years; closed period	28 years; closed period	27 years; closed period	27.1 years; closed period
Amortization period for new Gains/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:				
Investment Rate of Return*	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3%	3%	3%	3%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%	2.1%

Funding Status and Funding Progress

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/10 (a)	\$ 1,643,500	\$ 3,267,877	50.3%	\$ 1,624,377	\$ 1,756,388	92.5%
12/31/10 (b)	\$ 1,699,413	\$ 3,496,665	48.6%	\$ 1,797,252	\$ 1,756,388	102.3%

(a) Actuarial valuation performed under the original fund structure.

(b) Actuarial valuation performed under the new fund structure.

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.

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>
12/31/2008	\$ 860,754	\$ 2,398,834	35.9%	\$ 1,538,080	\$ 1,652,901	93.1%
12/31/2009	1,238,626	2,818,568	43.9%	1,579,942	1,663,974	94.9%
12/31/2010 (a)	1,643,500	3,267,877	50.3%	1,624,377	1,756,388	92.5%
12/31/2010 (b)	1,699,413	3,496,665	48.6%	1,797,252	1,756,388	102.3%

NOTE 9 – CONTINGENT LIABILITIES

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

NOTE 10 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2011, expenditures exceeded appropriation in the LEDC department of the General Fund by \$2,731. These overexpenditures were funded by reimbursement funds received from LEDC.

ADDITIONAL SUPPLEMENTAL INFORMATION

CITY OF LINDALE, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011

	CEMETERY FUND	HOTEL/MOTEL TAX FUND	PARROTT PARK MUSEUM FUND	KINZIE HOUSE FUND	EECBG GRANT FUND	COURT TECHNOLOGY FUND	BUILDING SECURITY FUND	GRANT/EQUIP/TODDLER TOYS FUND	CHILD SAFETY FEES FUND	POLICE EDUCATION FUND	POLICE FORFEITURE FUND	POLICE LIQUOR FUND	IB RICE FUND	PERMANENT FUND - KINZIE TRUST	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS															
Cash and cash equivalents	\$ 148,430	\$ 909,416	\$ 18,137	\$ 3,523	\$ -	\$ 27,134	\$ 16,586	\$ -	\$ 8,368	\$ 6,296	\$ 718	\$ 10,734	\$ 20,885	\$ 208,921	\$ 1,379,148
Receivables:															
Taxes	-	95,741	-	-	-	-	-	-	-	-	-	-	-	-	95,741
Total Assets	\$ 148,430	\$ 1,005,157	\$ 18,137	\$ 3,523	\$ -	\$ 27,134	\$ 16,586	\$ -	\$ 8,368	\$ 6,296	\$ 718	\$ 10,734	\$ 20,885	\$ 208,921	\$ 1,474,889
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts payable	\$ -	\$ -	\$ 919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 919
Total Liabilities	-	-	919	-	-	-	-	-	-	-	-	-	-	-	919
Fund Balances:															
Nonspendable:															
Permanent fund principal	-	-	-	-	-	-	-	-	-	-	-	-	-	208,921	208,921
Restricted for:															
Tourism	-	1,005,157	-	-	-	27,134	-	-	-	-	-	-	-	-	1,005,157
Court Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,134
Building Security	-	-	-	-	-	-	16,586	-	-	-	-	-	-	-	16,586
Child Safety	-	-	-	-	-	-	-	8,368	-	-	-	-	-	-	8,368
Law enforcement purposes	-	-	-	-	-	-	-	-	-	-	718	10,734	-	-	11,452
Boy Scout building upkeep	-	-	-	-	-	-	-	-	-	-	-	-	20,885	-	20,885
Assigned to:															
Cemetery	148,430	-	-	-	-	-	-	-	-	-	-	-	-	-	148,430
Parks and Recreation	-	-	17,218	-	-	-	-	-	-	-	-	-	-	-	17,218
Kinzie House	-	-	-	3,523	-	-	-	-	-	-	-	-	-	-	3,523
Police education	-	-	-	-	-	-	-	-	-	6,296	-	-	-	-	6,296
Total Fund Balances	\$ 148,430	\$ 1,005,157	\$ 17,218	\$ 3,523	\$ -	\$ 27,134	\$ 16,586	\$ -	\$ 8,368	\$ 6,296	\$ 718	\$ 10,734	\$ 20,885	\$ 208,921	\$ 1,473,970
Total Liabilities and Fund Balances	\$ 148,430	\$ 1,005,157	\$ 18,137	\$ 3,523	\$ -	\$ 27,134	\$ 16,586	\$ -	\$ 8,368	\$ 6,296	\$ 718	\$ 10,734	\$ 20,885	\$ 208,921	\$ 1,474,889

CITY OF LINDALE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2011

	CEMETERY FUND	HOTEL/MOTEL TAX FUND	PABROTT PARK/MUSEUM FUND	KINZIE HOUSE FUND	EECBG GRANT FUND	COURT TECHNOLOGY FUND	BUILDING SECURITY FUND	GRANT/EQUIP/ TOYS/TOTS FUND	CHILD SAFETY FEES FUND	POLICE EDUCATION FUND	POLICE FORFEITURE FUND	POLICE POSE FUND	IB RICE FUND	PERMANENT FUND - KINZIE TRUST	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES															
Sale of Iss	\$ 22,200														\$ 22,200
Donations	10,138		1,625												11,763
Hotel / Motel tax		315,984													315,984
Miscellaneous	4,700		1,755	2,625	18,090	8,960	6,553		4,485	613		1,560			31,251
Grant revenue								13,700							13,700
Interest	2,144	12,221	108	12		138	54		22	19	4	29	104	2,719	17,594
Total Revenues	39,382	338,205	3,488	2,637	18,090	9,098	6,607	13,700	4,507	632	4	1,589	104	2,719	430,782
EXPENDITURES															
Building and grounds maintenance	28,400														28,400
Miscellaneous	793	104,930	56,115	6,464					1,118	920	1,572				171,912
Capital outlay	111,145		23,596	11,650	18,090	5,286	3,980	13,700					4,139		91,586
Total Expenditures	40,338	104,930	79,711	18,114	18,090	5,286	3,980	13,700	1,118	920	1,572		4,139		291,898
Excess (deficiency) of revenues over (under) expenditures	(956)	233,275	(76,223)	(15,477)		3,812	2,627		3,389	(288)	(1,568)	1,589	(4,035)	2,719	138,884
OTHER FINANCING SOURCES (USES)															
Transfers in			93,441	\$ 19,000											112,441
Transfers out		(112,441)												(9,915)	(122,356)
Total Other Financing Sources (Uses)			93,441	19,000										(9,915)	(9,915)
Net Change in Fund Balances	(956)	110,834	17,218	3,523		3,812	2,627		3,389	(288)	(1,568)	1,589	(4,035)	(7,176)	128,969
Fund Balance, October 1, 2010	149,386	894,323				23,322	13,959		4,979	6,384	2,286	9,145	24,920	216,097	1,345,001
Fund Balance, September 30, 2011	\$ 148,430	\$ 1,005,157	\$ 17,218	\$ 3,523	\$	\$ 27,134	\$ 16,586	\$	\$ 8,368	\$ 6,296	\$ 718	\$ 10,734	\$ 20,885	\$ 208,921	\$ 1,473,970

