

CITY OF AUBREY, TEXAS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2009



CITY OF AUBREY, TEXAS

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CITY OF AUBREY, TEXAS

PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2009

Mayor:

Gary Hammett

Commissioners:

Frances Carter
Brandon Stinchcomb
Deborah Goin
Bill Coffey
Jim Brown

City Secretary:

Nancy Downes

Tax Collector:

Denton County

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MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TEXAS 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Aubrey, Texas

Members of the Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Aubrey, Texas ("City") as of and for the year ended September 30, 2009, which collectively comprises the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the business-type activities, and each major fund of the City as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 7 through 13 and the budgetary comparison information on page 51 is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have issued a report dated February 1, 2010, on our consideration of the City's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Aubrey's basic financial statements. The individual fund statements and schedules and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a part of the basic financial statements of the City. The individual fund statements and schedules and supplementary information 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.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants

February 1, 2010

MANAGEMENT'S DISCUSSION & ANALYSIS

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CITY OF AUBREY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2009

As management of the City of Aubrey, we offer readers of the City of Aubrey's financial statements this narrative overview and analysis of the financial activities of the City of Aubrey for the year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements.

Financial Highlights

- The assets of the City of Aubrey exceeded its liabilities at September 30, 2009 by \$3,318,704. The Unrestricted Net Assets amount of \$1,364,142 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$216,020. The majority of this increase is attributable to increases in revenue from providing fire services.
- As of September 30, 2009, the City of Aubrey's governmental funds reported combined ending fund balances of \$811,958, an increase of \$11,218 in comparison with the beginning of the period.
- At the end of the year, the unreserved fund balance for the general fund was \$256,857, or 8.8% of general fund expenditures.

Overview of the Financial Statements

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

Also included as a discretely presented component unit is the Aubrey Economic Development Corporation, which was created in fiscal year 2001 as the result of a successful 4B sales tax election.

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

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

The statement of activities presents information showing how the City's net assets changed during the most recent period. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid. 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 and earned but unused vacation leave). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the City is divided between two kinds of activities:

- **Governmental activities.** All of the City's basic services are reported here, including the police, fire, ambulance, public works, municipal court, sanitation, animal control, library and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.

CITY OF AUBREY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

- **Business-type activities.** The City charges a fee to customers to help it cover all or most of the cost of water and wastewater services it provides.

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. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds. All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at period-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

Proprietary Funds. The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise fund is the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

The City of Aubrey maintains three 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 balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Aubrey's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Aubrey does not currently have any fiduciary funds.

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 funds financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information highlighting budgetary information for the general fund.

CITY OF AUBREY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

Government-wide Financial Analysis

The City's combined net assets were \$3,318,704 as of September 30, 2009. The City first implemented GASB Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, for fiscal year 2004. The following analysis focuses on the net assets (Table 1) and changes in general revenues (Table 2) and changes in net assets (Table 3) of the City's governmental activities.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table I
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and other assets	\$ 1,213,929	\$ 1,097,876	\$ 516,380	\$ 616,248	\$ 1,730,309	\$ 1,714,124
Capital assets	3,238,754	3,535,902	5,118,325	4,923,817	8,357,079	8,459,719
Total assets	4,452,683	4,633,778	5,634,705	5,540,065	10,087,388	10,173,843
Long-term liabilities outstanding	4,611,507	4,733,730	1,997,590	1,859,621	6,609,097	6,593,351
Other liabilities	213,289	96,166	162,318	165,622	375,607	261,788
Total liabilities	4,824,796	4,829,896	2,159,908	2,025,243	6,984,704	6,855,139
Net Assets:						
Invested in capital assets net of related debt	(1,113,077)	(1,119,399)	3,168,010	3,064,196	2,054,933	1,944,797
Restricted	9,657	9,765	103,595	-	113,252	9,765
Unrestricted	731,307	913,516	203,192	450,626	934,499	1,364,142
Total net assets	\$ (372,113)	\$ (196,118)	\$3,474,797	\$3,514,822	\$ 3,102,684	\$ 3,318,704

Governmental Activities. The City's general revenues for governmental activities for the years ended September 30, 2008 and 2009 are detailed below (Table 2).

Table 2
General Revenues

	2008	2009
Property taxes	\$ 646,090	\$ 689,904
Sales taxes	445,358	400,254
Franchise taxes	204,877	201,128
Investment earnings	20,277	5,522
Miscellaneous	11,747	25,577
	<u>\$1,328,349</u>	<u>\$1,322,385</u>

CITY OF AUBREY, TEXAS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

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

Table 3
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Revenues:						
Program Revenues:						
Charges for services	\$ 1,449,502	\$ 1,459,476	\$ 810,063	\$ 879,478	\$ 2,259,565	\$ 2,338,954
Operating grants and contributions	162,870	272,565	-	-	162,870	272,565
General Revenues:						
Property taxes	646,090	689,904	-	-	646,090	689,904
Sales taxes	445,358	400,254	-	-	445,358	400,254
Franchise taxes	204,877	201,128	-	-	204,877	201,128
Miscellaneous	11,747	25,577	441	705	12,188	26,282
Investment earnings	20,277	5,522	718	1,134	20,995	6,656
Total Revenues	2,940,721	3,054,426	811,222	881,317	3,751,943	3,935,743
Expenses:						
Administrative	165,234	186,209	-	-	165,234	186,209
Municipal court	60,631	63,801	-	-	60,631	63,801
Public safety	1,297,327	1,582,012	-	-	1,297,327	1,582,012
Public works	249,282	250,365	-	-	249,282	250,365
Sanitation	188,202	194,120	-	-	188,202	194,120
Animal control	10,575	13,100	-	-	10,575	13,100
Library	234,674	255,155	-	-	234,674	255,155
Debt service-interest	225,487	222,976	-	-	225,487	222,976
Water and wastewater expenses	-	-	896,143	951,985	896,143	951,985
Total Expenses	2,431,412	2,767,738	896,143	951,985	3,327,555	3,719,723
Transfers in (out)	(123,914)	(110,693)	123,914	110,693	-	-
Change in net assets	385,395	175,995	38,993	40,025	424,388	216,020
Net assets – October 1 (beginning)	(757,508)	(372,113)	3,435,804	3,474,797	2,678,296	3,102,684
Net assets – September 30 (ending)	\$(372,113)	\$(196,118)	\$3,474,797	\$3,514,822	\$ 3,102,684	\$ 3,318,704

CITY OF AUBREY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

Financial Analysis of the Government's Funds

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 government's net resources available for spending at the end of the period.

As of the end of the current period, the City's governmental funds reported combined ending fund balances of \$811,958, an increase of \$11,218 in comparison with the beginning of the period. \$256,857 of this amount constitutes unreserved fund balance, which is available for spending at the City's discretion. The remaining fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for court technology costs (\$9,765), 2) to be used for capital improvements (\$493,016), and 3) to pay for debt retirement (\$52,320).

The general fund is the chief operating fund of the City. At the end of the current period, the unreserved fund balance of the general fund was \$256,857 and the total fund balance was \$266,622. The fund balance of the general fund decreased by \$11,483 during the current period.

General Fund Budgetary Highlights

During the current year, the City Council of the City of Aubrey did not amend the budget for the General Fund.

The final budget for the general fund projected that the activity for the year would increase available fund balance by \$7,075. The available fund balance for the general fund actually decreased in the amount of \$11,483.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental activities as of September 30, 2009 amounts to \$3,535,902 (net of accumulated depreciation). This amount represents a net increase of \$297,148, or 9 percent, above the beginning of the period. The investment in capital assets includes land, building, street infrastructure, vehicles and equipment.

The major capital asset additions during the period consisted of the following:

Fire engine	\$ 407,646
Land and building – 108 W. Sycamore	44,395
Parking lot improvements	21,019
Police vehicle	28,640
Police radio equipment	<u>12,521</u>
Total	<u>\$ 514,221</u>

CITY OF AUBREY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

Table 4
Capital Assets at Year-end
(Net of Depreciation)

	<u>Governmental Activities</u>
Land	\$ 568,506
Buildings	1,578,520
Streets	429,949
Vehicles and Equipment	926,244
Construction in Progress	<u>32,683</u>
Totals	<u>\$3,535,902</u>

Additional information on the City's capital assets can be found in note 6 of this report.

Long-term Debt. At the end of the current period, the City had outstanding governmental long-term debt consisting of \$750,000 certificates of obligation, \$1,575,000 tax refunding bonds, \$1,475,000 general obligation bonds, \$855,301 bank notes and \$78,429 compensated absences, for a total of \$4,733,730. The only new debt incurred during the year was a \$350,000 bank loan for the purchase of a fire engine.

The City's total governmental debt increased by \$122,223 during the current period, or 3%.

Additional information on the City's long-term debt can be found in note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

For the current fiscal year, the City of Aubrey has experienced a flatter growth rate than in recent years. The City's overall assessed value for 2010 increased less than two percent from the prior year. New housing starts continue, but at a slow pace. Aubrey's focus in the coming fiscal year is to maintain City services at the current levels and to continue the capital improvements program.

Water sales during this fiscal year increased slightly compared to prior year sales. The City continues to maintain its water and wastewater infrastructure in order to provide quality, dependable service to its customers. The City anticipates a future debt issuance in order to upgrade a portion of its water distribution and wastewater collection system, which projects are include in the capital improvements program.

Recognizing the need to maintain a stable rate structure, the City council adopted minimal rate increases in its base rates, for both water and wastewater. The increased rates will generate additional revenue for the City's Enterprise Fund. Through disciplined financial decisions and with foresight in planning efforts, the City is positioned to meet the needs of its growing City.

CITY OF AUBREY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Aubrey, 107 S. Main St., Aubrey, Texas 76227.

