

CITY OF ALVARADO, TEXAS  
SINGLE AUDIT REPORTS AND SCHEDULES  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2009

CITY OF ALVARADO, TEXAS  
Single Audit Reports and Schedules  
Year Ended September 30, 2009  
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**RUTLEDGE CRAIN & COMPANY, PC**

**CERTIFIED PUBLIC ACCOUNTANTS**

2401 Garden Park Court, Suite B  
Arlington, Texas 76013

**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***

The Honorable Judge and City Commissioners  
The City of Alvarado  
Alvarado, 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 Alvarado, Texas (the "City"), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of The City of Alvarado, Texas, in a separate letter dated May 10, 2010.

This report is intended solely for the information and use of management and management, City Council, others within the City of Alvarado, Texas, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rutledge Grant & Company, PC*

May 10, 2010

**RUTLEDGE CRAIN & COMPANY, PC**

**CERTIFIED PUBLIC ACCOUNTANTS**

2401 Garden Park Court, Suite B  
Arlington, Texas 76013

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Judge and City Commissioners  
The City of Alvarado  
Alvarado, Texas

Compliance

We have audited the compliance of The City of Alvarado, Texas, (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2009. The City's 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 its major federal programs is the responsibility of City management. Our responsibility is to express an opinion on the City's 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's 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 on the City's compliance with those requirements.

In our opinion, The City of Alvarado, Texas, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

Internal Control Over Compliance

The management of The City of Alvarado, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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's internal control over compliance.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of The City of Alvarado, Texas as of and for the year ended September 30, 2009 and have issued our report thereon dated May 10, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management and management, City Council, others within the City of Alvarado, Texas, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rutledge Crain & Company, PC*

May 10, 2010

THE CITY OF ALVARADO, TEXAS  
Schedule of Prior Audit Findings  
September 30, 2009

Finding

None

THE CITY OF ALVARADO, Texas  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2009

A. Summary of Auditors' Results

The auditors' report expresses an unqualified opinion on the financial statements.

No reportable conditions were disclosed during the audit of the financial statements.

No instances of noncompliance material to the financial statements of the City of Alvarado, Texas were disclosed during the audit.

No reportable conditions in the internal over major federal award programs were disclosed during the audit.

The auditors' report on compliance for the major federal award programs for the City of Alvarado, Texas expresses an unqualified opinion on all major programs.

No audit findings are reported.

The programs tested as major programs included:

U. S. Dept. of Agriculture – 10.760, Water and Waste Disposal Systems for Rural Communities

The threshold used to distinguish between Type A and Type B federal programs was \$300,000.

The City did not qualify as a low-risk auditee.

B. Findings Related to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards.

NONE

C. Findings and Questioned Costs for Federal Awards

Program Finding/Noncompliance

Costs

NONE

THE CITY OF ALVARADO, TEXAS  
Corrective Action Plan  
September 30, 2009

Finding

None

THE CITY OF ALVARADO, TEXAS  
 Schedule of Expenditures of Federal Awards  
 September 30, 2009

Federal Grant /Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Current Period Expenditures	
<b>Direct Grants</b>				
U.S. Department of Agriculture				
Rural Development	10.760		\$ 3,213,992	#
Total U.S. Department of Agriculture			<u>3,213,992</u>	
<b>Indirect Grants</b>				
U.S. Department. of Housing and Urban Development				
Passed through Texas Department of Housing and Community Affairs				
Community Development Block Grant/States Program				
Texas Capital Fund - Sabre Communications	14.228	728112	142,906	
Total U.S. Department of Housing and Urban Development			<u>142,906</u>	
U.S. Department of Transportation				
Passed through Texas Department of Transportation				
Safe Routes to School	20.205		6,747	
Total U.S. Department of Homeland Security			<u>6,747</u>	
Total Federal Financial Assistance - Current Period Expenditures			<u>\$ 3,363,645</u>	

# - Major Program

THE CITY OF ALVARADO, TEXAS  
Notes to Schedule of Expenditures of Federal Awards  
September 30, 2008

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- A. The accompanying schedule of expenditures of federal awards is a summary of the activity of the City's federal award programs presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

CITY OF ALVARADO, TEXAS

*ANNUAL FINANCIAL REPORT*

FOR THE YEAR ENDED SEPTEMBER 30, 2009

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## INTRODUCTORY SECTION

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**CITY OF ALVARADO, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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**CITY OF ALVARADO, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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# City of Alvarado

104 W. College  
Alvarado, Texas 76009

Phone 817-790-3351  
FAX 817-783-7925

May 14, 2010

The Honorable Mayor, City Council and the Citizens of the City of Alvarado

The City council of the City of Alvarado requires that the City's Finance Department prepare a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Accordingly, the Annual Financial Report for the City of Alvarado, Texas for the fiscal year ended September 30, 2009, is hereby issued.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making representations, the City has designed a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements. As management, we assert, that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Rutledge, Crain & Company, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements for the City for the fiscal year ended September 30, 2009, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that The City's financial statements for the fiscal year ended September 30, 2009, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report

## **Profile of the City**

The oldest town in Johnson County, Texas, Alvarado was incorporated in 1889 and is located at the intersection of Interstate Highway 35 and U.S. Highway 67, 20 miles south of Fort Worth. The City occupies approximately 4.67 square miles and serves a population of about 4,000. The City is empowered by state statute to levy a tax on both real and business personal property located within its boundaries.

The City operates under a council-manager form of government. Policy-making and legislative authority are vested in a governing Council consisting of the mayor and six (6) Council members. The City is divided into three (3) wards and two (2) Council members represent each ward. The Council members must live in the ward they serve. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and appointing heads of various departments. The Mayor and City Council members serve two-year terms.

The basic financial statements of the City include governmental activities, organizations and functions for which the City is financially accountable as defined by the Government Accounting Standards Board (GASB). Accordingly, Alvarado Economic Development Corporation has been included as a blended component unit.

**Services Provided.** The City provides a full range of services, including public safety (police, fire, animal control), maintenance of streets, drainage and infrastructure, sanitation services, maintenance of the treated water distribution system and both sanitary and storm water collection and treatment systems, recreational activities and cultural activities and general administrative services.

**Economic Conditions and Outlook**

The information presented in the financial statements is perhaps best understood when it is considered from the broader aspect of the specific environment within which the City operates.

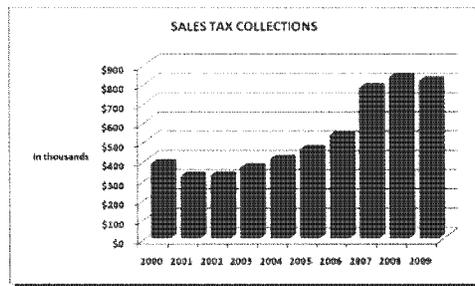
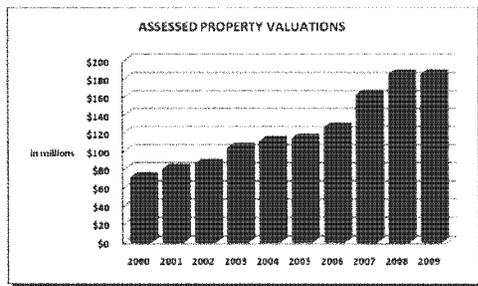
**Local Economy.** Like all other cities in the nation and in the state and surrounding areas the City of Alvarado is showing a significant economic downturn. Nearly all of the downturn can be attributed to the slowing down of natural gas drilling in the area. The other economic venues are remaining strong with most not showing slower sales.

The following facts reflect Alvarado’s economic condition and outlook:

Property valuations remained static at about \$185M from the previous year. Most taxing entities in the area showed decreases in their property values so Alvarado has a good, steady base to build on.

The property tax rate of \$0.697313 is the same that it has been for the previous two (2) years.

Sales tax collections decreased by \$19,467 from \$833,419 to \$813,952.



## **Accounting System and Budgetary Control**

The City's accounting records and general government operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities incurred. Accounting records for the City utilities are maintained on the accrual basis.

The annual budget serves as a foundation of the City's financial planning and control. State law provides that the City Council shall adopt the annual budget prepared by the City Manager. The proposed budget must be submitted to the City Secretary no later than August 1<sup>st</sup>. The City Manager is authorized to transfer budgeted amounts between line items and departments; however any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgetary control has been established at the departmental level. Financial reports are produced showing budget and actual expenditures by line item, and are distributed monthly to the departmental management and to others by request.

Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures are monitored and controlled item by item. Revenue budgets are reviewed monthly.

Budget-to-actual comparisons are provided in this report for the General Fund on page 54.

**Debt Management.** The City issues debt only for the purpose of acquiring or constructing capital assets for the general benefit of its citizens, and to allow the fulfillment of its various missions as a City. Debt may be issued for the purposes of purchasing land or right-of-way and/or improvements to land, for construction projects to provide for the general good, or for capital equipment. The City will uphold all related bond covenant agreements associated with bond issues. Bond issues are only conducted after consultation with an outside financial advisor. The City is currently contracted with Southwest Securities to provide these services.

**Cash Management.** The City utilizes its bank depository contract and its investment policy in the management of all cash. Under the bank depository contract, the City operating account earns the bank's public fund interest rate. The City's investment policy embraces current state regulations on the investment of public funds and authorizes the City to invest in certificates of deposits, direct obligations of the United States Government or the State of Texas, obligations of an agency of the United States Government or the State of Texas, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States and state government investment pools. The City requires all deposits and investments of City funds other than direct purchases of U.S. Treasuries or Agencies shall be secured by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC or FSLIC. Evidence of pledged collateral is maintained by the Director of Finance. Repurchase agreements are documented by a specific agreement noting the collateral pledge in each agreement. Collateral is reviewed weekly to assure that the market value of the pledged securities is adequate.

**Tax Appraisal/Tax Collection Responsibilities.** The appraised value of taxable property in Alvarado is established by the Johnson County Appraisal District. The City of Alvarado and other taxing jurisdictions in Johnson County provide a pro-rata share of the budgeted expenditures incurred by the Appraisal District,

**Risk Management.** Risk management within the City is a joint effort of all City departmental heads in coordination with the City's property and casualty provider. Under a contractual arrangement, the City's facilities, procedures and claims are reviewed by a loss prevention representative with an insurance provider. The representative and department heads address area of needs as identified through both external and internal analysis.

The City purchase liability insurance with limits of \$2,000,000 for all exposures. The City also purchases workers' compensation coverage through a public entity insurance pool.