**CITY OF LINDALE, TEXAS
CEMETERY FUND
DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Miscellaneous Income	\$ -	\$ -	\$ 4,700	\$ 4,700
Interest income	2,000	2,000	2,144	144
Sale of Cemetery Plots	18,000	18,000	22,200	4,200
Transfer from Reserves	30,000	30,000	-	(30,000)
Public Contribution	8,500	8,500	10,338	1,838
TOTAL FINANCING SOURCES - BUDGET BASIS	<u>\$ 58,500</u>	<u>\$ 58,500</u>	39,382	<u>\$ (19,118)</u>
Financial Statement Adjustments:			-	
TOTAL FINANCING SOURCES - GAAP BASIS			<u>\$ 39,382</u>	
EXPENDITURES				
Cemetery Administration:				
Postage	\$ 500	\$ 500	\$ 358	\$ 142
Miscellaneous Supplies	500	500	-	500
Software contract	500	500	435	65
Professional	1,000	1,000	-	1,000
Cemetery & Grounds	26,000	28,400	28,400	-
Capital Outlay	30,000	30,000	11,145	18,855
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 58,500</u>	<u>\$ 60,900</u>	40,338	<u>\$ 20,562</u>
Financial Statement Adjustments:			-	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ 40,338</u>	

**CITY OF LINDALE, TEXAS
COURT TECHNOLOGY FUND
DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Fines and Fees	\$ 9,500	\$ 9,500	\$ 8,960	\$ (540)
Interest Income	-	-	138	138
TOTAL FINANCING SOURCES - BUDGET BASIS	<u>\$ 9,500</u>	<u>\$ 9,500</u>	9,098	<u>\$ (402)</u>
Financial Statement Adjustments:			-	
TOTAL FINANCING SOURCES - GAAP BASIS			<u>\$ 9,098</u>	
EXPENDITURES				
Capital Expenditures:				
Court Technology Equipment	\$ 9,500	\$ 9,500	\$ 5,286	\$ 4,214
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 9,500</u>	<u>\$ 9,500</u>	5,286	<u>\$ 4,214</u>
Financial Statement Adjustments:			-	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ 5,286</u>	

**CITY OF LINDALE, TEXAS
BUILDING SECURITY FUND
DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)</u>
REVENUES				
Fines and Fees	\$ 3,000	\$ 3,000	\$ 6,553	\$ 3,553
Interest Income	-	-	54	54
TOTAL FINANCING SOURCES - BUDGET BASIS	<u>\$ 3,000</u>	<u>\$ 3,000</u>	6,607	<u>\$ 3,607</u>
Financial Statement Adjustments:			-	
TOTAL FINANCING SOURCES - GAAP BASIS			<u>\$ 6,607</u>	
EXPENDITURES				
Building & grounds	\$ 500	\$ 4,480	3,980	\$ 500
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 500</u>	<u>\$ 4,480</u>	3,980	<u>\$ 500</u>
Financial Statement Adjustments:			-	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ 3,980</u>	

**CITY OF LINDALE, TEXAS
CHILD SAFETY FEES FUND
DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Fines and Fees	\$ 3,000	\$ 3,000	\$ 4,485	\$ 1,485
Interest Income	-	-	22	22
TOTAL FINANCING SOURCES - BUDGET BASIS	<u>\$ 3,000</u>	<u>\$ 3,000</u>	4,507	<u>\$ 1,507</u>
Financial Statement Adjustments:			-	
TOTAL FINANCING SOURCES - GAAP BASIS			<u>\$ 4,507</u>	
EXPENDITURES				
Office Supplies	\$ 500	\$ 1,119	\$ 1,118	\$ 1
Capital Outlay	1,000	1,000	-	1,000
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 1,500</u>	<u>\$ 2,119</u>	1,118	<u>\$ 1,001</u>
Financial Statement Adjustments:			-	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ 1,118</u>	

CITY OF LINDALE, TEXAS
HOTEL-MOTEL OCCUPANCY TAX FUND
DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Motel Tax	\$ 247,000	\$ 247,000	\$ 330,623	\$ 83,623
Rental of Kinzie House	1,000	-	-	-
Interest income	5,000	5,000	12,221	7,221
TOTAL FINANCING SOURCES - BUDGET BASIS	\$ 253,000	\$ 252,000	342,844	\$ 90,844
Financial Statement Adjustments:				
Decrease in taxes receivable			(14,639)	
TOTAL FINANCING SOURCES - GAAP BASIS			\$ 328,205	
EXPENDITURES				
Hotel-Motel Administration:				
Salaries	\$ 45,000	\$ -	\$ -	\$ -
Social Security/Medicare	3,500	-	-	-
Office Supplies	1,500	-	-	-
Miscellaneous	2,000	-	-	-
Signs & Displays	32,000	32,000	19,976	12,024
Publications & Advertising	-	-	-	-
Utilities	19,000	5,000	-	5,000
Janitorial Services	500	-	-	-
Miscellaneous Maintenance	19,000	2,500	-	2,500
Professional	15,300	15,000	-	15,000
Transfer to Reserves	896	896	-	896
Transfer to Kinzie House fund	-	19,000	19,000	-
Transfer to Parrott Museum fund	-	94,500	94,500	-
Communications	1,200	-	-	-
Chamber of Commerce	83,104	83,104	83,104	-
Building & Grounds Maintenance	10,000	-	-	-
Building & Grounds	20,000	2,000	1,850	150
TOTAL EXPENDITURES - BUDGET BASIS	\$ 253,000	\$ 254,000	218,430	\$ 35,570
Financial Statement Adjustments:				
Decrease due to transfer of prior year payable			(1,059)	
TOTAL EXPENDITURES - GAAP BASIS			\$ 217,371	