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BASIC FINANCIAL STATEMENTS

CITY OF AUBREY, TEXAS

**STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Business Type Activities</u>
ASSETS		
Cash and Investments	\$ 785,107	\$ 464,074
Sales Tax Receivable	36,733	-
Ad Valorem Tax Receivable	31,048	-
Accounts Receivable	16,305	64,568
Other Receivables	65,820	-
Internal Balances	(44,395)	44,395
Due from Other Governments	9,249	-
Debt Issuance/Discount Costs, net	198,009	43,211
Capital Assets:		
Land	568,506	54,359
Buildings, net	1,578,520	52,780
Streets, net	429,949	-
Water System, net	-	1,673,110
Wastewater System, net	-	3,111,662
Vehicles and Equipment, net	926,244	31,906
Construction in Progress	<u>32,683</u>	<u>-</u>
Total Assets	<u>4,633,778</u>	<u>5,540,065</u>
LIABILITIES		
Accounts Payable	13,734	32,794
Accrued Liabilities	73,249	26,132
Customer Meter Deposits	-	106,696
Due to EDC	9,183	-
Noncurrent Liabilities:		
Due within one year	288,336	132,966
Due in more than one year	<u>4,445,394</u>	<u>1,726,655</u>
Total Liabilities	<u>4,829,896</u>	<u>2,025,243</u>
NET ASSETS		
Invested in Capital Assets, net of related debt	(1,119,399)	3,064,196
Restricted for:		
Court Technology	9,765	-
Economic Development	-	-
Unrestricted Net Assets	<u>913,516</u>	<u>450,626</u>
Total Net Assets	<u>\$ (196,118)</u>	<u>\$3,514,822</u>

The accompanying Notes are an integral part of this statement.

<u>Total</u>	<u>Component Unit Economic Development Corporation</u>
\$ 1,249,181	\$ 507,314
36,733	-
31,048	-
80,873	-
65,820	1,000
-	-
9,249	9,183
241,220	-
622,865	-
1,631,300	-
429,949	-
1,673,110	-
3,111,662	-
958,150	-
<u>32,683</u>	<u>-</u>
<u>10,173,843</u>	<u>517,497</u>
46,528	-
99,381	-
106,696	-
9,183	-
421,302	-
<u>6,172,049</u>	<u>-</u>
<u>6,855,139</u>	<u>-</u>
1,944,797	-
9,765	-
-	517,497
<u>1,364,142</u>	<u>-</u>
<u>\$ 3,318,704</u>	<u>\$ 517,497</u>

CITY OF AUBREY, TEXAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Administrative	\$186,209	\$ 6,270	\$ -	\$ -
Municipal Court	63,801	63,801	-	-
Public Safety	1,582,012	1,066,325	172,807	-
Public Works	250,365	105,268	-	-
Sanitation	194,120	192,024	-	-
Animal Control	13,100	-	-	-
Library	255,155	25,788	47,465	-
Debt Service - Interest	222,976	-	52,293	-
Total Governmental Activities	<u>2,767,738</u>	<u>1,459,476</u>	<u>272,565</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES:				
Enterprise Fund	<u>951,985</u>	<u>879,478</u>	<u>-</u>	<u>-</u>
Total Business - Type Activities	<u>951,985</u>	<u>879,478</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$3,719,723</u></u>	<u><u>\$2,338,954</u></u>	<u><u>\$ 272,565</u></u>	<u><u>\$ -</u></u>
Component Unit:				
Economic Development Corporation	<u>\$ 80,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL COMPONENT UNIT	<u><u>\$ 80,971</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
GENERAL REVENUES:				
Taxes:				
Property Taxes, Levied for General Purposes				
Property Taxes, Levied for Debt Service				
Sales Taxes				
Franchise Taxes				
Miscellaneous Revenue				
Investment Earnings				
Transfer In (Out)				
Total General Revenues and Transfers				
Change in Net Assets				
NET ASSETS - Beginning				
NET ASSETS - Ending				

The accompanying Notes are an integral part of this statement.

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
\$ (179,939)	\$ -	\$ (179,939)	\$ -
-	-	-	-
(342,880)	-	(342,880)	-
(145,097)	-	(145,097)	-
(2,096)	-	(2,096)	-
(13,100)	-	(13,100)	-
(181,902)	-	(181,902)	-
(170,683)	-	(170,683)	-
<u>(1,035,697)</u>	<u>-</u>	<u>(1,035,697)</u>	<u>-</u>
-	(72,507)	(72,507)	-
-	(72,507)	(72,507)	-
<u>(1,035,697)</u>	<u>(72,507)</u>	<u>(1,108,204)</u>	<u>-</u>
-	-	-	(80,971)
-	-	-	(80,971)
159,122	-	159,122	-
530,782	-	530,782	-
400,254	-	400,254	133,418
201,128	-	201,128	-
25,577	705	26,282	-
5,522	1,134	6,656	5,698
<u>(110,693)</u>	<u>110,693</u>	<u>-</u>	<u>-</u>
<u>1,211,692</u>	<u>112,532</u>	<u>1,324,224</u>	<u>139,116</u>
175,995	40,025	216,020	58,145
<u>(372,113)</u>	<u>3,474,797</u>	<u>3,102,684</u>	<u>459,352</u>
<u>\$ (196,118)</u>	<u>\$ 3,514,822</u>	<u>\$ 3,318,704</u>	<u>\$ 517,497</u>

CITY OF AUBREY, TEXAS

**BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash and Investments	\$ 239,771	\$ 52,320
Receivables (net of allowances for uncollectibles):		
Taxes - Ad Valorem	6,065	24,983
Taxes - Sales	36,733	-
Accounts	16,305	-
Other	65,820	-
Due from State Agencies	9,249	-
Total Assets	<u>\$ 373,943</u>	<u>\$ 77,303</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 13,734	\$ -
Accrued Liabilities	17,847	-
State Court Costs Payable	16,097	-
Due to Other Funds	44,395	-
Due to EDC	9,183	-
Deferred Revenue	6,065	24,983
Total Liabilities	<u>107,321</u>	<u>24,983</u>
Fund Balances:		
Reserved for Court Technology	9,765	-
Reserved for Capital Improvements	-	-
Reserved for Debt Retirement	-	52,320
Unreserved	256,857	-
Total Fund Balances	<u>266,622</u>	<u>52,320</u>
 Total Liabilities and Fund Balances	 <u>\$ 373,943</u>	 <u>\$ 77,303</u>

The accompanying Notes are an integral part of this statement.

<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 493,016	\$ 785,107
-	31,048
-	36,733
-	16,305
-	65,820
-	9,249
<u>\$ 493,016</u>	<u>\$ 944,262</u>

\$ -	\$ 13,734
-	17,847
-	16,097
-	44,395
-	9,183
-	31,048
<u>-</u>	<u>132,304</u>

-	9,765
493,016	493,016
-	52,320
-	256,857
<u>493,016</u>	<u>811,958</u>
<u>\$ 493,016</u>	<u>\$ 944,262</u>

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CITY OF AUBREY, TEXAS

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

Total Fund Balances – Governmental Funds \$ 811,958

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$4,360,854 and the accumulated depreciation was \$1,122,100. In addition, long-term liabilities totaling \$4,611,507 are not due and payable in the current year, and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net assets. (1,372,753)

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets. 805,768

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (251,843)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets. (189,248)

Net Assets of Governmental Activities \$ (196,118)

The accompanying Notes are an integral part of this statement.

CITY OF AUBREY, TEXAS

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

	<u>General Fund</u>	<u>Debt Service Fund</u>
Revenues:		
Taxes - Ad Valorem	\$ 157,907	\$ 530,349
- Franchise	201,128	-
- Sales	400,254	-
Court Citations	65,329	-
Sanitation Charges	192,024	-
Building Permits	25,289	-
Other Permits and Fees	85,114	-
Other Charges for Services	1,104,020	-
Interest Income	694	1,084
Donations/Grants	255,182	-
Seizure Funds	5,083	-
Other	<u>25,577</u>	<u>-</u>
Total Revenues	<u>2,517,601</u>	<u>531,433</u>
Expenditures:		
Current:		
Administrative	161,989	-
Municipal Court	62,151	-
Public Safety	1,403,924	-
Public Works	205,085	-
Sanitation	194,120	-
Animal Control	13,100	-
Library	223,550	-
Debt Service:		
Principal	76,777	180,000
Interest and Fees	38,153	173,027
Capital Outlay	<u>548,808</u>	<u>-</u>
Total Expenditures	<u>2,927,657</u>	<u>353,027</u>
Excess of Revenues over (under) Expenditures	<u>(410,056)</u>	<u>178,406</u>
Other Financing Sources (Uses):		
Bank Loan Proceeds	350,000	-
Transfers from Other Funds	48,573	-
Transfers to Other Funds	<u>-</u>	<u>(159,266)</u>
Total Other Financing Sources (Uses)	<u>398,573</u>	<u>(159,266)</u>
Net Change in Fund Balance	(11,483)	19,140
Fund Balance – October 1, (beginning)	<u>278,105</u>	<u>33,180</u>
Fund Balance – September 30 (ending)	<u>\$ 266,622</u>	<u>\$ 52,320</u>

The accompanying Notes are an integral part of this statement.

<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 688,256
-	201,128
-	400,254
-	65,329
-	192,024
-	25,289
-	85,114
-	1,104,020
3,744	5,522
-	255,182
-	5,083
-	<u>25,577</u>
<u>3,744</u>	<u>3,052,778</u>
-	161,989
-	62,151
-	1,403,924
-	205,085
-	194,120
-	13,100
-	223,550
-	256,777
-	211,180
183	<u>548,991</u>
183	<u>3,280,867</u>
<u>3,561</u>	<u>(228,089)</u>
-	350,000
-	48,573
-	<u>(159,266)</u>
-	<u>239,307</u>
3,561	11,218
<u>489,455</u>	<u>800,740</u>
<u>\$ 493,016</u>	<u>\$ 811,958</u>

CITY OF AUBREY, TEXAS

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

Total Net Change in Fund Balances – Governmental Funds	\$ 11,218
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase net assets.	805,768
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(251,843)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of lease purchases, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.	<u>(389,148)</u>
Change in Net Assets of Governmental Activities	<u>\$ 175,995</u>

The accompanying Notes are an integral part of this statement.