**Acknowledgements.** The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the City. We would like to express our appreciation to all staff members who assisted and contributed to its preparation. We would also like to thank the Mayor and City Council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully Submitted,

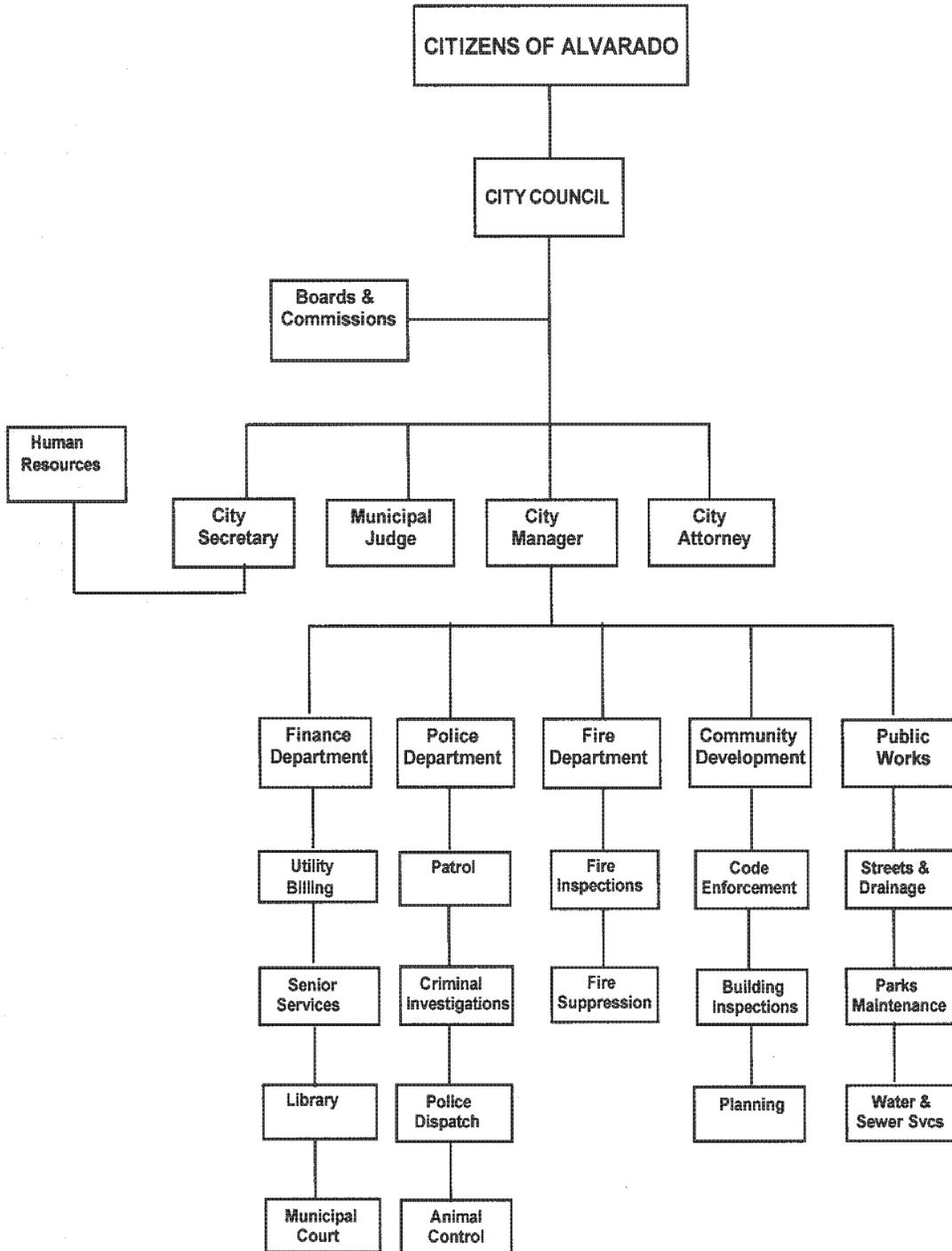


Donald A. Ives  
City Manager



Kelle Whitfill  
Director of Finance and Administration

**CITY OF ALVARADO  
ORGANIZATIONAL CHART**



**CITY OF ALVARADO  
PRINCIPAL CITY OFFICIALS  
SEPTEMBER 30, 2009**

Mayor

Tom Durington

Council Members

Dwayne "Coach" Richters

Tom Moore

Bruce Clark

David Bayless

Joe Sain

Michael Rayburn

City Manager

Donald A. Ives

City Secretary

Debbie Thomas

City Attorney

Bryn D. Meredith

Director of Finance and Administration

Kelle Whitfill

Director of Public Works

Terry Hafer

Director of Community Development

Sharon Vass

Police Chief

Josh Vincent

Fire Chief

Richard VanWinkle

## FINANCIAL SECTION

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RUTLEDGE CRAIN & COMPANY, PC  
CERTIFIED PUBLIC ACCOUNTANTS  
2401 Garden Park Court, Suite B  
Arlington, Texas 76013

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Alvarado, 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 Alvarado, Texas (the "City"), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Alvarado, Texas' management. Our responsibility is to express an opinion 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 the 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 Alvarado, Texas, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison schedules on pages 21 through 23 and 54 through 55, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Alvarado, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



May 10, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Alvarado, we offer readers of the City of Alvarado's financial statements this narrative overview and analysis of the financial activities of the City of Alvarado for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. Comparative data is included for comparative analysis of government wide activities.

### Financial Highlights

The assets of the City of Alvarado exceeded its liabilities at the close of the most recent fiscal year by \$12,950,889 (net assets). During 2009, the City transferred tax-supported debt (\$4,110,000 outstanding at September 30, 2009) from business-type to governmental activities creating a deficit in governmental unrestricted net assets because the debt is unrelated to governmental capital assets. Governmental unrestricted net assets exclusive of this debt are \$1,378,780 which may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net assets increased this fiscal year by \$2,079,020.

As of the close of the current fiscal year, the City of Alvarado's governmental funds reported combined ending fund balances of \$1,838,020. Approximately 94% or \$1,735,971 is available for spending at the City's discretion (unreserved fund balance).

At the end of the current fiscal year, unreserved fund balance for the general fund was \$623,353.

The City's total liabilities increased by \$932,478 during the current fiscal year. The key factor in this increase was the issuance of new tax notes debt.

### Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City of Alvarado's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of the City of Alvarado's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decrease in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent 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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes.)

Both of the government-wide financial statements distinguish functions of the City of Alvarado that are principally supported by taxes and intergovernmental revenues (*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 of Alvarado include general government, public safety, public works, and culture and recreation. The business-type activity of the City of Alvarado includes a Water and Sewer Fund.

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

**Governmental funds.** *Governmental 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 *balance of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Alvarado maintains 9 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund, the royalties fund, and the capital projects fund, all of which are considered major funds. Data from the other 5 funds are combined into a single, aggregated presentation.

**Proprietary funds.** The City of Alvarado maintains one type of proprietary fund. *Enterprise funds* are used to report same functions presented as *business-type activities* in the government-wide financial statements. The City of Alvarado uses an enterprise fund to account for its Water and Sewer Fund.

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 Fund, which is considered to be a major fund of the City of Alvarado.

**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.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Alvarado, assets exceeded liabilities by \$12,950,889 at the close of the most recent fiscal year. This represents an increase of \$2,079,020 from the previous fiscal year.

The largest portion of the City of Alvarado's net assets is normally reflected by its investments in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Alvarado uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Alvarado'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. This year the City's largest portion of net assets is shown in restricted capital assets. This is the result of a time difference between the issuance of general obligation debt to pay for the City's new wastewater treatment plant and the project not yet having been completed.

**City of Alvarado's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and Other Assets	\$ 2,609,152	\$ 2,576,974	\$ 5,996,194	\$ 2,459,943	\$ 8,605,346	\$ 5,036,917
Capital Assets	3,973,104	6,308,405	8,799,651	13,044,277	12,772,755	19,352,682
Total Assets	<u>6,582,256</u>	<u>8,885,379</u>	<u>14,795,845</u>	<u>15,504,220</u>	<u>21,378,101</u>	<u>24,389,599</u>
Other Liabilities	133,769	441,062	571,933	736,272	705,702	1,177,334
Long-term Liabilities	1,045,718	5,879,453	8,754,812	4,381,923	9,800,530	10,261,376
Total Liabilities	<u>1,179,487</u>	<u>6,320,515</u>	<u>9,326,745</u>	<u>5,118,195</u>	<u>10,506,232</u>	<u>11,438,710</u>
Invested in capital assets, net of related debt	2,970,505	4,641,136	33,651	8,701,994	3,004,156	13,343,130
Restricted	209,542	654,948	3,809,264	-	4,018,806	654,948
Unrestricted	2,222,722	(2,731,220)	1,626,185	1,684,031	3,848,907	(1,047,189)
Total Net Assets	<u>\$ 5,402,769</u>	<u>\$ 2,564,864</u>	<u>\$ 5,469,100</u>	<u>\$ 10,386,025</u>	<u>\$ 10,871,869</u>	<u>\$ 12,950,889</u>

An additional portion of the City of Alvarado's net assets, \$654,948 represents resources that are subject to external restrictions on how they may be used. A balance of \$4,255,000 for tax-supported debt is unrelated to governmental activities capital assets. Unrestricted net assets net of this amount are actually \$3,207,811 which may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2009, the City of Alvarado is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Governmental Activities.** Governmental activities reflected a decrease in the City's net assets by \$2,837,905. This decrease was mainly attributable to the reclassification \$4,255,000 of debt from business-type activities to governmental activities. The net assets invested in capital assets, net of related debt, increased by \$1,670,631 or 56.2 percent. Unrestricted net assets decreased by \$4,953,942.

**Business-type Activities.** Net assets from business-type activities increased by \$4,916,925 or 89.9 percent from \$5,469,100 to \$10,386,025 mainly because of the reclassification of debt.

The following table provides comparative summaries of the City's operations for the years ended September 30, 2008 and 2009.

**City of Alvarado's Changes in Net Assets**

	Governmental Activities		Business Activities		Total	
	2008	2009	2008	2009	2008	2009
<b>REVENUES:</b>						
Program Revenues:						
Charges for Services	\$ 980,128	\$ 1,522,071	\$ 1,920,588	\$ 2,013,793	\$ 2,900,716	\$ 3,535,864
Operating Grants/Contributions	188,103	20,370	-	-	188,103	20,370
Capital Grants/Contributions	5,842	895,876	-	639,905	5,842	1,535,781
General Revenues:						
Property Taxes	1,145,091	1,234,873	-	-	1,145,091	1,234,873
Sales Tax	1,254,903	1,085,269	-	-	1,254,903	1,085,269
Franchise Tax	305,513	434,468	-	-	305,513	434,468
Alcoholic beverage taxes	-	1,246	-	-	-	1,246
Unrestricted investment earnings	66,614	18,612	56,140	19,741	122,754	38,353
Other revenue	668,227	134,418	-	29,715	668,227	164,133
Special item inflow	-	-	-	4,255,000	-	4,255,000
<b>Total Revenue</b>	<b>4,614,421</b>	<b>5,347,203</b>	<b>1,976,728</b>	<b>6,958,154</b>	<b>6,591,149</b>	<b>12,305,357</b>
<b>EXPENSES:</b>						
General government	772,599	468,752	-	-	772,599	468,752
Public safety	2,169,061	2,069,367	-	-	2,169,061	2,069,367
Public works	150,202	404,410	-	-	150,202	404,410
Community development	-	326,734	-	-	-	326,734
Cultural & recreational	162,479	322,565	-	-	162,479	322,565
Social & welfare	173,255	73,305	-	-	173,255	73,305
Economic development	-	46,533	-	-	-	46,533
Interest on long-term debt	-	308,442	-	-	-	308,442
Water & sewer operations	-	-	1,783,200	1,951,229	1,783,200	1,951,229
Special item outflow	-	4,255,000	-	-	-	4,255,000
<b>Total Expenses</b>	<b>3,427,596</b>	<b>8,275,108</b>	<b>1,783,200</b>	<b>1,951,229</b>	<b>5,210,796</b>	<b>10,226,337</b>
Change in net assets before transfers	1,186,825	(2,927,905)	193,528	5,006,925	1,380,353	2,079,020
Transfers	(285,400)	90,000	285,400	(90,000)	-	-
<b>Change in net assets</b>	<b>901,425</b>	<b>(2,837,905)</b>	<b>478,928</b>	<b>4,916,925</b>	<b>1,380,353</b>	<b>2,079,020</b>
Net assets - Beginning	4,501,344	5,402,769	4,990,172	5,469,100	9,491,516	10,871,869
<b>Net assets - Ending</b>	<b>\$ 5,402,769</b>	<b>\$ 2,564,864</b>	<b>\$ 5,469,100</b>	<b>\$ 10,386,025</b>	<b>\$ 10,871,869</b>	<b>\$ 12,950,889</b>

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the City 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 financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,838,020. Approximately 94 percent of this amount, \$1,735,971, constitutes unreserved fund balance. Refer to pages 24 and 25 of this report for a more detailed presentation of governmental fund balances.