**CITY OF LINDALE, TEXAS
PARROTT PARK MUSEUM FUND
DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Chapel Rental	\$ -	\$ 600	\$ 600	\$ -
Donations	-	1,600	1,625	25
Gift Shop income	-	800	912	112
Transfer from Hotel Motel fund	-	94,500	94,500	-
Miscellaneous Income	-	-	243	243
Interest income	-	-	108	108
TOTAL FINANCING SOURCES - BUDGET BASIS	\$ -	\$ 97,500	97,988	\$ 488
Financial Statement Adjustments:				
Decrease due to transfer of prior year payable			(1,059)	
TOTAL FINANCING SOURCES - GAAP BASIS			\$ 96,929	
EXPENDITURES				
Parrot Park Museum Administration:				
Salaries	\$ -	\$ 45,000	\$ 29,090	\$ 15,910
Social Security/Medicare	-	3,500	2,226	1,274
Office Supplies	-	1,500	1,137	363
Miscellaneous	-	1,000	528	472
Utilities	-	12,555	12,554	1
Professional	-	300	35	265
Gift Shop Resale Items	-	1,020	1,018	2
State Comp (Sales Tax)	-	75	65	10
Communications	-	1,200	665	535
Building & Grounds Maintenance	-	10,000	8,938	1,062
Building & Grounds	-	23,596	23,595	1
TOTAL EXPENDITURES - BUDGET BASIS	\$ -	\$ 99,746	79,851	\$ 19,895
Financial Statement Adjustments:				
Decrease due to transfer of prior year payable			(1,059)	
Increase in accounts payable			919	
TOTAL EXPENDITURES - GAAP BASIS			\$ 79,711	

CITY OF LINDALE, TEXAS
 KINZIE HOUSE FUND
 DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
 FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Rental of Kinzie House	\$ -	\$ 1,000	\$ 2,625	\$ 1,625
Transfer from Hotel Motel fund	-	19,000	19,000	-
Interest income	-	-	12	12
TOTAL FINANCING SOURCES - BUDGET BASIS	\$ -	\$ 20,000	21,637	\$ 1,637
Financial Statement Adjustments:			-	
TOTAL FINANCING SOURCES - GAAP BASIS			\$ 21,637	
EXPENDITURES				
Kinzie House Administration:				
Miscellaneous	\$ -	\$ 1,000	\$ 89	\$ 911.00
Utilities	-	2,000	1,531	469
Janitorial Services	-	500	350	150
Building & Grounds Maintenance	-	200	183	17
Miscellaneous Maintenance	-	16,500	4,311	12,189
Building & Grounds	-	12,000	11,650	350
TOTAL EXPENDITURES - BUDGET BASIS	\$ -	\$ 32,200	18,114	\$ 14,086
Financial Statement Adjustments:			-	
TOTAL EXPENDITURES - GAAP BASIS			\$ 18,114	

**CITY OF LINDALE, TEXAS
DEBT SERVICE FUND
DETAILED SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)</u>
REVENUES				
Current and delinquent property taxes	\$ 1,229,147	\$ 1,229,147	\$ 1,340,650	\$ 111,503
Interest income	3,000	3,000	20,921	17,921
Transfer from other fund	150,000	150,000	150,000	-
TOTAL FINANCING SOURCES - BUDGET BASIS	<u><u>\$ 1,382,147</u></u>	<u><u>\$ 1,382,147</u></u>	1,511,571	<u><u>\$ 129,424</u></u>
Financial Statement Adjustments:				
			-	
TOTAL REVENUES - GAAP BASIS			<u><u>\$ 1,511,571</u></u>	
EXPENDITURES				
Debt Service:				
Bond principal	\$ 720,000	\$ 720,000	\$ 720,000	\$ -
Interest and fees	659,147	659,147	659,147	-
Agent fees	3,000	3,000	1,500	1,500
TOTAL EXPENDITURES - BUDGET BASIS	<u><u>\$ 1,382,147</u></u>	<u><u>\$ 1,382,147</u></u>	1,380,647	<u><u>\$ 1,500</u></u>
Financial Statement Adjustments:				
			-	
TOTAL EXPENDITURES - GAAP BASIS			<u><u>\$ 1,380,647</u></u>	

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUES				
Current and delinquent property taxes	\$ 700,000	\$ 700,000	\$ 712,917	\$ 12,917
Franchise taxes	250,000	250,000	280,843	30,843
Sales tax	1,200,000	1,200,000	1,322,138	122,138
Building permits	30,000	60,000	65,634	5,634
Fines and forfeitures	400,000	400,000	358,753	(41,247)
Garbage Collection	708,000	708,000	705,892	(2,108)
Garbage Tax	59,000	59,000	56,149	(2,851)
Transfer from other fund	145,357	145,357	155,272	9,915
Transfer from General Capital Fund	26,000	26,000	-	(26,000)
Miscellaneous Income	10,000	10,000	24,739	14,739
Downtown revenues	-	-	3,442	3,442
Interest Earned	5,000	25,000	33,582	8,582
Rental of Community Center	12,000	12,000	12,750	750
Rental income - LEDC	35,250	35,250	35,250	-
LEDC Reimbursement	<u>97,640</u>	<u>97,640</u>	<u>100,370</u>	<u>2,730</u>
FINANCING SOURCES - BUDGET BASIS	<u>\$ 3,678,247</u>	<u>\$ 3,728,247</u>	3,867,731	<u>\$ 139,484</u>
Financial Statement Adjustments:				
Sales tax receivable at 9-30-11			213,345	
Sales tax receivable at 9-30-10			(218,940)	
Decrease in solid waste collection receivable			<u>(19,721)</u>	
TOTAL FINANCING SOURCES - GAAP BASIS			<u>\$ 3,842,415</u>	