CITY OF AUBREY, TEXAS

STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
SEPTEMBER 30, 2009

	<u>Business-Type Activities Total Enterprise Funds</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 464,074
Accounts Receivable	64,568
Due from Other Funds	44,395
Total Current Assets	<u>573,037</u>
Capital Assets:	
Land	54,359
Building, net	52,780
Water System, net	1,673,110
Wastewater System, net	3,111,662
Vehicles and Equipment, net	31,906
Total Capital Assets	<u>4,923,817</u>
Other Assets:	
Debt Issuance Costs, net	43,211
Total Other Assets	<u>43,211</u>
Total Assets	<u>5,540,065</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	32,794
Accrued Liabilities	26,132
Customer Meter Deposits	106,696
Total Current Liabilities	<u>165,622</u>
Noncurrent Liabilities	
Due within one year	132,966
Due in more than one year	1,726,655
Total Noncurrent Liabilities	<u>1,859,621</u>
Total Liabilities	<u>2,025,243</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	3,064,196
Unrestricted Net Assets	450,626
Total Net Assets	<u>\$ 3,514,822</u>

The accompanying Notes are an integral part of these financial statements.

CITY OF AUBREY, TEXAS

STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-Type Activities
	Total
	<u>Enterprise Funds</u>
OPERATING REVENUES:	
Water and Sewer Charges	\$ 823,228
Tap Fees	56,250
Other Revenue	705
Total Operating Revenues	<u>880,183</u>
OPERATING EXPENSES:	
Salaries	243,801
Payroll Taxes	3,465
Retirement and Group Insurance	42,837
Office Supplies and Postage	7,991
Chemicals and Other Supplies	28,784
Uniforms	2,496
Gas and Oil	6,052
Repairs and Maintenance	93,899
Miscellaneous	4,064
Telephone and Utilities	112,280
Insurance	24,660
Legal and Professional	15,123
Travel and Training	1,309
Advertising and Notices	1,671
Contract Labor	19,100
Sludge Removal	5,118
Equipment Rental	3,345
Lab Fees	10,045
Upper Trinity Fees	900
Franchise Fees	48,965
Dues, Memberships, Permits	2,939
Depreciation and Amortization	198,572
Total Operation Expenses	<u>877,416</u>
Operating Income	<u>2,767</u>
NONOPERATING REVENUE (EXPENSES):	
Interest Income	1,134
Interest Expense and Fees	(74,569)
Total Nonoperating Revenue (Expenses)	<u>(73,435)</u>
Income (Loss) Before Contributions & Transfers	<u>(70,668)</u>
Transfers In (Net)	<u>110,693</u>
Change in Net Assets	40,025
Total Net Assets- October 1 (Beginning)	<u>3,474,797</u>
Total Net Assets- September 30 (Ending)	<u>\$ 3,514,822</u>

The accompanying Notes are an integral part of these financial statements.

CITY OF AUBREY, TEXAS

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Business-Type Activities
	Total
	<u>Enterprise Funds</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 870,569
Cash Received from Other Revenue	705
Cash Paid for Operating Expenses	(708,141)
Net Cash Provided by Operating Activities	<u>163,133</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Transfers from Other Funds	110,693
Payment of Bond Principal	(12,000)
Payment of Certificates of Obligation Principal	(114,120)
Payment of Bank Note Principal	(11,849)
Interest and Fees Paid	(74,569)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(101,845)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest Income	1,134
Net Cash Provided by Investing Activities	<u>1,134</u>
Net Increase in Cash and Cash Equivalents	62,422
Cash and Cash Equivalents at Beginning of the Year	<u>401,652</u>
Cash and Cash Equivalents at end of the Year	<u>\$ 464,074</u>
<u>Reconciliation of Operation Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$ 2,767
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	198,572
Effect of Increases and Decreases in Current Assets and Liabilities	
Decrease (increase) in Accounts Receivable	(8,909)
Decrease (increase) in Other Receivables	6,094
Decrease (increase) in Due from Other Funds	(38,695)
Increase (decrease) in Accounts Payable	(9)
Increase (decrease) in Accrued Liabilities	3,125
Increase (decrease) in Customer Meter Deposits	188
Net Cash Provided by Operating Activities	<u>\$ 163,133</u>

The accompanying Notes are an integral part of this statement.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Aubrey (the "City") are presented in accordance with generally accepted accounting principles applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board ("GASB").

In fiscal year 2004, the City implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement 34, GASB Statement No. 38, *Certain Financial Statement Disclosures*, which changes note disclosures requirements for governmental entities, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, which clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where difference have arisen, or potentially could arise, in interpretation and practice of GASB Statement No. 34.

GASB Statements No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the use of account groups to the already required fund financial statements and notes. GASB Statement No. 37 provides additional guidance in reporting infrastructure, program revenues and major criteria.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that the government-wide financial statements are needed to allow users of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the more significant accounting policies.

A. Reporting Entity

The City of Aubrey (City) is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The City had one discretely presented component unit at September 30, 2009, the Aubrey Economic Development Corporation, which was created in fiscal year 2001 as the result of a successful 4B sales tax election.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the City and its component units. For the most part, the effect of 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded for the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

For proprietary fund activities, the City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2009

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund accounts for the payment of principal and interest on general-long term liabilities, paid primarily by taxes levied by the City and net surplus revenues of the Enterprise Fund.

Capital Projects Fund - The Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities that are not financed by the proprietary fund.

Enterprise Fund - The City utilizes an Enterprise Fund to account for the City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of these activities. The City uses this fund to account for the operations of the waterworks and sewer system, which provides water and sewer service on a user charge to the general public.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Cash and Investments

The City's cash and investments are considered to be cash on hand, demand deposits and short-term investments in State investment pools.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

E. Receivable and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the period are referred to as "due to/from other funds" or "advances to/from other funds."

F. Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the City has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The City's availability period is sixty days. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply.

The City recognizes tax revenues based on the property assessments made January 1, in the preceding fiscal year. Statements are mailed October 1; taxes are considered delinquent as of February 1. No discounts are allowed for early payment. Penalty and interest are calculated after February 1 up to the date collected by the City at the rate of 6% for the first month and increase 1% per month up to a total of 12%. Under state law, property taxes on real property constitute a lien on the property and cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years.

For fiscal year 2009, the assessed values were established at 100% of estimated market value. The assessed value for the roll of January 1, 2008, upon which the fiscal year 2009 levy was based, was \$129,236,090. The tax rate to finance general governmental services for the year ended September 30, 2009, was \$.115477 per \$100 and the tax rate to finance principal and interest on debt service was \$.410763 per \$100, for a total of \$.52624 per \$100.

G. Bad Debts

The City uses the direct write-off method of recording enterprise fund bad debts, which approximates the percentage method of recording bad debts. No allowance is provided for uncollectible real property taxes, since all real property taxes will ultimately be collected when title to the property is transferred, except in rare instances in which the taxes are discharged in bankruptcy.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

H. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The City defines capital assets as personal property with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year, and all other assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of governmental activities is not included as part of the capitalized value of the assets constructed.

Depreciation expense is calculated on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives of major categories of property are as follows:

<u>Category</u>	<u>Estimated Life</u>
Water and sewer system	40 years
Buildings	40 years
Machinery and equipment	5-10 years
Vehicles	7 years

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned vacation and unused sick leave. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. Unused vacation pay is payable at termination and is accrued when incurred in the government-wide financial statements.

J. Reserves and Designations

Reserves on fund balance in the fund financial statements indicate portions of fund equity legally segregated for a specific future use. At September 30, 2009, the City's fund balances were reserved for the following purposes:

- Reserve for retirement of general long-term debt represents that portion of fund balance legally restricted for debt service.
- Reserve for court technology represents that portion of fund balance generated from court citation collections that is legally restricted for court technology.

CITY OF AUBREY, TEXAS

**NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

- Reserve for capital improvements represents that portion of fund balance generated from debt issuance that is legally restricted for capital projects.

Designations indicate portions of fund equity, which are designated by the City Council for a specific future use but are not legally restricted. At September 30, 2009, the City had no designated fund balances.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M. Budgets

The City prepares an annual budget for the General Fund, Debt Service Fund and Enterprise Fund, in order to provide appropriate budgetary control over revenues and expenditures through comparison of actual data to budgetary data. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A proposed operating budget for the subsequent fiscal year is submitted to the City Council. The operating budget includes proposed expenditures and the means of financing them.
- The budget is legally enacted through passage of an ordinance.
- A public hearing is conducted to obtain taxpayer comments.
- Any revisions that alter the total expenditures of water and sewer fund or any department for governmental type funds must be approved by the City Council. The Council approved two budget amendments during the current fiscal year.

N. Cash Equivalents

For purposes of the statement of cash flows, the City considers cash deposits and highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

2. DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository agreement. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the agreement. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At September 30, 2009, the carrying amount of the City's deposits in checking accounts and interest-bearing savings accounts was \$756,324 and the bank balance was \$856,322. The City's cash deposits at September 30, 2009 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptance, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2009, the City's cash balances totaled \$856,322. This entire amount was either collateralized with securities held by the City's financial institution's agent in the City's name or covered by FDIC insurance. Thus, the City's deposits are not exposed to custodial credit risk.