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

Unrestricted net assets of the City's proprietary funds at the end of the year amounted to \$1,684,031. The increase in net assets was \$4,916,925. The factors concerning the finances of these funds have already been discussed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

In the General Fund, the City budgeted for a decrease in the fund balance on a budget basis of \$19,500 but the actual revenues collected were \$312,981 less than budgeted mainly due to lower than projected sales tax collections and municipal traffic fines. Mainly due to the economic downturn in the local economy, which was mostly due to slower natural gas well drilling activity, sales tax revenues were \$130,448 less than budgeted. Also, there was a change in the police administration during the fiscal year. A new police chief was named and some patrol officers were lost. The City never reached a full staff of patrol officers during the year which was the contributing factor in revenues received from traffic fines being \$308,135 less than budgeted.

Expenditures were \$109,033 lower than budgeted because street department costs were \$74,693 lower, public safety was \$60,937 lower than budgeted, and parks maintenance and library ended the year \$46,387 over budget.

Due to these factors the fund balance decreased by \$69,843 during the fiscal year to \$623,353.

Differences between the original budget and the final amended budget for both revenues and expenditures amounted to \$186,260. The most significant changes were for \$30,000 to fund demolition costs for additional substandard homes in the City, \$106,000 to fund the city's one-fourth contribution for the construction of a parking lot at Parkway Park (Alvarado Economic Development Corporation to fund one-fourth and Alvarado Independent School District to fund one-half), \$18,000 for the General Fund portion of the City's new computer software system, \$30,000 for the City's matching funds for the purchase of a new fire service water truck and \$4,700 for a city-wide household hazardous waste collection event.

Even with these budget amendments, the revenues were projected to be sufficient to fund these increases without reducing the General Fund fund balance.

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2009, amounts to \$19,352,682 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, equipment, infrastructure and construction in progress.

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

- Purchased new fire service water truck for \$180,000;
- Purchased two (2) new police patrol vehicles for \$55,779;
- Purchased new animal control truck with new animal cage for \$20,047;

- Constructed new Public Works/Community Development office complex for \$147,428;
- Purchased various street paving equipment for \$213,269;
- Continuation of the street improvement program for \$268,973;
- Purchased sewer vacuum/high pressure water machine and trailer for \$38,000;
- Purchased land for site of new parking lot for the City's Parkway Park for \$40,652;
- Completed various park improvements at Parkway Park for \$65,314;
- Construct new sewer line to Sabre Industries for \$219,549.

The following table provides comparative summaries of the City's capital assets at September 30, 2008 and 2009.

#### CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-Type Activities		Totals	
	2008	2009	2008	2009	2008	2009
Land	\$ 264,021	\$ 429,022	\$ 428,583	\$ 446,083	\$ 692,604	\$ 875,105
Buildings & Improvements	982,038	1,870,583	22,950	21,150	1,004,988	1,891,733
Infrastructure	1,880,605	2,625,527	-	-	1,880,605	2,625,527
Vehicles	508,985	500,847	45,238	24,216	554,223	525,063
Improvements other than buildings	33,216	224,509	-	-	33,216	224,509
Water System	-	-	4,047,078	3,790,439	4,047,078	3,790,439
Sewer System	-	-	2,560,267	2,445,785	2,560,267	2,445,785
Other Equipment	18,291	423,725	-	75,257	18,291	498,982
Construction in Progress	285,948	234,192	1,695,535	6,241,347	1,981,483	6,475,539
Total	<u>\$ 3,973,104</u>	<u>\$ 6,308,405</u>	<u>\$ 8,799,651</u>	<u>\$13,044,277</u>	<u>\$12,772,755</u>	<u>\$19,352,682</u>

#### Debt Administration

**Long-term Debt.** At the end of the current fiscal year, the City of Alvarado had total long-term debt outstanding of \$10,261,376, an increase of \$460,846 over the previous year. Of this amount, \$9,798,919 is comprised of combination tax and revenue certificate of obligations debt to be paid from property tax revenue, as well as water and sewer revenues from the City. The remainder of the debt, \$344,604, is comprised of various notes for vehicles, equipment and buildings, and accrued compensated absences of \$117,853.

The following table provides comparative summaries of the City's outstanding debt at September 30 2008 and 2009

**OUTSTANDING DEBT AT YEAR-END**

	Governmental Activities		Business-Type Activities		Totals	
	2008	2009	2008	2009	2008	2009
Certificates of Obligation	\$ 465,000	\$ 4,490,000	\$ 8,754,000	\$ 4,356,000	\$ 9,219,000	\$ 8,846,000
Tax Anticipation Notes	-	1,000,000	-	-	-	1,000,000
Capital Leases	33,798	163,191	-	23,972	33,798	187,163
Notes Payable	470,585	157,441	-	-	470,585	157,441
Bond premium/discount	(34,567)	(33,364)	(13,482)	(13,717)	(48,049)	(47,081)
Compensated Absences	110,902	102,185	14,294	15,668	125,196	117,853
Total	<u>\$ 1,045,718</u>	<u>\$ 5,879,453</u>	<u>\$ 8,754,812</u>	<u>\$ 4,381,923</u>	<u>\$ 9,800,530</u>	<u>\$ 10,261,376</u>

**Economic Factors and Next Year's Budget and Rates**

The following factors were considered in preparing the City of Alvarado's budget for the 2010 fiscal year:

- The City benefits from its strategic location, which is approximately 20 miles from Fort Worth and 35 miles from Dallas.
- Local inflation factors remain low while the median income continues to rise.
- With the slowing of the natural gas drilling in the area the City's property valuation levels will remain about the same as in 2009.
- The City of Alvarado's property tax rate will remain the same as it has been for the past two (2) years at \$.697313 per \$100 valuation.
- Alvarado's fourth motel, Best Western, Auto Zone and Dairy Queen opened this year.
- Holiday Inn Express Motel is under construction and will open next year.
- The City expects increased natural gas royalties revenue.
- Alvarado Shopping Center with approximately 10 retail rental units is currently under construction.
- Other new commercial construction includes new movie theaters and additional retail and commercial rental units.
- Huguley Clinic built and opened a new facility within the City.
- The City is working on cleaning up substandard buildings around town.
- To bolster the current and future water needs the City entered into an agreement with Johnson County Special Utility District for the purchase of up to 2M gallons of water per day.
- The City's new wastewater treatment plant is scheduled to be completed in January 2010.
- Receive grants for \$250,000 for sewer line replacements and \$350,000 for water line replacements.

All of these factors were considered in preparing the City of Alvarado's budget for the 2010 fiscal year. The City estimated that its General Fund Operating Budget for fiscal year 2010 will increase approximately 13.5% or \$467,786 over fiscal year 2009 budget. Most of this increase is due to the budgeting for the purchases of a new fire/rescue truck at a cost of \$275,000 and new self-contained breathing apparatuses at a cost of \$112,000. The City expects to receive two (2) grants to cover 95% of these costs. The 2010 budget will also include pay increases totaling 3% across the board and 15% increases in health insurance costs.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Alvarado's finances for all those with an interest in the city's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Alvarado, Office of the Finance Director, 104 West College, Alvarado, Texas 76009.

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## BASIC FINANCIAL STATEMENTS

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## CITY OF ALVARADO, TEXAS

STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash	\$ 122,420	\$ 107,343	\$ 229,763
Investments	1,214,764	1,680,436	2,895,200
Receivables (net of allowances for uncollectibles):			
Accounts	70,000	277,679	347,679
Property taxes	100,840	--	100,840
Sales taxes	146,708	--	146,708
Fines receivable	279,309	--	279,309
Miscellaneous	1,430	--	1,430
Intergovernmental receivable	273,574	--	273,574
Internal balances	34,976	(34,976)	--
Inventories	--	36,389	36,389
Prepaid items	810	--	810
Restricted assets:			
Cash	--	27,747	27,747
Investments	211,600	159,288	370,888
Customer utility deposits	--	120,803	120,803
Miscellaneous receivables	25	--	25
Deferred charges	120,518	85,234	205,752
Capital Assets ( net of accumulated depreciation):			
Nondepreciable property			
Land	429,022	446,083	875,105
Construction in progress	234,192	6,241,347	6,475,539
Depreciable property			
Buildings and improvements	1,870,583	21,150	1,891,733
Infrastructure	2,625,527	--	2,625,527
Improvements other than buildings	224,509	--	224,509
Vehicles	500,847	24,216	525,063
Equipment	423,725	75,257	498,982
Water system	--	3,790,439	3,790,439
Sewer system	--	2,445,785	2,445,785
<b>Total Assets</b>	<b>8,885,379</b>	<b>15,504,220</b>	<b>24,389,599</b>
<b>LIABILITIES:</b>			
Accounts payable	64,711	579,882	644,593
Accrued liabilities	90,896	12,618	103,514
Due to other governments	249,741	--	249,741
Accrued interest payable	35,714	22,969	58,683
Liabilities payable from restricted assets			
Customer deposits	--	120,803	120,803
Noncurrent Liabilities:			
Due within one year	554,997	166,426	721,423
Due in more than one year	5,324,456	4,215,497	9,539,953
<b>Total Liabilities</b>	<b>6,320,515</b>	<b>5,118,195</b>	<b>11,438,710</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,641,136	8,701,994	13,343,130
Restricted For:			
Debt Service	135,338	--	135,338
Capital Projects	519,610	--	519,610
Unrestricted (deficit)	(2,731,220)	1,684,031	(1,047,189)
<b>Total Net Assets</b>	<b>\$ 2,564,864</b>	<b>\$ 10,386,025</b>	<b>\$ 12,950,889</b>

The accompanying notes are an integral part of this statement.