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT/ADMINISTRATION				
PERSONNEL SERVICES:				
Supervision	\$ 131,551	\$ 131,551	\$ 115,743	\$ 15,808
Salaries-Full-time	33,150	33,150	29,227	3,923
Vacation	-	-	11,852	(11,852)
Sick Leave	-	-	1,680	(1,680)
Holiday	-	7,325	7,616	(291)
Auto allowance	6,000	6,000	6,231	(231)
Comp Time	-	-	5,313	(5,313)
Retirement	26,610	26,610	27,326	(716)
Social Security/Medicare	13,150	13,150	13,591	(441)
Health Insurance	16,020	16,020	15,886	134
Dental	1,030	1,030	939	91
Life Insurance	715	715	592	123
Vision	414	414	318	96
Long term disability	485	485	395	90
Workers comp	500	500	239	261
Total Personnel Services	229,625	236,950	236,948	2
SUPPLIES:				
Office Supplies	6,000	6,000	3,722	2,278
Postage	3,000	3,000	1,025	1,975
Miscellaneous Supplies	4,500	4,500	1,857	2,643
Building & Cleaning Supplies	300	300	247	53
Total Supplies	13,800	13,800	6,851	6,949
CONTRACTUAL:				
Communications-Telephone	15,000	15,000	7,115	7,885
Miscellaneous	500	800	750	50
Insurance & Bonds	25,000	25,000	20,539	4,461
Publications & Advertising	6,000	6,000	591	5,409
Utilities	25,000	27,050	27,048	2
Librarian	40,000	40,000	40,000	-
Association Dues	3,000	3,000	2,702	298
Travel	5,000	5,000	3,635	1,365
Schools	6,000	6,000	5,135	865
ETS Fees/Bank Service Charges	-	100	85	15
Software Contract	10,500	12,191	12,191	-
Total Contractual	136,000	140,141	119,791	20,350
MAINTENANCE:				
Building & grounds	2,500	7,330	7,328	2
Janitorial	18,000	18,000	15,800	2,200
Furniture & fixtures	500	500	476	24
Machinery & equipment	4,000	4,900	4,719	181
Total Maintenance	25,000	30,730	28,323	2,407
SUNDRY:				
Elections	5,000	5,000	-	5,000
Legal	40,000	40,000	18,207	21,793
Professional	60,000	60,000	52,042	7,958
State Garbage Tax	59,000	59,000	56,137	2,863
Total Sundry	164,000	164,000	126,386	37,614
CAPITAL EXPENDITURES:				
Building & grounds	-	135,941	135,941	-
Signs and displays	26,000	3,554	3,000	554
Total Capital Expenditures	26,000	139,495	138,941	554
TOTAL GENERAL GOVERNMENT/ADMINISTRATION	594,425	725,116	657,240	67,876

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>GENERAL GOVERNMENT/CODE ENFORCEMENT</u>				
<u>PERSONNEL SERVICES:</u>				
Supervision	\$ 55,182	\$ 55,182	\$ 45,849	\$ 9,333
Salaries-Full-time	72,530	72,530	45,812	26,718
Vacation	-	-	7,671	(7,671)
Sick Leave	-	-	6,142	(6,142)
Holiday	-	-	5,129	(5,129)
Comp Time	-	-	4,785	(4,785)
Retirement	20,400	20,400	17,707	2,693
Social Security/Medicare	9,890	9,890	8,827	1,063
Health Insurance	16,020	16,020	13,492	2,528
Dental	975	975	315	660
Life Insurance	575	575	417	158
Vision	414	414	252	162
Long Term Disability	430	430	235	195
Workers Comp	2,800	2,800	1,646	1,154
Total Personnel Services	179,216	179,216	158,279	20,937
<u>SUPPLIES:</u>				
Office Supplies	2,000	2,000	1,367	633
Postage	600	600	298	302
Wearing Apparel	1,000	1,000	242	758
Fuel/Gas & Diesel	4,000	4,000	2,887	1,113
Technical Supplies	2,500	2,500	1,324	1,176
Computer Supplies	3,000	3,000	1,341	1,659
Total Supplies	13,100	13,100	7,459	5,641
<u>CONTRACTUAL:</u>				
Communications-Telephone	1,500	2,345	2,343	2
Communications	1,200	1,200	764	436
Insurance & Bonds	500	625	623	2
Publications & Advertising	1,200	1,200	751	449
Association Dues	2,000	2,000	1,335	665
Travel	2,000	2,000	502	1,498
Schools	5,000	5,000	1,416	3,584
ETS Fees/Bank Service Charges	1,000	1,000	738	262
Software Contract	7,605	8,101	8,101	-
Humane Society	3,000	3,000	708	2,292
Total Contractual	25,005	26,471	17,281	9,190
<u>MAINTENANCE:</u>				
Machinery & Equipment	3,000	3,281	3,280	1
Motor Vehicle & Maintenance	1,500	1,800	1,548	252
Total Maintenance	4,500	5,081	4,828	253
<u>SUNDRY:</u>				
Professional	20,000	20,000	7,115	12,885
Legal	5,000	5,000	3,560	1,440
Total Sundry	25,000	25,000	10,675	14,325
TOTAL GENERAL GOVERNMENT/ CODE ENFORCEMENT	246,821	248,868	198,522	50,346