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- b. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2009, the City held all of its investments in the TexStar public funds investment pool. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexStar at year-end was AAAM (Standard & Poor's).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexStar investment pool is less than 60 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At September 30, 2009, the City was not exposed to foreign currency risk.
- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the City's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

The City's investment at September 30, 2009 is shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexStar Investment Pool	<u>\$492,807</u>	<u>\$492,807</u>
Total	<u>\$492,807</u>	<u>\$492,807</u>

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The details of this \$805,768 adjustment are as follows:

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Current year capital outlay	\$ 548,991
Tax note principal payments	40,000
Bank notes principal payments	76,777
Cert. of obligation principal payments	40,000
General obligation bond principal payments	<u>100,000</u>
Net adjustment	<u>\$ 805,768</u>

Another element of that reconciliation state that: "Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest." The details of this \$(189,248) adjustment are as follows:

Bank loan proceeds	\$ (350,000)
Deferred tax revenue recognized as revenue	31,048
Increase in accrued compensated absences	(29,000)
Accrued interest payable on long-term debt	(39,305)
Debt issuance costs capitalized	107,189
Bond discount costs capitalized	<u>90,820</u>
Net adjustment	<u>\$ (189,248)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities: One element of that reconciliation explains that "various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.

These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest." The details of this \$(389,148) adjustment are as follows:

Bank loan proceeds	\$ (350,000)
Current year change in deferred tax revenue	1,648
Increase in accrued compensated absences	(29,000)
Decrease in accrued interest payable	442
Amortization of debt issuance costs	(6,562)
Amortization of bond discount costs	<u>(5,676)</u>
Net adjustment	<u>\$ (389,148)</u>

CITY OF AUBREY, TEXAS

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4. RECEIVABLES

Government-wide receivables as of September 30, 2009 are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 7,130	\$ 27,760	\$ 34,890
Sales taxes	36,733	-	36,733
Garbage billings	16,305	-	16,305
State resource officer grant	9,249	-	9,249
Fire and ambulance services	50,465	-	50,465
Vendor refund	9,672	-	9,672
Police services	<u>5,683</u>	<u>-</u>	<u>5,683</u>
Gross receivables	135,237	27,760	162,997
Less: Uncollectible allowance	<u>1,065</u>	<u>2,777</u>	<u>3,842</u>
Net Receivables	<u>\$134,172</u>	<u>\$ 24,983</u>	<u>\$159,155</u>

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. At the end of the current fiscal period, the deferred revenue reported in the governmental funds relates to delinquent property taxes.

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2009 consist of the following:

	<u>Due From</u>	<u>Due To</u>
Enterprise Fund:		
General Fund	\$ 44,395	\$ -
General Fund:		
Enterprise Fund	<u>-</u>	<u>44,395</u>
Total	<u>\$ 44,395</u>	<u>\$ 44,395</u>

The above interfund balance consists of a temporary loan made between the two funds for the purchase of real property.

Internal balances between the primary government and component unit at September 30, 2009 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Economic Development Corporation	\$ -	\$ 9,183
Economic Development Corporation:		
General Fund	<u>9,183</u>	<u>-</u>
Total	<u>\$ 9,183</u>	<u>\$ 9,183</u>

This balance resulted from the time lag between the date that payments between the two entities are made.

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Transfers during the year include the following:

1. \$48,573 – net transfers from the debt service fund to the general fund.
2. \$110,693 – transfers of net revenues from the debt service fund to the enterprise fund as funding for the payment of principal and interest obligations on bonded fund debt.

6. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2009 was as follows:

Primary Government	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets:				
Land	\$ 524,111	\$ 44,395	\$ -	\$ 568,506
Buildings & Improvements	1,841,642	-	-	1,841,642
Infrastructure - Streets	786,343	21,019	-	807,362
Vehicles and Equipment	1,176,258	483,394	-	1,659,652
Construction in Progress	<u>32,500</u>	<u>183</u>	-	<u>32,683</u>
Totals at historic cost	<u>4,360,854</u>	<u>548,991</u>	-	<u>4,909,845</u>
Less accumulated depreciation for:				
Buildings & Improvements	217,476	45,646	-	263,122
Infrastructure – Streets	339,748	37,665	-	377,413
Vehicles and Equipment	<u>564,876</u>	<u>168,532</u>	-	<u>733,408</u>
Total accumulated depreciation	<u>1,122,100</u>	<u>251,843</u>	-	<u>1,373,943</u>
Governmental activities capital assets, net	<u>\$3,238,754</u>	<u>\$ 297,148</u>	<u>\$ -</u>	<u>\$3,535,902</u>

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

Governmental Activities:	
Administrative	\$ 13,134
Municipal Court	714
Public Safety	166,710
Public Works	42,366
Library	<u>28,919</u>
Total depreciation expense – Governmental activities	<u>\$251,843</u>

CITY OF AUBREY, TEXAS

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Capital asset activity for the Enterprise Fund business-type activities for the year ended September 30, 2009 was as follows:

	<u>Balance</u> <u>October 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30</u>
Enterprise Activities:				
Land	\$ 54,359	\$ -	\$ -	\$ 54,359
Building	68,707	-	-	68,707
Water System	2,407,404	-	-	2,407,404
Wastewater System	4,317,064	-	-	4,317,064
Vehicles and Equipment	<u>242,644</u>	<u>-</u>	<u>-</u>	<u>242,644</u>
Totals at historic cost	<u>7,090,178</u>	<u>-</u>	<u>-</u>	<u>7,090,178</u>
Less Accumulated Depreciation:				
Building	14,209	1,718	-	15,927
Water System	674,109	60,185	-	734,294
Wastewater System	1,097,040	108,362	-	1,205,402
Vehicles and Equipment	<u>186,495</u>	<u>24,243</u>	<u>-</u>	<u>210,738</u>
	<u>1,971,853</u>	<u>194,508</u>	<u>-</u>	<u>2,166,361</u>
Enterprise Activities Capital Assets Net	<u>\$5,118,325</u>	<u>\$ (194,508)</u>	<u>\$ -</u>	<u>\$4,923,817</u>

7. GOVERNMENTAL LONG TERM DEBT

Governmental long-term debt of the City consists of one certificates of obligation series, two general obligation bond series, tax refunding bonds, eight bank notes, and accrued compensated absences.

The following is a summary of changes in the City's governmental long-term debt for the fiscal year ended September 30, 2009.

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Balance October 1 2008</u>	<u>Additions</u>	<u>Refunding/Retirements</u>	<u>Balance September 30 2009</u>	<u>Due Within One Year</u>
Certificates of Obligation:						
Series 1998 Refunding	5.0-5.5%	\$ 790,000	\$ -	\$ 40,000	\$ 750,000	\$ 10,000
Total		<u>790,000</u>	<u>-</u>	<u>40,000</u>	<u>750,000</u>	<u>10,000</u>
General Obligation Bonds:						
Series 2005	3.98%	770,000	-	30,000	740,000	30,000
Series 2006	4.10%	<u>805,000</u>	<u>-</u>	<u>70,000</u>	<u>735,000</u>	<u>135,000</u>
Total		<u>1,575,000</u>	<u>-</u>	<u>100,000</u>	<u>1,475,000</u>	<u>165,000</u>

CITY OF AUBREY, TEXAS

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<u>Description</u>	<u>Interest Rate Payable</u>	<u>Balance October 1 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30 2009</u>	<u>Due Within One Year</u>
Tax Refunding Bonds:						
Series 2008	4.0-4.15%	\$1,615,000	\$ -	\$ 40,000	\$1,575,000	\$ 20,000
Bank Notes:						
Land purchase	4.99%	84,915	-	12,763	72,152	11,990
Land purchase	5.35%	46,658	-	14,788	31,870	15,488
Land purchase	5.35%	50,704	-	16,227	34,477	16,881
Land purchase	5.28%	16,291	-	2,869	13,422	2,925
Police vehicle	5.28%	29,418	-	4,462	24,956	4,523
Police vehicle	5.28%	33,645	-	5,124	28,521	5,195
Police dept. building	5.28%	320,447	-	6,887	313,560	7,622
Fire vehicle	4.90%	-	350,000	13,657	336,343	28,712
Total		<u>582,078</u>	<u>350,000</u>	<u>76,777</u>	<u>855,301</u>	<u>93,336</u>
Compensated absences	-	<u>49,429</u>	<u>29,000</u>	-	<u>78,429</u>	-
Total Long-Term Debt		<u>\$4,611,507</u>	<u>\$ 379,000</u>	<u>\$ 256,777</u>	<u>\$4,733,730</u>	<u>\$ 288,336</u>

Payment of the Certificates of Obligation bonds will be from a combination of (1) the levy and collection of a direct and continuing ad valorem tax, within the limits of the law, on all taxable property within the City, and (2) a limited pledge of surplus net revenues of the City's water and wastewater operating system. General obligation bond retirement is provided from debt service ad valorem taxes. Tax note retirement, and bank note retirement is provided from general fund revenues.

In prior years, the City defeased outstanding debt by depositing funds into an escrow account established to make future principal and interest payments on the debt series. Because the escrow account is sufficient to pay principal and interest on those series, those series are not recorded as a liability of the City. The financial transactions, assets and liabilities of the escrow account are not reflected in the financial statements of the City.