**CITY OF ALVARADO, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
<i>General government</i>	\$ 468,752	\$ 621,037	\$ 5,514	\$ --
<i>Public safety</i>	2,069,367	798,590	--	155,000
<i>Public works</i>	404,410	--	6,747	740,876
<i>Community development</i>	326,734	--	--	--
<i>Culture and recreation</i>	322,565	10,977	8,109	--
<i>Social and welfare</i>	73,305	--	--	--
<i>Economic development</i>	46,533	91,467	--	--
<i>Interest on long-term debt</i>	308,442	--	--	--
<i>Total expenses</i>	<u>4,020,108</u>	<u>1,522,071</u>	<u>20,370</u>	<u>895,876</u>
Business-type Activities:				
<i>Water and Sewer</i>	1,951,229	2,013,793	--	639,905
<b>Total Business-type Activities</b>	<u>1,951,229</u>	<u>2,013,793</u>	<u>--</u>	<u>639,905</u>
<b>Total Primary Government</b>	<u>\$ 5,971,337</u>	<u>\$ 3,535,864</u>	<u>\$ 20,370</u>	<u>\$ 1,535,781</u>

General Revenues:  
*Property taxes*  
*Sales taxes*  
*Franchise taxes*  
*Alcoholic beverage taxes*  
*Unrestricted investment earnings*  
*Other revenue*  
*Special item inflow*  
*Special Item outflow*  
*Transfers*

Total General Revenues  
Change in Net Assets  
Net Assets - Beginning  
Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ 157,799		\$ 157,799
(1,115,777)		(1,115,777)
343,213		343,213
(326,734)		(326,734)
(303,479)		(303,479)
(73,305)		(73,305)
44,934		44,934
(308,442)		(308,442)
<u>(1,581,791)</u>		<u>(1,581,791)</u>
--	\$ 702,469	702,469
--	<u>702,469</u>	<u>702,469</u>
<u>(1,581,791)</u>	<u>702,469</u>	<u>(879,322)</u>
1,234,873	--	1,234,873
1,085,269	--	1,085,269
434,468	--	434,468
1,246	--	1,246
18,612	19,741	38,353
134,418	29,715	164,133
--	4,255,000	4,255,000
(4,255,000)	--	(4,255,000)
90,000	(90,000)	--
<u>(1,256,114)</u>	<u>4,214,456</u>	<u>2,958,342</u>
<u>(2,837,905)</u>	<u>4,916,925</u>	<u>2,079,020</u>
5,402,769	5,469,100	10,871,869
<u>\$ 2,564,864</u>	<u>\$ 10,386,025</u>	<u>\$ 12,950,889</u>

**CITY OF ALVARADO, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2009**

	General Fund	Royalties
	<u>          </u>	<u>          </u>
<b>ASSETS:</b>		
Cash	\$ 122,408	\$ --
Investments	238,484	434,963
Receivables (net of allowances for uncollectibles):		
Accounts	70,000	--
Property taxes	66,344	--
Sales taxes	110,111	--
Fines receivable	279,309	--
Miscellaneous	1,430	--
Intergovernmental receivable	273,574	--
Due from other funds	46,367	--
Prepaid items	810	--
Restricted Assets:		
Investments	9,095	--
Intergovernmental receivable	25	--
	<u>          </u>	<u>          </u>
Total Assets and Other Debits	\$ 1,217,957	\$ 434,963
	<u>          </u>	<u>          </u>
<b>LIABILITIES AND FUND BALANCES:</b>		
Liabilities:		
Accounts payable	\$ 57,229	\$ 6,893
Accrued liabilities	90,896	--
Due to other funds	16,938	6,778
Due to other governments	249,741	--
Deferred revenue	179,800	--
	<u>          </u>	<u>          </u>
Total Liabilities	594,604	13,671
	<u>          </u>	<u>          </u>
Fund Balances:		
Reserved Fund Balances:		
Reserved for debt service	--	--
Unreserved	623,353	--
Unreserved, reported in nonmajor:		
Special revenue funds	--	421,292
	<u>          </u>	<u>          </u>
Total Fund Balance	623,353	421,292
	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balance	\$ 1,217,957	\$ 434,963
	<u>          </u>	<u>          </u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 12	\$ 122,420
541,317	1,214,764
--	70,000
34,497	100,841
36,597	146,708
--	279,309
--	1,430
--	273,574
16,938	63,305
--	810
202,505	211,600
--	25
<u>\$ 831,866</u>	<u>\$ 2,484,786</u>
\$ 588	\$ 64,710
--	90,896
4,613	28,329
--	249,741
<u>33,290</u>	<u>213,090</u>
<u>38,491</u>	<u>646,766</u>
102,049	102,049
--	623,353
<u>691,326</u>	<u>1,112,618</u>
<u>793,375</u>	<u>1,838,020</u>
<u>\$ 831,866</u>	<u>\$ 2,484,786</u>

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**CITY OF ALVARADO, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2009

Total fund balances - governmental funds balance sheet	\$ 1,838,020
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	6,308,405
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	97,660
Payables for bond principal which are not due in the current period are not reported in the funds.	(5,456,636)
Payables for capital leases which are not due in the current period are not reported in the funds.	(163,192)
Payables for bond interest which are not due in the current period are not reported in the funds.	(35,714)
Payables for notes which are not due in the current period are not reported in the funds.	(157,441)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(102,185)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	120,518
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>115,429</u>
Net assets of governmental activities - statement of net assets	<u>\$ 2,564,864</u>

The accompanying notes are an integral part of this statement.

**CITY OF ALVARADO, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Royalties
<b>Revenue:</b>		
<i>General property taxes, interest and penalties</i>	\$ 797,476	\$ --
<i>Sales taxes</i>	813,952	--
<i>Franchise taxes</i>	434,468	--
<i>Hotel occupancy tax</i>	--	--
<i>Beverage taxes</i>	1,246	--
<i>Fines and forfeitures</i>	557,865	--
<i>Rental fees</i>	32,113	--
<i>Intergovernmental</i>	317,206	--
<i>Licenses, fees and permits</i>	116,174	--
<i>Investment earnings</i>	9,299	5,719
<i>Contributions and donations</i>	5,564	--
<i>Oil and gas royalties</i>	--	492,518
<i>Miscellaneous</i>	137,349	--
<b>Total revenues</b>	<u>3,222,712</u>	<u>498,237</u>
<b>Expenditures:</b>		
<b>Current:</b>		
<i>General government</i>	479,549	638,383
<i>Public safety</i>	2,182,002	--
<i>Public works</i>	213,304	--
<i>Community development</i>	241,593	--
<i>Cultural and recreational</i>	372,929	--
<i>Social and welfare</i>	59,983	--
<i>Economic development</i>	--	--
<i>Capital outlay</i>	--	--
<b>Debt Service:</b>		
<i>Principal</i>	--	--
<i>Interest</i>	--	--
<i>Paying agent</i>	--	--
<i>Bond Issuance Costs</i>	--	--
<b>Total Expenditures</b>	<u>3,549,360</u>	<u>638,383</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(326,648)</u>	<u>(140,146)</u>
<b>Other Financing Sources (Uses):</b>		
<i>Transfers In</i>	105,059	--
<i>Transfers Out</i>	--	(29,816)
<i>General Obligation Bonds Issued</i>	--	--
<i>Capital Lease Proceeds</i>	151,746	--
<b>Total Other Financing Sources (Uses)</b>	<u>256,805</u>	<u>(29,816)</u>
<b>Net Change in Fund Balances</b>	<u>(69,843)</u>	<u>(169,962)</u>
<b>Fund Balances - Beginning</b>	<u>693,196</u>	<u>591,254</u>
<b>Fund Balances - Ending</b>	<u>\$ 623,353</u>	<u>\$ 421,292</u>

The accompanying notes are an integral part of this statement.

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 459,629	\$ 1,257,105
--	271,317	1,085,269
--	--	434,468
--	91,467	91,467
--	--	1,246
--	--	557,865
--	--	32,113
--	6,358	323,564
--	35,816	151,990
--	3,594	18,612
--	8,109	13,673
--	--	492,518
--	--	137,349
<u>--</u>	<u>876,290</u>	<u>4,597,239</u>
--	--	1,117,932
--	34,007	2,216,009
3,875	--	217,179
--	399,547	641,140
--	17,976	390,905
--	11,007	70,990
--	56,055	56,055
956,625	--	956,625
--	245,081	245,081
--	236,633	236,633
--	33,871	33,871
39,500	--	39,500
<u>1,000,000</u>	<u>1,034,177</u>	<u>6,221,920</u>
(1,000,000)	(157,887)	(1,624,681)
--	29,816	134,875
--	(15,059)	(44,875)
1,000,000	--	1,000,000
--	--	151,746
<u>1,000,000</u>	<u>14,757</u>	<u>1,241,746</u>
--	(143,130)	(382,935)
--	936,505	2,220,955
<u>\$ --</u>	<u>\$ 793,375</u>	<u>\$ 1,838,020</u>

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**CITY OF ALVARADO, TEXAS**

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

Net change in fund balances - total governmental funds	\$ (382,935)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,135,980
The depreciation of capital assets used in governmental activities is not reported in the funds.	(425,172)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(83,566)
Donations of capital assets increase net assets in the SOA but not in the funds.	741,265
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(22,232)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	518,094
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	20,929
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	25,268
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(8,084)
(Increase) decrease in accrued interest from beginning of period to end of period.	(29,855)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	8,718
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	30,931
Bond issue costs are not an expense in the SOA, but are amortized over the term of the related debt.	39,500
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(1,000,000)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(151,746)
Transfer of long-term debt to governmental activities is not reported in the funds.	<u>(4,255,000)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ (2,837,905)</u>

The accompanying notes are an integral part of this statement.

## CITY OF ALVARADO, TEXAS

## STATEMENT OF NET ASSETS

## ENTERPRISE FUNDS

SEPTEMBER 30, 2009

	Enterprise Fund <u>Water and Sewer Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Cash	\$ 107,343
Investments	1,680,436
Receivables ( net of allowances for uncollectibles):	
Accounts receivable	277,679
Inventories	<u>36,389</u>
Total Current Assets	<u>2,101,847</u>
Noncurrent Assets:	
Restricted Cash, Cash Equivalents and Investments-	
Cash	27,747
Investments	159,288
Customer utility deposits	120,803
Deferred charges	85,234
Capital Assets:	
Nondepreciable property	
Land	446,083
Construction in progress	6,241,347
Depreciable property	
Buildings	36,000
Water system	6,536,847
Sewer system	3,671,670
Vehicles	111,232
Machinery and equipment	225,127
Accumulated depreciation	<u>(4,224,029)</u>
Total Noncurrent Assets	<u>13,437,349</u>
Total Assets	<u>15,539,196</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	579,882
Accrued liabilities	12,618
Compensated Absences Payable	15,668
Due To Other Funds	34,976
Accrued Interest Payable	22,969
Revenue Bonds Payable	149,000
Capital Leases Payable	4,657
Current Liabilities Payable from Restricted Assets-	
Customer Deposits	<u>120,803</u>
Total Current Liabilities	<u>940,573</u>
Noncurrent Liabilities:	
Revenue Bonds Payable	4,193,283
Capital Leases Payable	<u>19,315</u>
Total Noncurrent Liabilities	<u>4,212,598</u>
Total Liabilities	<u>5,153,171</u>
NET ASSETS:	
Investment in Capital Assets, Net of Related Debt	8,701,994
Unrestricted Net Assets	<u>1,684,031</u>
Total Net Assets	<u>\$ 10,386,025</u>

The accompanying notes are an integral part of this statement.

**CITY OF ALVARADO, TEXAS**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Enterprise Fund <u>Water and Sewer Fund</u>
<b>OPERATING REVENUES:</b>	
<i>Water Sales</i>	\$ 925,396
<i>Sewer Charges - Pledged as Security</i>	679,779
<i>Garbage service</i>	407,530
<i>Miscellaneous income</i>	1,088
<b>Total Operating Revenues</b>	<u>2,013,793</u>
<b>OPERATING EXPENSES:</b>	
<i>Personal Services</i>	386,920
<i>Contractual services</i>	436,475
<i>Supplies and maintenance</i>	465,797
<i>Administrative fees</i>	149,467
<i>Depreciation and amortization</i>	407,690
<b>Total Operating Expenses</b>	<u>1,846,349</u>
<b>Operating Income</b>	<u>167,444</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
<i>Grant revenue</i>	497,000
<i>Interest income</i>	19,741
<i>Miscellaneous income</i>	29,715
<i>Interest expense</i>	(104,130)
<i>Paying agent</i>	(750)
<b>Total Non-operating Revenues (Expenses)</b>	<u>441,576</u>
<b>Income Before Transfers and Contributions</b>	609,020
<b>TRANSFERS AND CONTRIBUTIONS</b>	
<i>Interfund Transfers Out</i>	(90,000)
<i>Special item inflow</i>	4,255,000
<i>Contributions from developers and other funds</i>	142,905
<b>Total Transfers and Contributions</b>	<u>4,307,905</u>
<b>Change in Net Assets</b>	4,916,925
<b>Total Net Assets - Beginning</b>	5,469,100
<b>Total Net Assets - Ending</b>	<u>\$ 10,386,025</u>

The accompanying notes are an integral part of this statement.