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>GENERAL GOVERNMENT/LEDC</u>				
<u>PERSONNEL SERVICES:</u>				
Supervision	\$ 65,000	\$ 65,000	\$ 60,250	\$ 4,750
Vacation	-	-	3,375	(3,375)
Sick Leave	-	-	875	(875)
Holiday	-	-	3,000	(3,000)
Auto Allowance	9,200	9,200	9,000	200
Retirement	11,600	11,600	11,767	(167)
Social Security/Medicare	5,525	5,525	5,852	(327)
Health Insurance	5,340	5,340	5,311	29
Dental	300	300	319	(19)
Life Insurance	275	275	254	21
Vision	200	200	108	92
Long Term Disability	100	100	180	(80)
Workers Comp	100	100	80	20
Total Personnel Services	97,640	97,640	100,371	(2,731)
TOTAL GENERAL GOVERNMENT/LEDC	97,640	97,640	100,371	(2,731)
<u>COURT</u>				
<u>PERSONNEL SERVICES:</u>				
Supervision	8,400	8,400	8,400	-
Salaries-Full-time	64,056	64,056	47,730	16,326
Overtime	-	-	5,863	(5,863)
Vacation	-	-	2,896	(2,896)
Sick Leave	-	-	1,043	(1,043)
Holiday	-	-	1,881	(1,881)
Comp Time	-	-	1,177	(1,177)
Retirement	10,000	10,000	9,320	680
Social Security/Medicare	4,950	4,950	4,635	315
Health Insurance	10,680	10,680	8,141	2,539
Dental	655	655	580	75
Life Insurance	440	440	199	241
Vision	250	250	197	53
Long Term Disability	360	360	134	226
Workers Comp	200	200	159	41
Total Personnel Services	99,991	99,991	92,355	7,636
<u>SUPPLIES:</u>				
Office Supplies	1,000	1,280	1,279	1
Postage	600	600	567	33
Total Supplies	1,600	1,880	1,846	34
<u>CONTRACTUAL:</u>				
Communications	1,500	1,530	1,527	3
Software	1,300	1,550	1,548	2
Insurance & Bonds	100	100	100	-
Publications & Advertising	100	100	-	100
ETS Fees/Bank Service Charges	3,500	5,360	5,353	7
Association Dues	300	300	226	74
Travel	2,000	2,000	1,923	77
Schools	1,000	1,000	781	219
Total Contractual	9,800	11,940	11,458	482
<u>SUNDRY:</u>				
Court Expense	400	400	320	80
Legal	20,000	20,000	9,700	10,300
Professional	6,000	6,000	5,896	104
Transfer to State-Fines	200,000	200,000	164,936	35,064
Total Sundry	226,400	226,400	180,852	45,548
TOTAL COURT	337,791	340,211	286,511	53,700

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
POLICE				
PERSONNEL SERVICES:				
Supervision	\$ 61,200	\$ 61,200	\$ 53,485	\$ 7,715
Salaries-Full-time	706,900	706,900	646,938	59,962
Salaries-Part-time	8,000	8,000	3,758	4,242
Overtime	22,000	22,000	30,690	(8,690)
Vacation	-	-	35,194	(35,194)
Sick Leave	-	-	13,193	(13,193)
Holiday	-	21,537	33,911	(12,374)
Comp Time	-	-	15,327	(15,327)
Retirement	124,000	124,000	127,405	(3,405)
Social Security/Medicare	62,160	62,160	63,685	(1,525)
Health Insurance	106,800	106,800	103,568	3,232
Dental	6,560	6,560	6,136	424
Life Insurance	5,175	5,175	2,781	2,394
Vision	2,530	2,530	2,129	401
Long Term Disability	4,300	4,300	2,128	2,172
Workers Comp	24,000	24,000	14,653	9,347
Total Personnel Services	1,133,625	1,155,162	1,154,981	181
SUPPLIES:				
Office Supplies	5,000	5,000	4,182	818
Postage	1,000	1,000	444	556
Wearing Apparel	5,500	5,500	3,308	2,192
Fuel/Gas & Diesel	45,000	46,150	46,144	6
Technical Supplies	4,000	4,000	2,394	1,606
Miscellaneous Supplies	3,000	3,000	1,816	1,184
Total Supplies	63,500	64,650	58,288	6,362
CONTRACTUAL:				
Communications-Telephone	5,000	5,000	14,381	(9,381)
Communications	16,000	16,000	2,160	13,840
Insurance & Bonds	15,000	15,000	13,492	1,508
Publications & Advertising	1,500	1,500	591	909
Association Dues	1,000	1,000	630	370
Travel	4,000	4,000	1,051	2,949
Schools	4,000	4,289	4,289	-
Contracts - Miscellaneous	45,000	45,000	36,851	8,149
Total Contractual	91,500	91,789	73,445	18,344
MAINTENANCE:				
Machinery & Equipment	11,000	11,000	8,673	2,327
Motor Vehicle & Maintenance	25,000	25,442	25,442	-
Miscellaneous Maintenance	4,000	4,000	3,692	308
Building & Grounds	2,000	2,095	2,095	-
Total Maintenance	42,000	42,537	39,902	2,635
SUNDRY:				
Legal	3,000	27,200	27,180	20
Professional	4,000	4,000	3,328	672
Total Sundry	7,000	31,200	30,508	692
CAPITAL EXPENDITURES:				
Motor Vehicle	-	15,846	15,846	-
Other Equipment	11,700	11,701	11,700	1
Total Capital Expenditures	11,700	27,547	27,546	1
TOTAL POLICE	1,349,325	1,412,885	1,384,670	28,215

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
FIRE				
PERSONNEL SERVICES:				
Retirement	\$ 9,000	\$ 9,728	\$ 9,728	\$ -
Total Personnel Services	<u>9,000</u>	<u>9,728</u>	<u>9,728</u>	<u>-</u>
TOTAL FIRE	<u>9,000</u>	<u>9,728</u>	<u>9,728</u>	<u>-</u>
PUBLIC WORKS				
PERSONNEL SERVICES:				
Salaries-Full-time	123,500	123,500	108,954	14,546
Overtime	3,500	3,500	4,771	(1,271)
Vacation	-	-	6,082	(6,082)
Sick Leave	-	-	1,420	(1,420)
Holiday	-	-	5,429	(5,429)
Comp Time	-	-	1,948	(1,948)
Retirement	19,900	19,900	19,763	137
Social Security/Medicare	9,900	9,900	9,838	62
Health Insurance	21,400	21,400	20,644	756
Dental	1,300	1,300	1,236	64
Life Insurance	1,000	1,000	437	563
Vision	575	575	414	161
Long Term Disability	920	920	330	590
Workers Comp	2,500	2,500	1,169	1,331
Total Personnel Services	<u>184,495</u>	<u>184,495</u>	<u>182,435</u>	<u>2,060</u>
SUPPLIES:				
Office Supplies	750	750	58	692
Postage	50	50	-	50
Wearing Apparel	1,000	1,000	906	94
Fuel/Gas & Diesel	15,000	15,000	14,475	525
Technical Supplies	1,500	1,500	1,406	94
Cleaning Supplies	500	500	264	236
Building Supplies	700	911	911	-
Tractor Supplies	3,500	3,500	3,030	470
Miscellaneous Supplies	500	500	296	204
Total Supplies	<u>23,500</u>	<u>23,711</u>	<u>21,346</u>	<u>2,365</u>
CONTRACTUAL:				
Communications-Telephone	2,000	2,575	2,575	-
Insurance & Bonds	1,800	1,800	1,171	629
Utilities	130,000	130,000	116,161	13,839
Association Dues	200	200	90	110
Equipment Rental	1,000	1,000	-	1,000
Schools	-	600	540	60
Solid Waste Contract	600,000	600,000	559,630	40,370
Janitorial Service	7,150	7,150	5,850	1,300
Total Contractual	<u>742,150</u>	<u>743,325</u>	<u>686,017</u>	<u>57,308</u>
MAINTENANCE:				
Building and Grounds	20,000	29,990	29,989	1
Machinery & Equipment	20,500	20,500	19,294	1,206
Motor Vehicle & Maintenance	6,000	6,000	4,096	1,904
Miscellaneous Maintenance	2,400	5,890	5,888	2
Streets & Alleys	25,000	25,000	12,103	12,897
Culverts	2,000	2,000	-	2,000
Signals & Markers	12,000	12,000	10,369	1,631
Total Maintenance	<u>87,900</u>	<u>101,380</u>	<u>81,739</u>	<u>19,641</u>