At September 30, 2009, the amount of defeased debt outstanding but removed from the governmental long-term debt amounted to \$1,695,000.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

8. DEBT SERVICE REQUIREMENTS – GOVERNMENTAL LONG TERM DEBT

Presented below is a summary of certificate of obligation requirements to maturity:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 10,000	\$ 40,700	\$ 50,700
2011	45,000	40,176	85,176
2012	80,000	37,812	117,812
2013	85,000	33,612	118,612
2014	100,000	29,150	129,150
2015-2018	<u>430,000</u>	<u>59,950</u>	<u>489,950</u>
Total	<u>\$ 750,000</u>	<u>\$ 241,400</u>	<u>\$ 991,400</u>

Presented below is a summary of general obligation requirements to maturity:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 165,000	\$ 59,586	\$ 224,586
2011	55,000	52,858	107,858
2012	60,000	50,638	110,638
2013	60,000	48,220	108,220
2014	65,000	45,803	110,803
2015-2019	370,000	187,276	557,276
2020-2024	445,000	106,626	551,626
2025-2027	<u>255,000</u>	<u>18,650</u>	<u>273,650</u>
Total	<u>\$1,475,000</u>	<u>\$ 569,657</u>	<u>\$2,044,657</u>

Tax Refunding Bonds

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 20,000	\$ 63,737	\$ 83,737
2011	50,000	62,937	112,937
2012	80,000	60,935	140,935
2013	80,000	57,737	137,737
2014	90,000	54,536	144,536
2015-2019	620,000	207,281	827,281
2020-2024	<u>635,000</u>	<u>71,936</u>	<u>706,936</u>
Total	<u>\$1,575,000</u>	<u>\$ 579,099</u>	<u>\$2,154,099</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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Presented below is a summary of bank note requirements to maturity:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2010	\$ 93,336	\$ 42,005	\$ 135,341
2011	98,077	37,050	135,127
2012	67,390	32,675	100,065
2013	70,851	29,214	100,065
2014	70,950	25,627	96,577
2015-2019	238,743	86,871	325,614
2020-2024	71,710	48,432	120,142
2025-2029	93,215	26,927	120,142
2030-2032	<u>51,029</u>	<u>3,448</u>	<u>54,477</u>
Total	<u>\$ 855,301</u>	<u>\$ 332,249</u>	<u>\$1,187,550</u>

Summary of the above governmental long-term requirements is as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2010	\$ 288,336	\$ 206,028	\$ 494,364
2011	248,077	193,021	441,098
2012	287,390	182,060	469,450
2013	295,851	168,783	464,634
2014	325,950	155,116	481,066
2015-2019	1,658,743	541,378	2,200,121
2020-2024	1,151,710	226,994	1,378,704
2025-2029	348,215	45,577	393,792
2030-2032	<u>51,029</u>	<u>3,448</u>	<u>54,477</u>
Total	<u>\$4,655,301</u>	<u>\$1,722,405</u>	<u>\$6,377,706</u>

9. ENTERPRISE FUND LONG TERM DEBT

Enterprise fund long term debt of the City consists of one revenue bond series, three certificate of obligation series, one tax refunding bond series and two bank notes. Retirement of enterprise fund revenue bonds is provided from revenues of the City's water and wastewater operating system. Payment of the certificates of obligation will be from a combination of (1) revenues of the City's water and wastewater operating system, and (2) the levy and collection of a direct and continuing ad valorem tax, within the limits of the law, on all taxable property within the City.

CITY OF AUBREY, TEXAS

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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The following is a summary of changes in the City's Enterprise Fund long-term debt for the fiscal year ended September 30, 2009:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Balance October 1 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30 2009</u>	<u>Due Within One Year</u>
Revenue Bonds:						
Series 1979	5.0%	<u>\$ 156,000</u>	<u>\$ -</u>	<u>\$ 12,000</u>	<u>\$ 144,000</u>	<u>\$ 13,000</u>
Total		<u>156,000</u>	<u>-</u>	<u>12,000</u>	<u>144,000</u>	<u>13,000</u>
Certificates of Obligation:						
Series 2001	4.85%	56,288	-	17,870	38,418	18,749
Series 2003	.95-4.05%	1,410,000	-	75,000	1,335,000	75,000
Series 2004	5.0%	<u>100,000</u>	<u>-</u>	<u>21,250</u>	<u>78,750</u>	<u>15,000</u>
Total		<u>1,566,288</u>	<u>-</u>	<u>114,120</u>	<u>1,452,168</u>	<u>108,749</u>
Bank Notes:						
Vehicle	5.28%	7,948	-	4,324	3,624	3,624
Vehicle	5.35 %	<u>17,354</u>	<u>-</u>	<u>7,525</u>	<u>9,829</u>	<u>7,593</u>
		<u>25,302</u>	<u>-</u>	<u>11,849</u>	<u>13,453</u>	<u>11,217</u>
Tax Refunding Bonds:						
Series 2007	4.0-4.15%	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>
		<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>
Total Long-Term Debt		<u>\$1,997,590</u>	<u>\$ -</u>	<u>\$137,969</u>	<u>\$1,859,621</u>	<u>\$ 132,966</u>

The debt service requirements for the Enterprise Fund long-term debt are listed below:

Revenue Bonds

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 13,000	\$ 7,200	\$ 20,200
2011	14,000	6,550	20,550
2012	14,000	5,850	19,850
2013	15,000	5,150	20,150
2014	16,000	4,400	20,400
2015-2018	<u>72,000</u>	<u>9,150</u>	<u>81,150</u>
Total	<u>\$144,000</u>	<u>\$ 38,300</u>	<u>\$182,300</u>

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Certificates of Obligation

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 108,749	\$ 52,471	\$ 161,220
2011	114,669	48,813	163,482
2012	95,000	45,025	140,025
2013	105,000	41,835	146,835
2014	103,750	38,158	141,908
2015-2019	480,000	140,438	620,438
2020-2023	<u>445,000</u>	<u>44,827</u>	<u>489,827</u>
Total	<u>\$1,452,168</u>	<u>\$ 411,567</u>	<u>\$1,863,735</u>

Bank Notes

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 11,217	\$ 425	\$ 11,642
2011	<u>2,236</u>	<u>21</u>	<u>2,257</u>
Total	<u>\$ 13,453</u>	<u>\$ 446</u>	<u>\$ 13,899</u>

Tax Refunding Bonds

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ -	\$ 10,375	\$ 10,375
2011	-	10,375	10,375
2012	-	10,375	10,375
2013	-	10,375	10,375
2014	-	10,375	10,375
2015-2019	-	51,875	51,875
2020-2024	110,000	51,875	161,875
2025	<u>140,000</u>	<u>5,810</u>	<u>145,810</u>
Total	<u>\$ 250,000</u>	<u>\$ 161,435</u>	<u>\$ 411,435</u>

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

<u>Total</u>	<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
	2010	\$ 132,966	\$ 70,471	\$ 203,437
	2011	130,905	65,759	196,664
	2012	109,000	61,250	170,250
	2013	120,000	57,360	177,360
	2014	119,750	52,933	172,683
	2015-2019	552,000	201,463	753,463
	2020-2024	555,000	96,702	651,702
	2025	<u>140,000</u>	<u>5,810</u>	<u>145,810</u>
	Total	<u>\$1,859,621</u>	<u>\$ 611,748</u>	<u>\$2,471,369</u>

10. EMPLOYEE RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the 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, TX 78714-9153 or by calling 800-924-8667; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	Plan Year 2008	Plan Year 2009
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/25	60/5,0/25
Updated Service Credit	100%,	0%,
Annuity Increase (to retirees)	0% of CPI	0% of CPI

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

Contributions

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

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

1. Annual Required Contribution (ARC)	\$ 37,651
2. Annual Pension Cost (APC)	37,651
3. Contributions Made	<u>(37,651)</u>
4. Increase (decrease) in net pension obligation	-0-
5. Net Pension Obligation/(Asset), beginning of year	<u>-0-</u>
6. Net Pension Obligation/(Asset), end of year	<u>\$ -0-</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>12/31/2008</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
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	N/A	0.0%	0.0%

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$927,606	\$817,749	113.4%	\$(109,857)	\$1,598,662	(6.9)%

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

11. COMPLIANCE WITH BOND ORDINANCES

The ordinances governing the Waterwork and Sewer Revenue Bonds require the creation and maintaining of certain funds in the City's official depository bank or depository banks as specifically stated in the ordinance so long as any of the bonds are outstanding and unpaid. Deposits are to be made to the funds until sufficient balances are available as stipulated in the ordinances. The balances at September 30, 2009 compared to the required balances are as follows:

	Actual Balance September 30, 2009	Balance Required September 30, 2009	Over (Under) Requirements
--	-----------------------------------	-------------------------------------	---------------------------

Waterworks and Sewer System Junior Lien Revenue Bonds – Series 1979

Interest & Sinking Reserve	\$15,725	\$ 3,367	\$12,358
Reserve	<u>19,736</u>	<u>20,256</u>	<u>(520)</u>
Total	<u>\$35,461</u>	<u>\$23,623</u>	<u>\$11,838</u>

The City is in compliance with the account balance requirements of the bond ordinances at September 30, 2009.

12. LITIGATION AND CONTINGENCIES

The City Attorney (general legal counsel) expresses the opinion that there does not now exist any pending or threatened litigation, claim or assessment, or an unasserted claim and/or assessment which individually or collectively represent a potential loss exposure to the City of Aubrey, Texas.

13. RISK MANAGEMENT

Significant losses to which the City is exposed are covered by insurance obtained primarily through the Texas Municipal League. This includes property and liability, worker's compensation and employee health. The City retains no risk of loss except for small deductibles on some of the policies.