**CITY OF ALVARADO, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Water and Sewer Enterprise
<b>Cash Flows from Operating Activities:</b>	
<i>Cash received from customers</i>	\$ 1,930,698
<i>Cash payments to employees for services</i>	(653,520)
<i>Cash payments to other suppliers for goods and services</i>	(388,201)
Net Cash Provided (Used) by Operating Activities	<u>888,977</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
<i>Payments from (to) other funds</i>	200,582
Net Cash Provided (Used) by Non-capital Financing Activities	<u>200,582</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal and interest paid	(438,931)
Intergovernmental grants	497,000
<i>Acquisition or construction of capital assets</i>	(2,062,550)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(2,004,481)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest and dividends on investments	19,741
Net Cash Provided (Used) for Investing Activities	<u>19,741</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(895,181)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>2,990,798</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ <u>2,095,617</u></b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:</b>	
Cash	\$ 255,893
<i>Investments classified as cash equivalents</i>	1,839,724
	<u>\$ 2,095,617</u>
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 167,444
<b>Adjustments to Reconcile Operating Income to Net Cash</b>	
<b>Provided by Operating Activities</b>	
Depreciation and amortization	407,690
Miscellaneous income	29,715
Miscellaneous expense	
<b>Change in Assets and Liabilities:</b>	
Decrease (increase) in receivables	(112,997)
Decrease (increase) in inventories	16,624
Increase (decrease) in accounts payable	381,595
Increase (decrease) in accrued liabilities	(2,655)
<i>Increase (decrease) in accrued wages payable</i>	1,374
<i>Increase (decrease) in customer utility deposits</i>	187
Total Adjustments	<u>721,533</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 888,977</u>
<b>Non-cash Financing Activities:</b>	
<i>Contributions of capital assets from PGBT TIF Fund</i>	\$ 142,905
<i>Transfer debt to governmental activities</i>	4,255,000
	<u>\$ 4,397,905</u>

The accompanying notes are an integral part of this statement.

**CITY OF ALVARADO, TEXAS**  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2009

	Private-purpose Trust Fund
	Employee Flexible Spending
ASSETS:	
<i>Cash and Cash Equivalents</i>	\$ 91
Receivables ( net of allowances for uncollectibles):	
Total Assets	<u>91</u>
LIABILITIES:	
<i>Accounts Payable</i>	500
Total Liabilities	<u>500</u>
NET ASSETS	
Held in Trust For Pension Benefits and Other Purposes	\$ <u>(409)</u>

The accompanying notes are an integral part of this statement.

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## I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Alvarado, Texas (the "City"), have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

### A. Reporting Entity

The City is a municipal corporation formed in 1893 by charter as a general law city. The City is governed by an elected mayor and six-member Council. Two council members are elected for each of three wards while the mayor is elected at large. As required by generally accepted accounting principles, these financial statements present the City and its component units, for which the City is considered to be financially accountable. Since the library and citizens' center are not legally separate from the City's operation, data from these units are combined with data from the primary government in the General Fund. Blended component units, although legally separate entities, are in substance, part of the City's operations, and data from these units are combined with data from the primary government. Information regarding blended component units can be obtained at City Hall.

#### Blended Component Units

Alvarado Economic Development Corporation ("AEDC") — this entity was created in May of 2001. It began collecting sales and use tax in October of 2001. The entity's board of directors is appointed by the City Council and the city management maintains significant continuing management oversight with respect to policies. Additionally, the City is ultimately responsible for all fiscal matters. The AEDC was formed for the purpose of benefiting and accomplishing public purposes for the promotion and development of industrial and manufacturing enterprises and to promote and encourage employment and public welfare of the City by issuing bonds on behalf of the City for financing as stated in the Development Corporation Act of 1979. The AEDC provides these services exclusively to the City and does not issue separate financial statements. Results of operations are combined with data from the primary government in the Other Governmental Funds.

### B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) 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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts —invested in capital assets, net of related debt; restricted assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a functional category (Police, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. 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 or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and 3) grants and contributions that are restricted to meeting capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the proprietary fund to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.)

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.). Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund, royalties fund, and capital projects fund. The major enterprise fund is the water and sewer fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The City has four non-major funds, which are the Court Fund, Grant Fund, Hotel Occupancy Fund, and the Alvarado Economic Development Corporation Fund (AEDC). The non-major funds are combined in a separate column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

#### C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund 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 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 when they are susceptible to accrual, 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 (except grant revenues) to be available if they are collected within 30 days of the end of the current fiscal period. The City considers the availability period for grants to be one year. 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 judgment, are recorded only when the obligation has matured and will be paid shortly after year end.

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used for guidance. There are, however, essentially two types of these revenues. In one, as soon as all eligibility requirements have been met, including monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In another, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if all eligibility requirements are met.

Business type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the City's water and sewer are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major governmental funds:

The General Fund is the operating fund of the City. All general tax revenues and other receipts that are not restricted by law or contractual agreements to some other fund are accounted for in this fund. General operating expenditures, the fixed charges, and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The Royalty Fund is used to account for the accumulation of royalties from oil and gas leases on land held by the city. The primary source of revenue is royalty income. Expenses are decided by the City.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Other Governmental Funds column is a summarization of all the non-major governmental fund types. These are as follows:

The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal, interest and related costs on general long-term debt. The primary source of revenue is ad valorem taxes, which are levied by the City.

Alvarado Economic Development Corporation Fund (AEDC) — is used to account for the revenues collected for economic development and related expenditures.

The Grant Fund is used to account for the proceeds of grants that are restricted to expenditures for specified purposes.

The Hotel Occupancy Tax Fund is used to account for the revenues collected for hotel and occupancy tax and related expenditures.

The City reports the following major proprietary fund:

The Water and Sewer Fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for general obligation and revenue bonds. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

#### D. Assets, Liabilities, and Net Assets or Equity

##### Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments within a maturity of three months or less when purchased to be cash equivalents.

#### Inventory

Inventory consists primarily of water and sewer plant parts and supplies, valued using the first-in first-out (FIFO) inventory cost method. Inventory is expensed when purchased and adjusted to actual at year-end.

#### Prepaid Expenditures/Expenses

Payments made to vendors for services that will benefit subsequent periods are recorded as prepaid items.

#### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are recorded in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as those with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair value on 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, while improvements and betterments are capitalized.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Building and Improvements	20-30 years
Water Systems	10-33 years
Sewer Systems	50 years
Vehicles, Machinery and Equipment	3-5 years
Infrastructure	30 years

Debt interest is capitalized for enterprise fund acquired/constructed capital assets acquired with tax-exempt debt. This amount is determined by interest expense incurred from the date of the borrowing until completion of the project with the interest earned on invested proceeds over the same period.

#### Property Tax

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on October 1 and are due and payable on or before January 31st of the following year. All unpaid taxes become delinquent on February 1 of the following year. The Johnson County Central Appraisal District bills and collects property taxes on behalf of the City.

#### Compensated Absences

Vested or accumulated vacation leave is accrued in the government-wide and proprietary fund financial statements when incurred. No liability is recorded for nonvesting, accumulating rights to receive sick pay benefits. Vacation is earned in varying amounts up to a maximum of twenty (20) days for city employees with twelve (12) or more years of service and up to a maximum of approximately twenty-eight (28) days for fire suppression personnel with twelve (12) or more years of service. Employee vacation policy allows for the accrual and carryover of 240 hours. In addition, the City allows for the accrual of compensatory time for non-department heads. Compensatory and vacation time can either be paid or used.

#### Deferred Bond Issuance Costs

Bond issuance costs are amortized over the term of the related debt using the straight line method.

Cash and Cash Equivalents, Investments, Accounts Receivable, Accounts Payable and Accrued Expenses — the carrying amounts of these items are a reasonable estimate of their value.

Long-term Debt — Interest rates that are currently available to the City for issuance of debt with similar terms and remaining maturities are used to estimate fair value for debt issues for which no market quotes are available. The carrying amount of this item is a reasonable estimate of fair value.

The fair value estimates presented herein are based on pertinent information available to management as of September 30, 2009. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

#### Interfund Transfers and Charges

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable on the Balance Sheet — Governmental Funds and the Statement of Fund Net Assets — Proprietary Fund. All legally authorized transfers are appropriately treated as operating transfers and are included in the results of operations on the Statement of Revenues, Expenditures and Changes in Fund Balance — Governmental Funds and Statement of Revenues, Expenses and Changes in Fund Net Assets — Proprietary Fund.

#### Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amounts of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

#### Use of 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, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Final settlement amounts could differ from those estimates.

#### Budget Control

The City operates as a Type A General Law Municipality under the Texas Local Government Code. The City Council adopts an annual budget prepared in accordance with generally accepted accounting principles in the United States of America. The City Council may transfer part or all of any unencumbered appropriation balance among programs within a specific fund, and, any revisions that alter the total expenditures must be approved by the City Council. The City Council may require their approval of these transfers above a limit they wish to establish. The current City Council has not established a limit that they wish to approve on transfers. Council approval is needed only if the expenditures exceed the certain thresholds set by the Council.

The City, for management purposes, adopts budgets for all funds. Legal budgets are adopted for all funds. Capital Projects are funded through the issuance of general obligation debt authorized for a specific purpose.

II — DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City maintains separate cash and investment accounts. Each fund type's portion is reflected on the combined balance sheet as "Cash" and "Investments" under each fund's caption.

Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. At year-end, the carrying amount of the City's deposits was \$378,313 and the bank balances were \$459,931. All of the bank balance was secured by federal deposit insurance and collateral (fair value of \$886,531) pledged by the depository in the City's name and held by the depository's agent.

Investments

State statutes, city bond ordinances and city resolutions authorize the City's investments. The City is authorized to invest idle funds with the external government investment pool administered by the State of Texas, which is entitled the TexPool Fund. TexPool operates in a manner consistent with the SEC Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

The City's investments carried at fair value as of September 30, 2009 were:

Description	Carrying Amount	Fair Value	% of Total (Cost)	Weighted Average Maturity	Rating
Government Sponsored Investment Pools					
TexPool	\$ 3,266,088	\$ 3,266,088	100%	44 days	AAAm

TexPool is an external investment pool operated by the Texas Comptroller of Public Accounts and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act provide for creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

Interest Rate Risk — The City minimizes its interest rate risk by only investing in government investment pools.

Credit Risk — The City minimizes its credit risk by limiting investments to government investment pools.