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
SUNDRY:				
Legal	\$ 200	\$ 200	\$ -	\$ 200
Professional	<u>5,000</u>	<u>5,000</u>	<u>55</u>	<u>4,945</u>
Total Sundry	<u>5,200</u>	<u>5,200</u>	<u>55</u>	<u>5,145</u>
TOTAL PUBLIC WORKS	<u>1,043,245</u>	<u>1,058,111</u>	<u>971,592</u>	<u>86,519</u>
TOTAL EXPENDITURES - BUDGET BASIS	<u>\$ 3,678,247</u>	<u>\$ 3,892,559</u>	3,608,634	<u>\$ 283,925</u>
Financial Statement Adjustments:				
Decrease in accrued expenses			(54,483)	
Increase in bad debt reserve			3,010	
Increase in accounts payable			<u>2,340</u>	
TOTAL EXPENDITURES - GAAP BASIS			<u>\$ 3,559,501</u>	

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
WATER & SEWER FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Charges for services:				
Water sales	\$ 1,100,000	\$ 1,126,760	\$ 1,378,952	\$ 252,192
Sewer charges	775,000	775,000	911,251	136,251
EMS	-	-	26	26
Tap and connect fees	25,000	25,000	55,745	30,745
Miscellaneous	2,500	2,500	5,971	3,471
Rents	12,800	12,800	11,667	(1,133)
Interest	<u>1,000</u>	<u>1,000</u>	<u>20,357</u>	<u>19,357</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES - BUDGET BASIS	\$ <u>1,916,300</u>	\$ <u>1,943,060</u>	2,383,969	\$ <u>440,909</u>
Financial Statement Adjustments:				
Water and sewer receivable for September 2010			(210,862)	
Water and sewer receivable for September 2011			155,311	
Water and sewer usage for September 2010 billed in subsequent month			(79,080)	
Water and sewer usage for September 2011 billed in subsequent month			89,572	
Transfers in for asset additions			<u>452,800</u>	
TOTAL REVENUES AND OTHER FINANCING SOURCES - GAAP BASIS			\$ <u>2,791,710</u>	

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
WATER & SEWER FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
WATER & SEWER OPERATIONS				
PERSONNEL SERVICES:				
Supervision	\$ 56,800	\$ 56,800	\$ 48,470	\$ 8,330
Salaries Full-time	348,025	348,025	310,170	37,855
Overtime	18,000	18,000	18,374	(374)
Vacation	-	-	20,285	(20,285)
Sick Leave	-	-	12,984	(12,984)
Holiday	-	-	18,141	(18,141)
Comp Time	-	-	5,429	(5,429)
Retirement	67,300	67,300	66,692	608
Social Security/Medicare	33,165	33,165	33,190	(25)
Health Insurance	64,100	64,100	62,348	1,752
Dental	4,370	4,370	3,795	575
Life Insurance	3,400	3,400	1,484	1,916
Vision	1,700	1,700	1,276	424
Long Term Disability	3,300	3,300	1,130	2,170
Workers Comp	20,000	20,000	10,759	9,241
Total Personnel Services	620,160	620,160	614,527	5,633
SUPPLIES:				
Office supplies	2,800	2,800	2,083	717
Postage	25,000	25,000	22,638	2,362
Wearing apparel	1,600	1,600	898	702
Fuel, gas & diesel	18,000	23,850	23,846	4
Technical supplies	13,000	13,000	9,904	3,096
Cleaning supplies	100	100	-	100
Building supplies	500	500	165	335
Food supplies	200	250	189	61
Chemicals & lab test	40,000	46,340	46,340	-
Tractor supplies	2,500	3,000	2,893	107
Miscellaneous supplies	500	500	156	344
Total Supplies and Materials	104,200	116,940	109,112	7,828
CONTRACTUAL:				
Communications - Telephone	26,000	33,190	33,183	7
Insurance & Bonds - Casualty	7,000	7,000	6,608	392
Publications & advertising	500	500	-	500
Utilities	355,000	355,000	345,388	9,612
Association dues	900	900	778	122
Equipment rental	1,500	1,500	-	1,500
Travel	600	600	28	572
Schools	5,200	5,530	5,527	3
Software contract	18,100	25,112	25,112	-
ETS/Bank charges	6,000	10,000	9,515	485
Total Contractual	420,800	439,332	426,139	13,193
MAINTENANCE:				
Buildings & grounds	3,500	3,500	2,258	1,242
Janitorial	2,400	2,400	2,400	-
Furniture & Fixtures	400	400	-	400
Machinery & equipment	16,000	16,000	15,989	11
Motor vehicles & maintenance	3,500	3,500	3,103	397
Miscellaneous miscellaneous	500	500	-	500
Total Maintenance	26,300	26,300	23,750	2,550