For insured programs, there have been no significant reduction in insurance coverage, and settlement amounts have not been exceeded insurance coverage for the current year or the three prior years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AUBREY, TEXAS

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes - ad valorem	\$ 154,899	\$ 154,899	\$ 157,907	\$ 3,008
- franchise	209,441	209,441	201,128	(8,313)
- sales	398,835	398,835	400,254	1,419
Court citations	98,761	98,761	65,329	(33,432)
Sanitation charges	199,482	199,482	192,024	(7,458)
Building permits	32,000	32,000	25,289	(6,711)
Other permits and fees	51,510	51,510	85,114	33,604
Other charges for services	1,080,183	1,080,183	1,104,020	23,837
Interest income	404	404	694	290
Donations/grants	91,580	91,580	255,182	163,602
Seizure funds	-	-	5,083	5,083
Other	700	700	25,577	24,877
Total Revenues	<u>2,317,795</u>	<u>2,317,795</u>	<u>2,517,601</u>	<u>199,806</u>
Expenditures:				
Administrative	154,011	154,011	161,989	(7,978)
Municipal court	63,185	63,185	62,151	1,034
Public safety	1,400,114	1,400,114	1,403,924	(3,810)
Public works	172,121	172,121	205,085	(32,964)
Sanitation	199,482	199,482	194,120	5,362
Animal control	11,750	11,750	13,100	(1,350)
Library	191,602	191,602	223,550	(31,948)
Debt service:				
Principal	62,225	62,225	76,778	(14,553)
Interest and fees	42,230	42,230	38,152	4,078
Capital Outlay	14,000	14,000	548,808	(534,808)
Total Expenditures	<u>2,310,720</u>	<u>2,310,720</u>	<u>2,927,657</u>	<u>(616,937)</u>
Excess (Deficit) of Revenues over Expenditures	<u>7,075</u>	<u>7,075</u>	<u>(410,056)</u>	<u>(417,131)</u>
Other Financing Sources(Uses):				
Bank Loan Proceeds	-	-	350,000	350,000
Transfers from Other Funds	-	-	48,573	48,573
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>398,573</u>	<u>398,573</u>
Net Change in Fund Balance	7,075	7,075	(11,483)	(18,558)
Fund Balance - October 1 (Beginning)	278,105	278,105	278,105	-
Fund Balance - September 30 (Ending)	<u>\$ 285,180</u>	<u>\$ 285,180</u>	<u>\$ 266,622</u>	<u>\$ (18,558)</u>

CITY OF AUBREY, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2009

NOTE 1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The Council adopts an "appropriated budget" on a basis consistent with GAAP for the general fund and debt service fund. At a minimum, the Council is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these two funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- Prior to September 1, the Council prepares a budget based on the modified zero-based budgetary concept for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- After one of more budget workshops with the Council, a meeting is called for the purpose of adopting the proposed budget. At least ten days but not more than 30 days public notice of the meeting is required.
- Prior to September 30, the Council legally adopts the budget for the general fund and debt service fund.
- After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund's total expenditures or total revenue or other resources object category requires Council approval prior to the fact. These amendments are presented to the Council at its regular monthly meeting and are reflected in the official minutes. The general fund budget was not amended during the year.
- Expenditure budgets are controlled at the departmental level by the department heads. All budget appropriations lapse at year-end.

The general fund and debt service fund budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**INDIVIDUAL FUND
STATEMENTS & SCHEDULES**

CITY OF AUBREY, TEXAS

SCHEDULE OF EXPENDITURES BY DEPARTMENT
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008)

	2009		Variance Favorable (Unfavorable)	2008 Actual
	Budget	Actual		
ADMINISTRATIVE:				
Personnel:				
Salaries	\$ 72,483	\$ 74,228	\$ (1,745)	\$ 70,571
Retirement	1,471	1,820	(349)	2,481
Payroll Taxes	1,051	1,070	(19)	1,023
Group Insurance	6,900	5,645	1,255	6,679
Total Personnel	<u>81,905</u>	<u>82,763</u>	<u>(858)</u>	<u>80,754</u>
Supplies and Repairs:				
Office Supplies, Postage	4,450	3,096	1,354	3,524
Building Maintenance	800	1,867	(1,067)	616
Equipment Maintenance	850	1,148	(298)	6,350
Miscellaneous	1,040	4,255	(3,215)	1,287
Total Supplies and Repairs	<u>7,140</u>	<u>10,366</u>	<u>(3,226)</u>	<u>11,777</u>
Contract Services:				
Electricity	1,100	2,242	(1,142)	2,415
Gas	650	880	(230)	621
Telephone	2,800	2,875	(75)	2,620
Insurance	3,844	3,143	701	3,634
Equipment Rental	1,180	1,312	(132)	727
Legal and Professional	20,000	19,684	316	17,121
Travel and Training	1,240	2,406	(1,166)	1,769
Advertising and Notices	2,000	1,332	668	4,347
Dues and Memberships	750	1,104	(354)	728
Appraisal District Fees	1,090	1,096	(6)	1,023
Election Costs	2,500	2,494	6	32
SPAN	1,000	-	1,000	1,000
Health Officer	1,200	1,550	(350)	1,500
Contract labor	25,612	21,962	3,650	21,901
Technology	-	6,780	(6,780)	2,350
Total Contract Services	<u>64,966</u>	<u>68,860</u>	<u>(3,894)</u>	<u>61,788</u>
TOTAL ADMINISTRATIVE	<u>\$ 154,011</u>	<u>\$ 161,989</u>	<u>\$ (7,978)</u>	<u>\$ 154,319</u>

CITY OF AUBREY, TEXAS

SCHEDULE OF EXPENDITURES BY DEPARTMENT
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008)

	2009		Variance Favorable (Unfavorable)	2008 Actual
	Budget	Actual		
MUNICIPAL COURT				
Personnel:				
Salaries	\$ 33,627	\$ 35,131	\$ (1,504)	\$ 32,483
Retirement	682	862	(180)	1,100
Payroll Taxes	488	507	(19)	515
Group Insurance	6,900	3,760	3,140	6,663
Total Personnel	<u>41,697</u>	<u>40,260</u>	<u>1,437</u>	<u>40,761</u>
Supplies and Repairs:				
Office Supplies, Postage	2,175	1,874	301	1,945
Other Supplies	175	23	152	488
Building Maintenance	250	-	250	95
Equipment Maintenance	250	1,008	(758)	81
Miscellaneous	-	54	(54)	151
Total Supplies and Repairs	<u>2,850</u>	<u>2,959</u>	<u>(109)</u>	<u>2,760</u>
Contract Services:				
Electricity	1,100	1,499	(399)	1,695
Gas	225	63	162	422
Telephone	1,375	1,130	245	1,049
Insurance	453	444	9	438
Equipment Rental	775	720	55	642
Legal and Professional	3,700	4,088	(388)	5,194
Travel and Training	660	347	313	318
Dues and Memberships	150	40	110	-
Appraisal District Fees	840	967	(127)	936
Juror Fees	360	-	360	168
Contract Labor - Judge/Attorney	9,000	9,634	(634)	8,475
Total Contract Services	<u>18,638</u>	<u>18,932</u>	<u>(294)</u>	<u>19,337</u>
TOTAL MUNICIPAL COURT	<u>\$ 63,185</u>	<u>\$ 62,151</u>	<u>\$ 1,034</u>	<u>\$ 62,858</u>

CITY OF AUBREY, TEXAS

SCHEDULE OF EXPENDITURES BY DEPARTMENT
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008)

	2009		Variance Favorable (Unfavorable)	2008 Actual
	Budget	Actual		
PUBLIC SAFETY:				
Police:				
Personnel:				
Salaries	\$ 320,332	\$ 310,809	\$ 9,523	\$ 304,525
Retirement	6,502	7,697	(1,195)	10,897
Payroll Taxes	4,645	6,688	(2,043)	6,905
Group Insurance	48,300	31,686	16,614	37,291
Total Personnel	<u>379,779</u>	<u>356,880</u>	<u>22,899</u>	<u>359,618</u>
Supplies and Repairs:				
Office Supplies, Postage	1,400	2,290	(890)	3,427
Gas & Oil	28,612	16,325	12,287	26,329
Ammunition	600	-	600	-
Uniforms	3,000	2,923	77	3,328
Building Maintenance	800	2,470	(1,670)	2,214
Equipment Maintenance	2,150	10,283	(8,133)	5,344
Vehicle Maintenance	5,000	4,911	89	4,337
K-9 Costs	-	12,412	(12,412)	-
Miscellaneous	200	447	(247)	24
Total Supplies and Repairs	<u>41,762</u>	<u>52,061</u>	<u>(10,299)</u>	<u>45,003</u>
Contract Services:				
Electricity	3,000	4,022	(1,022)	4,082
Telephone	9,710	10,054	(344)	6,213
Insurance	24,996	22,658	2,338	26,524
Equipment Rental	410	-	410	401
Legal and Professional	2,500	925	1,575	3,290
Advertising and Notices	100	875	(775)	91
Travel and Training	4,485	6,311	(1,826)	6,153
Dues and Memberships	350	-	350	360
Appraisal District Fees	840	967	(127)	936
Layout Fees	500	780	(280)	240
Computer Services	250	-	250	3,525
Contract labor	-	-	-	105
Total Contract Services	<u>47,141</u>	<u>46,592</u>	<u>549</u>	<u>51,920</u>
Total Police	<u>468,682</u>	<u>455,533</u>	<u>13,149</u>	<u>456,541</u>

CITY OF AUBREY, TEXAS

SCHEDULE OF EXPENDITURES BY DEPARTMENT
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2009

(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008)

	2009		Variance Favorable (Unfavorable)	2008 Actual
	Budget	Actual		
Fire:				
Personnel:				
Salaries	\$ 577,982	\$ 605,356	\$ (27,374)	\$ 438,692
Retirement	11,568	15,708	(4,140)	15,084
Payroll Taxes	8,236	8,728	(492)	6,361
Group Insurance	86,250	60,615	25,635	37,456
Total Personnel	<u>684,036</u>	<u>690,407</u>	<u>(6,371)</u>	<u>497,593</u>
Supplies and Repairs:				
Office Supplies, Postage	1,975	938	1,037	2,178
Firefighting Supplies	7,500	13,896	(6,396)	7,989
Gas & Oil	13,911	12,716	1,195	14,977
Uniforms	7,000	1,975	5,025	8,496
Building Maintenance	16,000	15,663	337	1,032
Equipment Maintenance	3,100	9,105	(6,005)	9,100
Vehicle Maintenance	10,000	18,507	(8,507)	13,418
Miscellaneous	1,950	1,976	(26)	3,857
Total Supplies and Repairs	<u>61,436</u>	<u>74,776</u>	<u>(13,340)</u>	<u>61,047</u>
Contract Services:				
Electricity	18,950	17,045	1,905	15,149
Gas	4,000	5,526	(1,526)	3,663
Water	2,200	2,717	(517)	-
Telephone	3,865	5,330	(1,465)	1,874
Insurance	37,400	25,106	12,294	15,182
Equipment Rental	460	-	460	228
Legal and Professional	1,000	1,183	(183)	1,453
Travel and Training	4,450	1,730	2,720	6,893
Advertising and Notices	275	-	275	670
Dues and Memberships	100	1,690	(1,590)	1,260
Appraisal District Fees	840	967	(127)	936
Academy Class Costs	200	7,028	(6,828)	4,173
Computer Services	-	-	-	644
Total Contract Services	<u>73,740</u>	<u>68,322</u>	<u>5,418</u>	<u>52,125</u>
Total Fire	<u>819,212</u>	<u>833,505</u>	<u>(14,293)</u>	<u>610,765</u>