CITY OF ALVARADO, TEXAS  
Notes to Financial Statements  
Year Ended September 30, 2009

B. Receivables

Receivables at September 30, 2009, consisted of the following:

	Governmental Funds			Proprietary Fund
	General	Nonmajor	Total	Water & Sewer Enterprise
Services accounts	\$ 70,000	\$ -	\$ 70,000	\$ 283,070
Allowance for uncollectible accounts	-	-	-	(5,391)
	<u>70,000</u>	<u>-</u>	<u>70,000</u>	<u>277,679</u>
Ad valorem taxes	74,500	38,738	113,238	-
Allowance for uncollectible taxes	(8,156)	(4,241)	(12,397)	-
	<u>66,344</u>	<u>34,497</u>	<u>100,841</u>	<u>-</u>
Sales taxes	<u>110,111</u>	<u>36,597</u>	<u>146,708</u>	<u>-</u>
Other				
Court fines	356,262	-	356,262	-
Allowance for uncollectible accounts	(76,953)	-	(76,953)	-
	<u>279,309</u>	<u>-</u>	<u>279,309</u>	<u>-</u>
Other governments	<u>273,574</u>	<u>-</u>	<u>273,574</u>	<u>-</u>
Miscellaneous	<u>1,430</u>	<u>-</u>	<u>1,430</u>	<u>-</u>
Total	<u>\$ 800,768</u>	<u>\$ 71,094</u>	<u>\$ 871,862</u>	<u>\$ 277,679</u>

C. Deferred Revenues/Unearned Income

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in governmental funds and unearned revenue reported in government-wide activities were as follows:

	Deferred	Unearned
Major Funds		
Delinquent property taxes receivable (General Fund)	\$ 64,371	\$ -
Municipal court fines receivable (General Fund)	115,429	-
	<u>179,800</u>	<u>-</u>
Nonmajor Funds		
Delinquent property taxes receivable (Debt Service Fund)	<u>33,290</u>	<u>-</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 213,090</u>	<u>\$ -</u>

CITY OF ALVARADO, TEXAS  
Notes to Financial Statements  
Year Ended September 30, 2009

D. Changes In Capital Assets

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

	Balance 9/30/2008	Additions	Deletions & Transfers Out	Transfers and Completed Construction	Balance 9/30/2009
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital assets, not being depreciated:					
Land	\$ 264,021	\$ 165,001	\$ -	\$ -	\$ 429,022
Construction in progress	285,948	208,827	-	(260,583)	234,192
Total capital assets not being depreciated	549,969	373,828	-	(260,583)	663,214
Capital assets, being depreciated					
Buildings and improvements	1,219,882	927,346	(15,000)	-	2,132,228
Infrastructure	2,219,322	904,222	(68,111)	-	3,057,433
Vehicles and equipment	1,088,240	273,463	(125,055)	-	1,236,648
Parks improvements	36,932	22,830	-	260,583	320,345
Equipment	713,823	375,566	(8,816)	-	1,080,573
Total capital assets being depreciated	5,278,199	2,503,427	(214,982)	260,583	7,827,227
Less accumulated depreciation for:					
Buildings and improvements	(237,844)	(38,801)	15,000	-	(261,645)
Infrastructure	(338,717)	(101,915)	8,726	-	(431,906)
Vehicles and equipment	(763,106)	(103,721)	106,955	-	(759,872)
Parks improvements	(3,716)	(92,120)	-	-	(95,836)
Equipment	(544,898)	(88,614)	735	-	(632,777)
Total accumulated depreciation	(1,888,281)	(425,171)	131,416	-	(2,182,036)
Total capital assets being depreciated, net	3,389,918	2,078,256	(83,566)	260,583	5,645,191
Governmental activities capital assets, net	\$ 3,939,887	\$ 2,452,084	\$ (83,566)	\$ -	\$ 6,308,405

Depreciation expense for governmental activities was charged to functions/programs as follows:

Current Depreciation Expense, by Function	
Administrative	\$ 24,223
Community development	1,563
Fire department	64,025
Police department	52,784
Dispatch	16,040
Court	2,359
Animal control	3,725
Streets	145,174
Library	16,547
Senior citizens	2,319
Parks department	96,412
	<u>\$ 425,171</u>

CITY OF ALVARADO, TEXAS  
Notes to Financial Statements  
Year Ended September 30, 2009

	Balance 9/30/2008	Additions	Retirements	Transfers and Completed Construction	Balance 9/30/2009
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital assets, not being depreciated:					
Land	\$ 428,583	\$ 17,500	\$ -	\$ -	\$ 446,083
Construction in progress	1,695,536	4,557,989	(12,178)	-	6,241,347
Total capital assets not being depreciated	2,124,119	4,575,489	(12,178)	-	6,687,430
Capital assets, being depreciated					
Buildings and improvements	36,000	-	-	-	36,000
Equipment	162,775	62,351	-	-	225,126
Vehicles	104,954	16,232	(9,954)	-	111,232
Water system	6,530,928	5,920	-	-	6,536,848
Sewer system	3,671,670	-	-	-	3,671,670
Total capital assets being depreciated	10,506,327	84,503	(9,954)	-	10,580,876
Less accumulated depreciation for:					
Buildings and improvements	(13,050)	(1,800)	-	-	(14,850)
Equipment	(135,524)	(14,345)	-	-	(149,869)
Vehicles	(86,968)	(8,282)	8,234	-	(87,016)
Water system	(2,483,850)	(262,559)	-	-	(2,746,409)
Sewer system	(1,111,403)	(114,482)	-	-	(1,225,885)
Total accumulated depreciation	(3,830,795)	(401,468)	8,234	-	(4,224,029)
Total capital assets being depreciated, net	6,675,532	(316,965)	(1,720)	-	6,356,847
Business-type activities capital assets, net	\$ 8,799,651	\$ 4,258,524	\$ (13,898)	\$ -	\$ 13,044,277

E. INTERFUND BALANCES AND TRANSFERS

The purpose of interfund balances is to transfer cash to support daily operations.

	Due From Other Funds	Due To Other Funds
General Fund	\$ 46,367	\$ (16,938)
Royalties Fund	-	(6,778)
Nonmajor governmental funds	16,938	(4,613)
Water and Sewer Fund	-	(34,976)
	\$ 63,305	\$ (63,305)

CITY OF ALVARADO, TEXAS  
Notes to Financial Statements  
Year Ended September 30, 2009

The composition of interfund transfers for the year ended September 30, 2009, is as follows:

	Transfer to Other Funds	Transfer from Other Funds
General Fund	\$ 105,059	\$ -
Royalties Fund	-	(29,816)
Nonmajor governmental funds	29,816	(15,059)
Water and Sewer Fund	-	(90,000)
	<u>\$ 134,875</u>	<u>\$ (134,875)</u>

The primary purpose of interfund transfers is to compensate/charge funds for administrative costs.

F. LONG TERM DEBT

Combination Tax and Revenue Certificate of Obligation and Tax Anticipation Notes:

Purpose	Original Amount	Year of Issue	Final Maturity	Average Annual Payment	Interest Rate	Balance - 9/30/09	
						Governmental	Business-type
Certificates of Obligation:							
Improvements	\$ 1,000,000	1994	2013	\$ 109,000	4.80% - 5.75%	\$ 380,000	\$ -
Improvements	4,505,000	2001	2026	363,500	4.45% - 5.65%	4,110,000	-
Improvements	2,346,000	2008	2047	128,000	4.50%	-	2,311,000
Improvements	2,200,000	2008	2022	203,500	3.90%	-	2,045,000
						<u>4,490,000</u>	<u>4,356,000</u>
Tax Anticipation Notes:							
Improvements	1,000,000	2008	2015	159,950	4.51%	1,000,000	-
						<u>\$ 5,490,000</u>	<u>\$ 4,356,000</u>

Annual debt service requirements to maturity for certificates of obligation debt and tax notes were as follows:

Year	Governmental		Business-Type		Total
	Principal	Interest	Principal	Interest	
2010	\$ 395,000	\$ 268,822	\$ 149,000	\$ 183,750	\$ 996,572
2011	410,000	248,261	155,000	177,795	991,056
2012	435,000	226,861	161,000	171,600	994,461
2013	455,000	206,219	167,000	165,165	993,384
2014	365,000	184,324	174,000	158,490	881,814
2015-2019	1,300,000	705,143	974,000	682,920	3,662,063
2020-2024	1,440,000	395,346	765,000	480,315	3,080,661
2025-2029	690,000	52,250	256,000	385,425	1,383,675
2030-2034	-	-	317,000	322,560	639,560
2035-2039	-	-	395,000	244,530	639,530
2040-2044	-	-	492,000	147,330	639,330
2045-2047	-	-	351,000	32,040	383,040
	<u>\$ 5,490,000</u>	<u>\$ 2,287,226</u>	<u>\$ 4,356,000</u>	<u>\$ 3,151,920</u>	<u>\$ 15,285,146</u>

CITY OF ALVARADO, TEXAS  
Notes to Financial Statements  
Year Ended September 30, 2009

Obligations under capital lease at September 30, 2009, were as follows:

Asset Description	Original Amount	Asset NBV	Origination Year	Final Maturity	Scheduled Payment	Interest Rate	Balance - 9/30/09	
							Governmental	Business-type
Vehicle	\$ 20,705	\$ 4,386	2006	2010	\$637/mo	6.73%	\$ 633	\$ -
Vehicle	30,858	19,030	2007	2011	\$942/mo	6.60%	11,787	-
Equipment	89,129	84,029	2009	2014	\$20,016/yr	3.99%	89,129	-
Software	86,968	82,634	2009	2014	\$1,652/mo	4.00%	61,642	23,972
							<u>\$ 163,191</u>	<u>\$ 23,972</u>

Annual debt service requirements for obligations under capital leases at September 30, 2009 were as follows:

Due Fiscal Year Ending September 30,	Scheduled Government Activities	Business-type Activities	Total
2010	\$ 46,226	\$ 5,549	\$ 51,775
2011	35,228	5,550	40,778
2012	34,287	5,550	39,837
2013	34,287	5,550	39,837
2014	30,717	4,162	34,879
	180,746	26,360	207,106
Less Interest	(17,555)	(2,388)	(19,943)
	<u>\$ 163,191</u>	<u>\$ 23,972</u>	<u>\$ 187,163</u>

Notes payable at September 30, 2009 were as follows:

Asset Description	Original Amount	Asset NBV	Origination Year	Final Maturity	Scheduled Payment	Interest Rate	9/30/2009
Fire truck	\$ 75,000	\$ 124,476	2005	2010	\$1,392/mo	4.25%	\$ 13,649
Improvements	77,748	-	2007	2012	\$1,488/mo	5.50%	41,587
Land	116,000	144,865	2008	2018	\$1,235/mo	5.00%	102,205
							<u>\$ 157,441</u>

Annual debt service requirements for notes payable, including interest at September 30, 2009 were as follows:

Year	Principal	Interest	Total
2010	39,535	7,025	46,560
2011	27,278	5,396	32,674
2012	19,799	3,975	23,774
2013	11,547	3,268	14,815
2014	12,138	2,677	14,815
2015 - 2018	47,144	4,048	51,192
	<u>157,441</u>	<u>26,390</u>	<u>183,831</u>

Changes in long-term debt:

Description	September 30, 2008	Additions	Retirements	September 30, 2009	Due Within One Year
<b>Governmental activities:</b>					
Certificates of obligation	\$ 465,000	\$ 4,255,000	\$ (230,000)	\$ 4,490,000	\$ 245,000
Tax anticipation notes	-	1,000,000	-	1,000,000	150,000
Capital lease obligation	33,798	151,746	(22,353)	163,191	39,917
Notes payable	470,585	-	(313,144)	157,441	39,535
Total debt payable	969,383	5,406,746	(565,497)	5,810,632	474,452
Bond premiums	12,275	-	(1,116)	11,159	1,116
Bond discounts	(46,842)	-	2,319	(44,523)	(2,319)
Compensated absences	110,902	-	(8,717)	102,185	81,748
	<u>\$ 1,045,718</u>	<u>\$ 5,406,746</u>	<u>\$ (573,011)</u>	<u>\$ 5,879,453</u>	<u>\$ 554,997</u>