CITY OF LINDALE, TEXAS
DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
WATER & SEWER FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
MAINTENANCE - BUILDING & STRUCTURE:				
Sanitary sewers	\$ 30,000	\$ 30,000	\$ 13,599	\$ 16,401
Water mains	30,000	30,000	25,244	4,756
Plants, towers & wells	<u>160,000</u>	<u>160,000</u>	<u>140,437</u>	<u>19,563</u>
Total Maintenance - building & structure	<u>220,000</u>	<u>220,000</u>	<u>179,280</u>	<u>40,720</u>
SUNDRY:				
Legal & professional	50,000	50,000	28,855	21,145
Miscellaneous	100	100	-	100
Inspection fees	15,000	15,000	-	15,000
Transfer to Reserves	<u>7,783</u>	<u>7,783</u>	<u>13,674</u>	<u>(5,891)</u>
Total Sundry	<u>72,883</u>	<u>72,883</u>	<u>42,529</u>	<u>30,354</u>
CAPITAL - BUILDING & STRUCTURE:				
Building & Grounds	1,800	1,800	-	1,800
Service lines (sewer)	2,000	2,000	1,702	298
Plants, towers & wells	15,000	15,173	15,172	1
Mains	40,000	40,000	16,842	23,158
Wells & pumps	10,000	10,000	5,416	4,584
Meters & meter boxes	15,000	21,865	21,864	1
Service lines (water)	35,000	35,000	19,767	15,233
Service man holes	6,000	6,000	1,727	4,273
Hydrants & valves	18,000	18,000	16,425	1,575
EMS Building	<u>12,800</u>	<u>12,800</u>	<u>12,728</u>	<u>72</u>
Total Capital - building & structure	<u>155,600</u>	<u>162,638</u>	<u>111,643</u>	<u>50,995</u>
CAPITAL EQUIPMENT:				
Furniture & equipment	200	200	-	200
Communications equipment	<u>800</u>	<u>800</u>	<u>-</u>	<u>800</u>
Total Capital Equipment	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
BOND EXPENSE:				
Transfer to General Fund	145,357	145,357	145,357	-
Transfer to I&S	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Total Bond Expense	<u>295,357</u>	<u>295,357</u>	<u>295,357</u>	<u>-</u>
TOTAL EXPENSES - BUDGET BASIS	<u>\$ 1,916,300</u>	<u>\$ 1,954,610</u>	<u>\$ 1,802,337</u>	<u>\$ 152,273</u>
Financial Statement Adjustments:				
Depreciation			519,820	
Bad debt reserve adjustment			5,853	
Increase in compensated absences			2,363	
Capital outlay items not expensed			(33,883)	
Principal payments not expensed			(22,980)	
Decrease in accounts payable and accrued expenses			<u>(29,021)</u>	
TOTAL EXPENSES AND TRANSFERS - GAAP BASIS			<u>\$ 2,244,489</u>	

CITY OF LINDALE, TEXAS
 SCHEDULE OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS - BY SOURCE
 FISCAL YEAR ENDED SEPTEMBER 30, 2011

	TOTAL	LAND	BUILDINGS	INFRASTRUCTURE	MACHINERY & EQUIPMENT	CONSTRUCTION IN PROGRESS
Governmental assets - October 1, 2010	\$ 18,144,992	\$ 7,372,899	\$ 4,039,651	\$ 5,501,230	\$ 1,216,729	\$ 14,483
ADDITIONS FROM GOVERNMENTAL FUNDS:						
<u>GENERAL FUND</u>						
Land	260,984	260,984	-	-	-	-
Buildings & improvements	8,835	-	8,835	-	-	-
Machinery & equipment	38,036	-	-	-	38,036	-
<u>HOTEL/MOTEL TAX FUND</u>						
Buildings & improvements	-	-	10,009	-	-	(10,009)
Machinery & equipment	-	-	-	-	4,474	(4,474)
<u>IB RICE FUND</u>						
Buildings & improvements	3,793	-	3,793	-	-	-
<u>LINDALE ECONOMIC DEVELOPMENT FUND</u>						
Infrastructure	1,462,976	-	-	-	-	1,462,976
<u>PARROTT PARK MUSEUM FUND</u>						
Buildings & improvements	13,800	-	13,800	-	-	-
Machinery & equipment	3,554	-	-	-	3,554	-
<u>CEMETERY FUND</u>						
Buildings & improvements	10,507	-	-	-	-	10,507
<u>GRANT EQUIP/TODDLER TOYS FUND</u>						
Machinery & equipment	13,700	-	-	-	13,700	-
<u>EECBG GRANT FUND</u>						
Machinery & equipment	18,090	-	-	-	18,090	-
RETIREMENTS FROM GOVERNMENTAL FUNDS:						
<u>GENERAL FUND</u>						
Buildings & improvements	(43,200)	-	(43,200)	-	-	-
Machinery & equipment	(14,750)	-	-	-	(14,750)	-
GOVERNMENTAL ASSETS - SEPTEMBER 30, 2011	\$ 19,921,317	\$ 7,633,883	\$ 4,032,888	\$ 5,501,230	\$ 1,279,833	\$ 1,473,483

CITY OF LINDALE, TEXAS
 SCHEDULE OF CHANGES IN GOVERNMENTAL LONG-TERM DEBT
 FISCAL YEAR ENDED SEPTEMBER 30, 2011

	TOTAL	2004 SERIES	2004 REF SERIES	2005 REF SERIES	2006 SERIES	2009 SERIES	CAPITAL LEASE	LEDC NOTE PAYABLE	COMPENSATED ABSENCES
Governmental fund debt, October 1, 2010	\$ 19,103,814	\$ 2,600,000	\$ 3,415,000	\$ 3,432,941	\$ 2,845,787	\$ 3,044,533	\$ 43,966	\$ 3,573,072	\$ 148,515
ADDITIONS									
Compensated absences	1	-	-	-	-	-	-	-	1
Accretion of bond defeasance	11,505	-	-	11,505	-	-	-	-	-
Total Additions	11,506	-	-	11,505	-	-	-	-	1
RETIREMENTS									
Bond principal:									
2004 Certificates of Obligation	80,000	80,000	-	-	-	-	-	-	-
2004 Refunding General Obligation	285,000	-	285,000	-	-	-	-	-	-
2005 Refunding	105,000	-	-	105,000	-	-	-	-	-
2006 Certificates of Obligation	125,000	-	-	-	125,000	-	-	-	-
2009 Certificates of Obligation	125,000	-	-	-	-	125,000	-	-	-
Total Bond Retirements	720,000	80,000	285,000	105,000	125,000	125,000	-	-	-
Other Retirements:									
Capital lease payments	23,264	-	-	-	-	-	23,264	-	-
Note principal	143,162	-	-	-	-	-	-	143,162	-
Amortization of bond premium	15,824	-	-	3,159	9,623	3,042	-	-	-
Total Other Retirements	182,250	-	-	3,159	9,623	3,042	23,264	143,162	-
GOVERNMENTAL FUND DEBT, SEPTEMBER 30, 2011	\$ 18,213,070	\$ 2,520,000	\$ 3,130,000	\$ 3,336,287	\$ 2,711,164	\$ 2,916,491	\$ 20,702	\$ 3,429,910	\$ 148,516