CITY OF AUBREY, TEXAS

SCHEDULE OF EXPENDITURES BY DEPARTMENT
 BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2009
 (WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008)

	2009		Variance Favorable (Unfavorable)	2008 Actual
	Budget	Actual		
Ambulance:				
Personnel:				
Salaries	\$ 81,685	\$ 84,916	\$ (3,231)	\$ 66,421
Retirement	1,659	2,071	(412)	2,341
Payroll Taxes	1,184	1,224	(40)	963
Group Insurance	13,800	11,200	2,600	6,388
Total Personnel	<u>98,328</u>	<u>99,411</u>	<u>(1,083)</u>	<u>76,113</u>
Supplies and Repairs:				
Office Supplies, Postage	400	174	226	103
Miscellaneous	350	58	292	709
Total Supplies and Repairs	<u>750</u>	<u>232</u>	<u>518</u>	<u>812</u>
Contract Services:				
Telephone	75	133	(58)	90
Insurance	13,067	14,185	(1,118)	9,925
Legal & Professional	-	925	(925)	1,598
Total Contract Services	<u>13,142</u>	<u>15,243</u>	<u>(2,101)</u>	<u>11,613</u>
Total Ambulance	<u>112,220</u>	<u>114,886</u>	<u>(2,666)</u>	<u>88,538</u>
TOTAL PUBLIC SAFETY	<u>\$ 1,400,114</u>	<u>\$ 1,403,924</u>	<u>\$ (3,810)</u>	<u>\$ 1,155,844</u>

CITY OF AUBREY, TEXAS

SCHEDULE OF EXPENDITURES BY DEPARTMENT
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008)

	2009		Variance Favorable (Unfavorable)	2008 Actual
	Budget	Actual		
PUBLIC WORKS:				
Personnel:				
Salaries	\$ 68,168	\$ 73,027	\$ (4,859)	\$ 73,301
Retirement	1,384	1,766	(382)	2,611
Payroll Taxes	988	1,054	(66)	1,063
Group Insurance	10,350	553	9,797	847
Total Personnel	<u>80,890</u>	<u>76,400</u>	<u>4,490</u>	<u>77,822</u>
Supplies and Repairs:				
Sand, Rock, and Gravel	5,000	3,742	1,258	9,183
Chemicals	10,000	5,202	4,798	-
Office Supplies, Postage	1,450	1,814	(364)	1,847
Street Repairs	7,500	2,647	4,853	20,256
Street Signs	3,000	1,216	1,784	1,328
Other Supplies	1,000	589	411	1,119
Gas and Oil	3,500	3,389	111	2,003
Equipment Maintenance	2,325	2,850	(525)	3,081
Miscellaneous	100	32	68	-
Total Supplies and Repairs	<u>33,875</u>	<u>21,481</u>	<u>12,394</u>	<u>38,817</u>
Contract Services:				
Electricity	13,588	27,045	(13,457)	28,604
Telephone	2,225	2,037	188	2,227
Insurance	2,838	1,573	1,265	2,431
Legal and Professional	3,000	7,602	(4,602)	3,331
Travel and Training	1,075	960	115	1,059
Inspection Fees	22,750	60,723	(37,973)	30,941
Filing Fees	425	457	(32)	340
Contract Labor	4,000	-	4,000	1,815
Property Liens, Mowing	1,800	-	1,800	54
Advertising and Legal Notices	-	245	(245)	173
Appraisal District Fees	1,680	1,935	(255)	1,872
Equipment Rental	775	792	(17)	662
Dues and Memberships	300	237	63	151
Computer Services	-	-	-	1,169
Parks and Recreation	2,900	3,598	(698)	191
Total Contract Services	<u>57,356</u>	<u>107,204</u>	<u>(49,848)</u>	<u>75,020</u>
TOTAL PUBLIC WORKS	<u>\$ 172,121</u>	<u>\$ 205,085</u>	<u>\$ (32,964)</u>	<u>\$ 191,659</u>

CITY OF AUBREY, TEXAS

SCHEDULE OF EXPENDITURES BY DEPARTMENT
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008)

	<u>2009</u>		Variance Favorable (Unfavorable)	2008 Actual
	<u>Budget</u>	<u>Actual</u>		
LIBRARY:				
Personnel:				
Salaries	\$ 119,025	\$ 115,863	\$ 3,162	\$ 102,297
Retirement	2,817	2,822	(5)	3,591
Payroll Taxes	1,726	1,671	55	1,483
Group Insurance	6,900	5,507	1,393	6,443
Total Personnel	<u>130,468</u>	<u>125,863</u>	<u>4,605</u>	<u>113,814</u>
Supplies and Repairs:				
Office Supplies, Postage	1,375	2,478	(1,103)	1,147
Library Books, Supplies	5,500	28,638	(23,138)	19,015
Building Maintenance	14,035	13,843	192	18,279
Equipment Maintenance	9,667	7,109	2,558	5,283
Technology	-	6,544	(6,544)	2,390
Programs	-	2,290	(2,290)	2,442
Miscellaneous	540	1,764	(1,224)	1,577
Total Supplies and Repairs	<u>31,117</u>	<u>62,666</u>	<u>(31,549)</u>	<u>50,133</u>
Contract Services:				
Electricity	17,762	14,655	3,107	17,415
Telephone	3,500	3,768	(268)	3,409
Legal and Professional	750	1,060	(310)	2,321
Travel and Training	2,425	3,215	(790)	2,494
Dues and Memberships	200	243	(43)	196
Insurance	4,540	5,240	(700)	4,278
Appraisal District Fees	840	967	(127)	936
Peanut Festival Costs	-	5,440	(5,440)	8,619
Fundraising Costs	-	433	(433)	2,694
Total Contract Services	<u>30,017</u>	<u>35,021</u>	<u>(5,004)</u>	<u>42,362</u>
TOTAL LIBRARY	<u>\$ 191,602</u>	<u>\$ 223,550</u>	<u>\$ (31,948)</u>	<u>\$ 206,309</u>

CITY OF AUBREY, TEXAS

SCHEDULE OF EXPENDITURES BY DEPARTMENT
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED SEPTEMBER 30, 2008)

	<u>2009</u>		Variance Favorable (Unfavorable)	2008 Actual
	<u>Budget</u>	<u>Actual</u>		
SANITATION:				
Contract Services	\$ 199,482	\$ 194,120	\$ 5,362	\$ 188,202
TOTAL SANITATION	<u>\$ 199,482</u>	<u>\$ 194,120</u>	<u>\$ 5,362</u>	<u>\$ 188,202</u>
ANIMAL CONTROL:				
Contract Services:				
Contract Services	\$ 11,750	\$ 13,100	\$ (1,350)	\$ 10,575
Total Contract Services	<u>11,750</u>	<u>13,100</u>	<u>(1,350)</u>	<u>10,575</u>
TOTAL ANIMAL CONTROL	<u>\$ 11,750</u>	<u>\$ 13,100</u>	<u>\$ (1,350)</u>	<u>\$ 10,575</u>
DEBT SERVICE:				
Principal	\$ 62,225	\$ 76,778	\$ (14,553)	\$ 65,255
Interest	<u>42,230</u>	<u>38,152</u>	<u>4,078</u>	<u>33,351</u>
TOTAL DEBT SERVICE	<u>\$ 104,455</u>	<u>\$ 114,930</u>	<u>\$ (10,475)</u>	<u>\$ 98,606</u>
CAPITAL OUTLAY:				
Land	\$ -	\$ 44,395	\$ (44,395)	\$ -
Streets	-	21,019	(21,019)	7,330
Vehicles	-	436,286	(436,286)	-
Equipment	<u>14,000</u>	<u>47,108</u>	<u>(33,108)</u>	<u>115,369</u>
TOTAL CAPITAL OUTLAY	<u>\$ 14,000</u>	<u>\$ 548,808</u>	<u>\$ (534,808)</u>	<u>\$ 122,699</u>
TOTAL EXPENDITURES	<u>\$ 2,335,720</u>	<u>\$ 2,926,847</u>	<u>\$ 130,017</u>	<u>\$ 2,191,071</u>

CITY OF AUBREY, TEXAS

BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes-ad valorem	\$529,951	\$529,951	\$530,349	\$ 398
Interest income	<u>5,800</u>	<u>5,800</u>	<u>1,084</u>	<u>(4,716)</u>
Total Revenues	<u>535,751</u>	<u>535,751</u>	<u>531,433</u>	<u>(4,318)</u>
Expenditures:				
Principal	180,000	180,000	180,000	-
Interest and Fees	<u>185,370</u>	<u>185,370</u>	<u>173,027</u>	<u>12,343</u>
Total Expenditures	<u>365,370</u>	<u>365,370</u>	<u>353,027</u>	<u>12,343</u>
Excess of Revenues over Expenditures	<u>170,381</u>	<u>170,381</u>	<u>178,406</u>	<u>8,025</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(155,217)</u>	<u>(155,217)</u>	<u>(159,266)</u>	<u>(4,049)</u>
Total Other Financing Sources (Uses)	<u>(155,217)</u>	<u>(155,217)</u>	<u>(159,266)</u>	<u>(4,049)</u>
Net Change in Fund Balance	15,164	15,164	19,140	3,976
Fund Balance – October 1 (Beginning)	<u>33,180</u>	<u>33,180</u>	<u>33,180</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$ 48,344</u>	<u>\$ 48,344</u>	<u>\$ 52,320</u>	<u>\$ 3,976</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF AUBREY, TEXAS