Description	September 30, 2008	Additions	Retirements	September 30, 2009	Due Within One Year
<b>Business-type activities:</b>					
Certificates of obligation	\$ 8,754,000	\$ -	\$ (4,398,000)	\$ 4,356,000	\$ 149,000
Capital lease obligation	-	24,351	(379)	23,972	4,657
Total debt payable	8,754,000	24,351	(4,398,379)	4,379,972	153,657
Bond premiums	24,246	-	(2,204)	22,042	2,204
Bond discounts	(37,728)	-	1,969	(35,759)	(1,969)
Compensated absences	14,294	-	1,374	15,668	12,534
	<u>\$ 8,754,812</u>	<u>\$ 24,351</u>	<u>\$ (4,397,240)</u>	<u>\$ 4,381,923</u>	<u>\$ 166,426</u>

G. RETIREMENT PLAN

The City participates in the Texas Municipal Retirement System

Plan Description

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

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

CITY OF ALVARADO, TEXAS  
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	<u>Plan Year 2008</u>	<u>Plan Year 2009</u>
Employee deposit rate:	6%	6%
Matching ratio (employer to employee):	1.5 to 1	2 to 1
Years 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	0%	0%
Annuity increase to retirees	0% of CPI	0% of CPI

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 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 repeated 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 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 is 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)	\$	103,839
Interest on Net Pension Obligation		-
Adjustment to the ARC		-
Annual Pension Cost		<u>103,839</u>
Contributions Made		<u>103,839</u>
Increase (Decrease) in Net Pension Obligation		-
Net Pension Obligation (Asset), Beginning of Year		-
Net Pension Obligation (Asset), End of Year	<u>\$</u>	<u>-</u>

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

Valuation Date	<u>12/31/2006</u>	<u>12/31/2007</u>	<u>12/31/08</u>
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 years; open period	25 years; closed period	24 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions			
Investment Rate of Return	7.0%	7.0%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Actuarial Assumptions:			
Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Assumptions	NA	0.0%	0.0%

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded ALL (UALL)	Covered Payroll	UALL as a Percentage of Covered Payroll
12/31/2008	\$ 733,422	\$ 1,017,621	72.1%	\$ 284,199	\$ 1,928,937	14.7%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, 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.

H. COMMITMENTS AND CONTINGENCIES

The City receives Federal and State grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State grantor agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the City management, such disallowances, if any, will not be significant.

I. RISK MANAGEMENT

The City manages its risk through the purchasing of insurance policies through the Texas Municipal League. Significant losses are covered by commercial insurance for all major programs. For such insured programs, there have been no significant reductions in insurance coverage, and settlement amounts have not exceeded insurance coverage for the current year or three prior years.

J. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

Prior year financial statements have been restated for recognition of various assets, liabilities, revenues, expenditures/expenses as shown below:

	Government Activities Dr/(Cr)	Business-type Activities Dr/(Cr)	General Fund Dr/(Cr)	Debt Service Dr/(Cr)	AEDC Dr/(Cr)	Water & Sewer Dr/(Cr)
Reported 9/30/08	\$ (4,917,349)	\$ (5,458,661)	\$ (615,535)	\$ (124,686)	\$ (558,949)	\$ (5,458,661)
Prior Period Adjustments:						
Accounts payable	-	296,024	-	-	-	296,024
CIP	-	(296,024)	-	-	-	(296,024)
Disposed capital assets	-	69,080	-	-	-	69,080
Deferred revenue	(204,464)	-	-	-	-	-
Due to other governments	119,966	-	120,058	-	-	-
Notes payable	(21,947)	(12,000)	-	-	-	(12,000)
Capital lease obligations	21,947	-	-	-	-	-
Sales tax revenue	(41,005)	-	(30,754)	-	(10,251)	-
Delinquent tax revenue	(4,602)	-	(3,924)	(678)	-	-
Change in def revenue	(9,906)	-	(7,081)	(2,825)	-	-
Fine revenue	(56,332)	-	(56,332)	-	-	-
Change in def revenue	(84,498)	-	(84,498)	-	-	-
Bond issue costs	(89,101)	(91,455)	-	-	-	(91,455)
Bond premium	12,275	24,246	-	-	-	24,246
Bond discount	(46,842)	(37,728)	-	-	-	(37,728)
Accrued interest payable	5,859	37,418	-	-	-	37,418
Distributions to unrelated	(15,130)	-	(15,130)	-	-	-
Miscellaneous	(71,640)	-	-	-	-	-
	(485,420)	(10,439)	(77,661)	(3,503)	(10,251)	(10,439)
As Restated 9/30/08	\$ (5,402,769)	\$ (5,469,100)	\$ (693,196)	\$ (128,189)	\$ (569,200)	\$ (5,469,100)

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REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF ALVARADO, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenue:</b>				
<i>General property taxes, interest and penalties</i>	\$ 836,375	\$ 836,375	\$ 797,476	\$ (38,899)
<i>Sales taxes</i>	833,000	944,400	813,952	(130,448)
<i>Franchise taxes</i>	420,980	430,280	434,468	4,188
<i>Beverage taxes</i>	1,200	1,200	1,246	46
<i>Fines and forfeitures</i>	866,000	866,000	557,865	(308,135)
<i>Rental fees</i>	32,425	32,425	32,113	(312)
<i>Intergovernmental</i>	97,000	145,000	317,206	172,206
<i>Licenses, fees and permits</i>	112,350	112,350	116,174	3,824
<i>Investment earnings</i>	32,000	32,000	9,299	(22,701)
<i>Sales of assets</i>	2,000	2,000	--	(2,000)
<i>Contributions and donations</i>	100	100	5,564	5,464
<i>Miscellaneous</i>	116,003	133,563	137,349	3,786
<b>Total revenues</b>	<u>3,349,433</u>	<u>3,535,693</u>	<u>3,222,712</u>	<u>(312,981)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>General government</i>	446,964	479,664	479,549	115
<i>Public safety</i>	2,225,379	2,242,939	2,182,002	60,937
<i>Public works</i>	287,997	287,997	213,304	74,693
<i>Community development</i>	226,735	256,735	241,593	15,142
<i>Cultural and recreational</i>	220,542	326,542	372,929	(46,387)
<i>Social and welfare</i>	64,516	64,516	59,983	4,533
<b>Total Expenditures</b>	<u>3,472,133</u>	<u>3,658,393</u>	<u>3,549,360</u>	<u>109,033</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(122,700)</u>	<u>(122,700)</u>	<u>(326,648)</u>	<u>(203,948)</u>
<b>Other Financing Sources (Uses):</b>				
<i>Transfers In</i>	103,200	103,200	105,059	1,859
<i>Capital Lease Proceeds</i>	--	--	151,746	151,746
<b>Total Other Financing Sources (Uses)</b>	<u>103,200</u>	<u>103,200</u>	<u>256,805</u>	<u>153,605</u>
<b>Net Change in Fund Balances</b>	<u>(19,500)</u>	<u>(19,500)</u>	<u>(69,843)</u>	<u>(50,343)</u>
Fund Balances - Beginning	693,196	693,196	693,196	--
Fund Balances - Ending	<u>\$ 673,696</u>	<u>\$ 673,696</u>	<u>\$ 623,353</u>	<u>\$ (50,343)</u>

**CITY OF ALVARADO, TEXAS**  
**ROYALTIES FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**EXHIBIT B-2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenue:</b>				
<i>Investment earnings</i>	\$ --	\$ --	\$ 5,719	\$ 5,719
<i>Oil and gas royalties</i>	800,000	800,000	492,518	(307,482)
<b>Total revenues</b>	<u>800,000</u>	<u>800,000</u>	<u>498,237</u>	<u>(301,763)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>General government</i>	800,000	770,184	638,383	131,801
<b>Total Expenditures</b>	<u>800,000</u>	<u>770,184</u>	<u>638,383</u>	<u>131,801</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>--</u>	<u>29,816</u>	<u>(140,146)</u>	<u>(169,962)</u>
<b>Other Financing Sources (Uses):</b>				
<i>Transfers Out</i>	--	(29,816)	(29,816)	--
<b>Total Other Financing Sources (Uses)</b>	<u>--</u>	<u>(29,816)</u>	<u>(29,816)</u>	<u>--</u>
<b>Net Change in Fund Balances</b>	<u>--</u>	<u>--</u>	<u>(169,962)</u>	<u>(169,962)</u>
<b>Fund Balances - Beginning</b>	<u>591,254</u>	<u>591,254</u>	<u>591,254</u>	<u>--</u>
<b>Fund Balances - Ending</b>	<u>\$ 591,254</u>	<u>\$ 591,254</u>	<u>\$ 421,292</u>	<u>\$ (169,962)</u>

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City Council adopts an annual budget prepared in accordance with GAAP. The City Manager may transfer part or all of any unencumbered appropriation balance among programs within a specific fund; however, any revisions that alter the total expenditures of the fund must be approved by the City Council. The City, for management purposes, adopts budgets for all funds. Legal budgets are also adopted for all funds and the legal level of control is the fund level.

Capital Projects are funded through the issuance of general obligation debt authorized for a specific purpose and are adopted on a project length basis.

All unused appropriations, except appropriations for capital expenditures, lapse at the close of the fiscal year to the extent they have not been expended or encumbered. An appropriation for capital expenditures shall continue in force until the purpose for which it was made has been accomplished or abandoned if three (3) years pass without any disbursement from or encumbrance of the appropriation. No supplemental budgetary appropriations occurred in the debt service funds or in the general fund. The revised budgets are used for budget versus actual comparisons.

B. Employee Retirement Plan – Three Year Funding Progress

Fiscal Year Ending	Annual Pension Cost/(APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2007	\$ 503,928	\$ 503,928	100%	\$ -
2008	\$ 580,529	\$ 580,529	100%	\$ -
2009	\$ 673,804	\$ 673,804	100%	\$ -

Combining Statements and Individual  
Nonmajor Funds as Supplementary Information

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Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes.

- Court Fund – to account for court security and technology improvements.
- Library Board Fund – to account for use of library fees and donations.
- Grant Fund – to account for use of grants received from other governments.
- Hotel Occupancy Tax Fund – to account for use of hotel occupancy tax for tourism promotion activities.
- Alvarado Economic Development Corporation – to account for use of sales tax for capital improvement projects on behalf of the City.

The Debt Service Fund accounts for the accumulation of resources for, and payment of, general obligation principal and interest, except debt serviced by Proprietary Funds.

- Debt Service Fund – to account for accumulation of property tax revenue to pay principal and interest due on governmental activities debt.