LINDALE ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
(NONGOVERNMENTAL PRESENTATION)
SEPTEMBER 30, 2011

Assets

Current Assets	
Cash and cash equivalents	\$ 1,129,809
Investments	450,000
Sales tax receivable	106,656
Grant receivable	268,762
Total Current Assets	<u>1,955,227</u>
Property and equipment (net of accumulated depreciation)	13,070
Construction in progress	1,462,976
Other Assets	
Organizational cost	555
Prepaid rent	302,563
Land held for resale	4,069,185
Total Other Assets	<u>4,372,303</u>
Total Assets	<u>\$ 7,803,576</u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 504,897
Accrued interest payable	13,422
Current portion of long-term debt	148,151
Total Current Liabilities	<u>666,470</u>
Long-Term Liabilities	
Notes payable- net of current portion	<u>3,281,759</u>
Total Liabilities	<u>3,948,229</u>
Net Assets	
Unrestricted	<u>3,855,347</u>
Total Liabilities and Net Assets	<u>\$ 7,803,576</u>

SCHEDULE "18"

LINDALE ECONOMIC DEVELOPMENT CORPORATION
 STATEMENT OF ACTIVITIES
 (NONGOVERNMENTAL PRESENTATION)
 SEPTEMBER 30, 2011

	<u>Unrestricted</u>
Revenues, Gains, and Other Support	
Sales tax	\$ 650,826
Interest income	37,291
Rent income	14,640
Grant income	736,497
Other income	11,211
Total Revenues, Gains, and Other Support	<u>1,450,465</u>
Expenses and Losses	
Salaries, benefits and payroll taxes	100,370
Professional services	36,413
Office rent	35,250
Office supplies	1,184
Postage/Express Mail	277
Communications	3,059
Seminars/education	175
Conferences and meetings	2,564
Dues and subscriptions	556
Travel	400
Memberships	3,040
Interest and bank charges	166,056
Maintenance of properties	11,828
Marketing materials	174
Surety bond	3,025
ICSC	2,332
ETX I-20 Corridor	1,250
Board Expenditures	480
TJC Facility Expense	28,310
Website	13,722
Advertising materials	3,790
Trade show	1,743
Depreciation	3,648
Total Expenses and Losses	<u>419,646</u>
Change in Net Assets	1,030,819
Net Assets at Beginning of Year	<u>2,824,528</u>
Net Assets at End of Year	<u>\$ 3,855,347</u>

**LINDALE ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
(NONGOVERNMENTAL PRESENTATION)
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

SCHEDULE "19"

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,030,819
Adjustments to change in net assets to cash provided by (used in) operating activities:	
Depreciation expense	3,648
(Increase) decrease in assets:	
Sales tax receivable	2,797
Grant receivable	(268,762)
Prepaid rent	35,250
Increase (decrease) in liabilities:	
Accounts payable	(16,040)
Accrued interest payable	(556)
Total Adjustments	<u>(243,663)</u>
Net Cash Provided by Operating Activities	<u>787,156</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from maturities of investments	1,000,000
Construction of capital assets	<u>(958,079)</u>
Net Cash Provided by Investing Activities	<u>41,921</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on notes payable	<u>(143,162)</u>
Net Cash Used in Financing Activities	<u>(143,162)</u>
Net Increase in Cash & Cash Equivalents	685,915
Cash and cash equivalents, beginning of year	<u>443,894</u>
Cash and cash equivalents, end of year	<u>\$ 1,129,809</u>
 SUPPLEMENTAL INFORMATION:	
Cash paid for interest	<u>\$ 166,612</u>

SINGLE AUDIT

CITY OF LINDALE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
U.S. Department of Commerce:			
Direct Program:			
Investments for Public Works and Economic Development Facilities	11.300	-	\$ <u>736,497</u>
Total U.S. Department of Commerce			<u>736,497</u>
U.S. Department of Energy			
Pass Through From:			
Texas Comptroller of Public Accounts ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		<u>18,090</u>
Total U.S. Department of Energy			<u>18,090</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u><u>754,587</u></u>

See Notes to Schedule on following page.

CITY OF LINDALE, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

The expenditures included in the schedule are reported for the City's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the City for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the general purpose financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The City has followed all applicable guidelines issued by various entities in the preparation of this schedule.

NOTE 2 – JOINT GRANT

The Investments for Public Works and Economic Development Facilities grant was awarded jointly to the City of Lindale and the Lindale Economic Development Corporation.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Lindale, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lindale, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City of Lindale, Texas' basic financial statements and have issued our report thereon dated January 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Lindale, Texas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Lindale, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lindale, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
January 10, 2012

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT SHOULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

To the City Council
City of Lindale, Texas

Compliance

We have audited the City of Lindale, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Lindale, Texas' major federal programs for the year ended September 30, 2011. The City of Lindale, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Lindale, Texas' management. Our responsibility is to express an opinion on the City of Lindale, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lindale, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Lindale, Texas' compliance with those requirements.

In our opinion, the City of Lindale, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the City of Lindale, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Lindale, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lindale, Texas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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



Certified Public Accountants

Tyler, Texas
January 10, 2012

**CITY OF LINDALE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2011**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial Statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? yes X none reported

Type of auditors’ report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes X no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
11.300	Investments for Public Works and Economic Development Facilities

**CITY OF LINDALE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2011**

Section I (continued)

Dollar threshold used to distinguish
Between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee: _____ yes X no

Section II – Financial Statement Findings

2011-1 Internal Control Over Preparation Of Financial Statements

Material Weakness Condition: The City has not identified risks to the preparation of reliable financial statements and has not designed effective controls over the preparation of the financial statements to prevent or detect material misstatements, including footnote disclosures.

Cause: The City employees do not have the skills necessary to prepare the financial statements and footnotes.

Effect: The City's financial statements could contain material misstatements unbeknownst to City management.

Recommendation: The City should consider options to address this issue including internal or external assistance as needed.

Response: We acknowledge the financial statement finding as noted and will work toward the necessary steps to correct this weakness.

Section III – Federal Award Findings and Questioned Costs

None

**CITY OF LINDALE, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

None.