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

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS:</b>			
<i>Cash</i>	\$ 12	\$ --	\$ 12
<i>Investments</i>	541,317	--	541,317
<i>Receivables (net of allowances for uncollectibles):</i>			
<i>Property taxes</i>	--	34,497	34,497
<i>Sales taxes</i>	36,597	--	36,597
<i>Due from other funds</i>	16,938	--	16,938
<b>Restricted Assets:</b>			
<i>Investments</i>	98,688	103,817	202,505
<b>Total Assets and Other Debits</b>	<u>\$ 693,552</u>	<u>\$ 138,314</u>	<u>\$ 831,866</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>Liabilities:</b>			
<i>Accounts payable</i>	\$ 588	\$ --	\$ 588
<i>Due to other funds</i>	1,638	2,975	4,613
<i>Deferred revenue</i>	--	33,290	33,290
<b>Total Liabilities</b>	<u>2,226</u>	<u>36,265</u>	<u>38,491</u>
<b>Fund Balances:</b>			
<b>Reserved Fund Balances:</b>			
<i>Reserved for debt service</i>	--	102,049	102,049
<b>Unreserved, reported in nonmajor:</b>			
<i>Special revenue funds</i>	691,326	--	691,326
<b>Total Fund Balance</b>	<u>691,326</u>	<u>102,049</u>	<u>793,375</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 693,552</u>	<u>\$ 138,314</u>	<u>\$ 831,866</u>

**CITY OF ALVARADO, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenue:</b>			
<i>General property taxes, interest and penalties</i>	\$ --	\$ 459,629	\$ 459,629
<i>Sales taxes</i>	271,317	--	271,317
<i>Hotel occupancy tax</i>	91,467	--	91,467
<i>Intergovernmental</i>	6,358	--	6,358
<i>Licenses, fees and permits</i>	35,816	--	35,816
<i>Investment earnings</i>	3,594	--	3,594
<i>Contributions and donations</i>	8,109	--	8,109
<b>Total revenues</b>	<u>416,661</u>	<u>459,629</u>	<u>876,290</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<i>Public safety</i>	34,007	--	34,007
<i>Community development</i>	399,547	--	399,547
<i>Cultural and recreational</i>	17,976	--	17,976
<i>Social and welfare</i>	11,007	--	11,007
<i>Economic development</i>	56,055	--	56,055
<b>Debt Service:</b>			
<i>Principal</i>	--	245,081	245,081
<i>Interest</i>	--	236,633	236,633
<i>Paying agent</i>	--	33,871	33,871
<b>Total Expenditures</b>	<u>518,592</u>	<u>515,585</u>	<u>1,034,177</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(101,931)</u>	<u>(55,956)</u>	<u>(157,887)</u>
<b>Other Financing Sources (Uses):</b>			
<i>Transfers In</i>	--	29,816	29,816
<i>Transfers Out</i>	(15,059)	--	(15,059)
<b>Total Other Financing Sources (Uses)</b>	<u>(15,059)</u>	<u>29,816</u>	<u>14,757</u>
<b>Net Change in Fund Balances</b>	<u>(116,990)</u>	<u>(26,140)</u>	<u>(143,130)</u>
<b>Fund Balances - Beginning</b>	808,316	128,189	936,505
<b>Fund Balances - Ending</b>	<u>\$ 691,326</u>	<u>\$ 102,049</u>	<u>\$ 793,375</u>

**CITY OF ALVARADO, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2009**

	Court Fund	Grant
<b>ASSETS:</b>		
<i>Cash</i>	\$ --	\$ 12
<i>Investments</i>	--	--
<i>Receivables ( net of allowances for uncollectibles):</i>		
<i>Sales taxes</i>	--	--
<i>Due from other funds</i>	1,629	15,309
<b>Restricted Assets:</b>		
<i>Investments</i>	98,688	--
 <b>Total Assets and Other Debits</b>	 <b>\$ 100,317</b>	 <b>\$ 15,321</b>
 <b>LIABILITIES AND FUND BALANCES:</b>		
<b>Liabilities:</b>		
<i>Accounts payable</i>	\$ --	\$ 400
<i>Due to other funds</i>	--	--
 <b>Total Liabilities</b>	 <b>--</b>	 <b>400</b>
 <b>Fund Balances:</b>		
<i>Unreserved</i>	100,317	14,921
 <b>Total Fund Balance</b>	 <b>100,317</b>	 <b>14,921</b>
 <b>Total Liabilities and Fund Balance</b>	 <b>\$ 100,317</b>	 <b>\$ 15,321</b>

Hotel Occupancy Tax	Alvarado Economic Development	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$     —	\$     —	\$           12
145,988	395,329	541,317
—	36,597	36,597
—	—	16,938
—	—	98,688
<u>\$    145,988</u>	<u>\$    431,926</u>	<u>\$    693,552</u>
\$       188	\$       —	\$       588
1,184	454	1,638
1,372	454	2,226
144,616	431,472	691,326
144,616	431,472	691,326
<u>\$    145,988</u>	<u>\$    431,926</u>	<u>\$    693,552</u>

**CITY OF ALVARADO, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Court Fund	Library Board
Revenue:		
<i>Sales taxes</i>	\$ --	\$ --
<i>Hotel occupancy tax</i>	--	--
<i>Intergovernmental</i>	--	--
<i>Licenses, fees and permits</i>	35,816	--
<i>Investment earnings</i>	--	67
<i>Contributions and donations</i>	--	3,849
Total revenues	<u>35,816</u>	<u>3,916</u>
Expenditures:		
Current:		
<i>Public safety</i>	34,007	--
<i>Community development</i>	--	--
<i>Cultural and recreational</i>	--	17,976
<i>Social and welfare</i>	--	--
<i>Economic development</i>	--	--
Total Expenditures	<u>34,007</u>	<u>17,976</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,809</u>	<u>(14,060)</u>
Other Financing Sources (Uses):		
<i>Transfers Out</i>	(1,750)	(109)
Total Other Financing Sources (Uses)	<u>(1,750)</u>	<u>(109)</u>
Net Change in Fund Balances	59	(14,169)
Fund Balances - Beginning	100,258	14,169
Fund Balances - Ending	<u>\$ 100,317</u>	<u>\$ --</u>

Grant	Hotel Occupancy Tax	Alvarado Economic Development	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ 271,317	\$ 271,317
--	91,467	--	91,467
6,358	--	--	6,358
--	--	--	35,816
--	1,025	2,502	3,594
4,260	--	--	8,109
<u>10,618</u>	<u>92,492</u>	<u>273,819</u>	<u>416,661</u>
--	--	--	34,007
--	--	399,547	399,547
--	--	--	17,976
11,007	--	--	11,007
--	56,055	--	56,055
<u>11,007</u>	<u>56,055</u>	<u>399,547</u>	<u>518,592</u>
<u>(389)</u>	<u>36,437</u>	<u>(125,728)</u>	<u>(101,931)</u>
--	(1,200)	(12,000)	(15,059)
--	(1,200)	(12,000)	(15,059)
<u>(389)</u>	<u>35,237</u>	<u>(137,728)</u>	<u>(116,990)</u>
15,310	109,379	569,200	808,316
<u>\$ 14,921</u>	<u>\$ 144,616</u>	<u>\$ 431,472</u>	<u>\$ 691,326</u>

**CITY OF ALVARADO, TEXAS**  
**COURT FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**EXHIBIT C-5**

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>Licenses, fees and permits</i>	\$ 46,300	\$ 35,816	\$ (10,484)
Total revenues	<u>46,300</u>	<u>35,816</u>	<u>(10,484)</u>
Expenditures:			
Current:			
<i>Public safety</i>	46,300	34,007	12,293
Total Expenditures	<u>46,300</u>	<u>34,007</u>	<u>12,293</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>1,809</u>	<u>1,809</u>
Other Financing Sources (Uses):			
<i>Transfers Out</i>	--	(1,750)	(1,750)
Total Other Financing Sources (Uses)	<u>--</u>	<u>(1,750)</u>	<u>(1,750)</u>
Net Change in Fund Balances	--	59	59
Fund Balances - Beginning	100,258	100,258	--
Fund Balances - Ending	<u>\$ 100,258</u>	<u>\$ 100,317</u>	<u>\$ 59</u>

**CITY OF ALVARADO, TEXAS**  
**GRANT FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**EXHIBIT C-6**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue:			
<i>Intergovernmental</i>	\$ 756,747	\$ 6,358	\$ (750,389)
<i>Contributions and donations</i>	6,500	4,260	(2,240)
Total revenues	<u>763,247</u>	<u>10,618</u>	<u>(752,629)</u>
Expenditures:			
Current:			
<i>Social and welfare</i>	763,247	11,007	752,240
Total Expenditures	<u>763,247</u>	<u>11,007</u>	<u>752,240</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>(389)</u>	<u>(389)</u>
Net Change in Fund Balances	--	(389)	(389)
Fund Balances - Beginning	15,310	15,310	--
Fund Balances - Ending	<u>\$ 15,310</u>	<u>\$ 14,921</u>	<u>\$ (389)</u>

**CITY OF ALVARADO, TEXAS**  
HOTEL OCCUPANCY TAX FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-7

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>Hotel occupancy tax</i>	\$ 144,000	\$ 91,467	\$ (52,533)
<i>Investment earnings</i>	2,950	1,025	(1,925)
Total revenues	<u>146,950</u>	<u>92,492</u>	<u>(54,458)</u>
Expenditures:			
Current:			
<i>Economic development</i>	146,950	56,055	90,895
Total Expenditures	<u>146,950</u>	<u>56,055</u>	<u>90,895</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>36,437</u>	<u>36,437</u>
Other Financing Sources (Uses):			
<i>Transfers Out</i>	--	(1,200)	(1,200)
Total Other Financing Sources (Uses)	<u>--</u>	<u>(1,200)</u>	<u>(1,200)</u>
Net Change in Fund Balances	--	35,237	35,237
Fund Balances - Beginning	109,379	109,379	--
Fund Balances - Ending	<u>\$ 109,379</u>	<u>\$ 144,616</u>	<u>\$ 35,237</u>

**CITY OF ALVARADO, TEXAS**

ALVARADO ECONOMIC DEVELOPMENT CORP. FUND  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>Sales taxes</i>	\$ 270,000	\$ 271,317	\$ 1,317
<i>Investment earnings</i>	11,500	2,502	(8,998)
Total revenues	<u>281,500</u>	<u>273,819</u>	<u>(7,681)</u>
Expenditures:			
Current:			
<i>Community development</i>	526,154	399,547	126,607
Total Expenditures	<u>526,154</u>	<u>399,547</u>	<u>126,607</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(244,654)</u>	<u>(125,728)</u>	<u>118,926</u>
Other Financing Sources (Uses):			
<i>Transfers Out</i>	--	(12,000)	(12,000)
Total Other Financing Sources (Uses)	<u>--</u>	<u>(12,000)</u>	<u>(12,000)</u>
Net Change in Fund Balances	(244,654)	(137,728)	106,926
Fund Balances - Beginning	569,200	569,200	--
Fund Balances - Ending	<u>\$ 324,546</u>	<u>\$ 431,472</u>	<u>\$ 106,926</u>

**CITY OF ALVARADO, TEXAS**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**EXHIBIT C-9**

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>General property taxes, interest and penalties</i>	\$ 485,770	\$ 459,629	\$ (26,141)
Total revenues	<u>485,770</u>	<u>459,629</u>	<u>(26,141)</u>
Expenditures:			
Current:			
Debt Service:			
<i>Principal</i>	245,082	245,081	1
<i>Interest</i>	236,633	236,633	--
<i>Paying agent</i>	33,871	33,871	--
Total Expenditures	<u>515,586</u>	<u>515,585</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(29,816)</u>	<u>(55,956)</u>	<u>(26,140)</u>
Other Financing Sources (Uses):			
<i>Transfers In</i>	29,816	29,816	--
Total Other Financing Sources (Uses)	<u>29,816</u>	<u>29,816</u>	<u>--</u>
Net Change in Fund Balances	--	(26,140)	(26,140)
Fund Balances - Beginning	128,189	128,189	--
Fund Balances - Ending	<u>\$ 128,189</u>	<u>\$ 102,049</u>	<u>\$ (26,140)</u>