GENERAL OBLIGATION – SERIES 1998 REFUNDING
AMOUNT \$910,000 – RATE 5.0% TO 5.5%

<u>Payment Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Payment</u>
February 1, 2010	\$ 20,350	\$ -	\$ 20,350
August 1, 2010	20,350	10,000	30,350
February 1, 2011	20,088	-	20,088
August 1, 2011	20,088	45,000	65,088
February 1, 2012	18,906	-	18,906
August 1, 2012	18,906	80,000	98,906
February 1, 2013	16,806	-	16,806
August 1, 2013	16,806	85,000	101,806
February 1, 2014	14,575	-	14,575
August 1, 2014	14,575	100,000	114,575
February 1, 2015	11,825	-	11,825
August 1, 2015	11,825	105,000	116,825
February 1, 2016	8,938	-	8,938
August 1, 2016	8,938	105,000	113,938
February 1, 2017	6,050	-	6,050
August 1, 2017	6,050	105,000	111,050
February 1, 2018	3,162	-	3,162
August 1, 2018	<u>3,162</u>	<u>115,000</u>	<u>118,162</u>
TOTAL	<u>\$241,400</u>	<u>\$750,000</u>	<u>\$991,400</u>

CITY OF AUBREY, TEXAS

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION – SERIES 2001
AMOUNT \$160,000 – RATE 4.85%

<u>Payment Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Payment</u>
March 15, 2010	\$ 932	\$ 9,262	\$ 10,194
September 15, 2010	707	9,487	10,194
March 15, 2011	477	9,717	10,194
September 15, 2011	<u>242</u>	<u>9,952</u>	<u>10,194</u>
Total	<u>\$ 2,358</u>	<u>\$ 38,418</u>	<u>\$ 40,776</u>

CITY OF AUBREY, TEXAS

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION – SERIES 2003
AMOUNT \$1,740,000 – RATE 0.65% TO 4.05%

<u>Payment Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Payment</u>
February 15, 2010	\$ 23,447	\$ -	\$ 23,447
August 15, 2010	23,447	75,000	98,447
February 15, 2011	22,454	-	22,454
August 15, 2011	22,454	80,000	102,454
February 15, 2012	21,294	-	21,294
August 15, 2012	21,294	80,000	101,294
February 15, 2013	20,073	-	20,073
August 15, 2013	20,073	85,000	105,073
February 15, 2014	18,735	-	18,735
August 15, 2014	18,735	90,000	108,735
February 15, 2015	17,273	-	17,273
August 15, 2015	17,273	90,000	107,273
February 15, 2016	15,765	-	15,765
August 15, 2016	15,765	95,000	110,765
February 15, 2017	14,126	-	14,126
August 15, 2017	14,126	95,000	109,126
February 15, 2018	12,440	-	12,440
August 15, 2018	12,440	100,000	112,440
February 15, 2019	10,615	-	10,615
August 15, 2019	10,615	100,000	110,615
February 15, 2020	8,740	-	8,740
August 15, 2020	8,740	105,000	113,740
February 15, 2021	6,745	-	6,745
August 15, 2021	6,745	110,000	116,745
February 15, 2022	4,600	-	4,600
August 15, 2022	4,600	115,000	119,600
February 15, 2023	2,329	-	2,329
August 15, 2023	<u>2,329</u>	<u>115,000</u>	<u>117,329</u>
TOTAL	<u>\$397,272</u>	<u>\$1,335,000</u>	<u>\$1,732,272</u>

CITY OF AUBREY, TEXAS

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION – SERIES 2004
AMOUNT \$400,000 – RATE 5.00%

<u>Payment Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Payment</u>
February 15, 2010	\$ 1,969	\$ -	\$ 1,969
August 15, 2010	1,969	15,000	16,969
February 15, 2011	1,594	-	1,594
August 15, 2011	1,594	15,000	16,594
February 15, 2012	1,219	-	1,219
August 15, 2012	1,219	15,000	16,219
February 15, 2013	844	-	844
August 15, 2013	844	20,000	20,844
February 15, 2014	344	-	344
August 15, 2014	<u>344</u>	<u>13,750</u>	<u>14,094</u>
TOTAL	<u>\$ 11,940</u>	<u>\$ 78,750</u>	<u>\$ 90,690</u>

CITY OF AUBREY, TEXAS

GENERAL OBLIGATION BONDS – SERIES 2005
AMOUNT \$830,000 – RATE 3.98%

<u>Payment Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Payment</u>
February 15, 2010	\$ 14,726	\$ -	\$ 14,726
August 15, 2010	14,726	30,000	44,726
February 15, 2011	14,129	-	14,129
August 15, 2011	14,129	30,000	44,129
February 15, 2012	13,532	-	13,532
August 15, 2012	13,532	35,000	48,532
February 15, 2013	12,835	-	12,835
August 15, 2013	12,835	35,000	47,835
February 15, 2014	12,139	-	12,139
August 15, 2014	12,139	35,000	47,139
February 15, 2015	11,443	-	11,443
August 15, 2015	11,443	40,000	51,443
February 15, 2016	10,646	-	10,646
August 15, 2016	10,646	40,000	50,646
February 15, 2017	9,851	-	9,851
August 15, 2017	9,851	40,000	49,851
February 15, 2018	9,054	-	9,054
August 15, 2018	9,054	45,000	54,054
February 15, 2019	8,159	-	8,159
August 15, 2019	8,159	45,000	53,159
February 15, 2020	7,264	-	7,264
August 15, 2020	7,264	45,000	52,264
February 15, 2021	6,368	-	6,368
August 15, 2021	6,368	50,000	56,368
February 15, 2022	5,373	-	5,373
August 15, 2022	5,373	50,000	55,373
February 15, 2023	4,378	-	4,378
August 15, 2023	4,378	50,000	54,378
February 15, 2024	3,383	-	3,383
August 15, 2024	3,383	55,000	58,383
February 15, 2025	2,288	-	2,288
August 15, 2025	2,288	55,000	57,288
February 15, 2026	1,194	-	1,194
August 15, 2026	<u>1,194</u>	<u>60,000</u>	<u>61,194</u>
TOTAL	<u>\$293,524</u>	<u>\$740,000</u>	<u>\$1,033,524</u>

CITY OF AUBREY, TEXAS

GENERAL OBLIGATION BONDS – SERIES 2006
AMOUNT \$915,000 – RATE 4.10%

<u>Payment Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Payment</u>
February 15, 2010	\$ 15,068	\$ -	\$ 15,068
August 15, 2010	15,068	135,000	150,068
February 15, 2011	12,300	-	12,300
August 15, 2011	12,300	25,000	37,300
February 15, 2012	11,787	-	11,787
August 15, 2012	11,787	25,000	36,787
February 15, 2013	11,275	-	11,275
August 15, 2013	11,275	25,000	36,275
February 15, 2014	10,763	-	10,763
August 15, 2014	10,763	30,000	40,763
February 15, 2015	10,147	-	10,147
August 15, 2015	10,147	30,000	40,147
February 15, 2016	9,533	-	9,533
August 15, 2016	9,533	30,000	39,533
February 15, 2017	8,917	-	8,917
August 15, 2017	8,917	30,000	38,917
February 15, 2018	8,303	-	8,303
August 15, 2018	8,303	35,000	43,303
February 15, 2019	7,585	-	7,585
August 15, 2019	7,585	35,000	42,585
February 15, 2020	6,868	-	6,868
August 15, 2020	6,868	35,000	41,868
February 15, 2021	6,150	-	6,150
August 15, 2021	6,150	40,000	46,150
February 15, 2022	5,330	-	5,330
August 15, 2022	5,330	40,000	45,330
February 15, 2023	4,510	-	4,510
August 15, 2023	4,510	40,000	44,510
February 15, 2024	3,690	-	3,690
August 15, 2024	3,690	40,000	43,690
February 15, 2025	2,870	-	2,870
August 15, 2025	2,870	45,000	47,870
February 15, 2026	1,947	-	1,947
August 15, 2026	1,947	45,000	46,947
February 15, 2027	1,025	-	1,025
August 15, 2027	<u>1,025</u>	<u>50,000</u>	<u>51,025</u>
TOTAL	<u>\$276,136</u>	<u>\$735,000</u>	<u>\$1,011,136</u>

CITY OF AUBREY, TEXAS

TAX AND WATERWORKS AND SEWER SYSTEM REVENUE
LIMITED TAX REFUNDING BONDS – SERIES 2007
AMOUNT \$1,915,000 – RATE 4.00% TO 4.15%

<u>Payment Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Payment</u>
December 1, 2009	\$ 37,056	\$ -	\$ 37,056
June 1, 2010	37,056	20,000	57,056
December 1, 2010	36,656	-	36,656
June 1, 2011	36,656	50,000	86,656
December 1, 2011	35,655	-	35,655
June 1, 2012	35,655	80,000	115,655
December 1, 2012	34,056	-	34,056
June 1, 2013	34,056	80,000	114,056
December 1, 2013	32,455	-	32,455
June 1, 2014	32,455	90,000	122,455
December 1, 2014	30,656	-	30,656
June 1, 2015	30,656	115,000	145,656
December 1, 2015	28,355	-	28,355
June 1, 2016	28,355	115,000	143,355
December 1, 2016	26,056	-	26,056
June 1, 2017	26,056	125,000	151,056
December 1, 2017	23,555	-	23,555
June 1, 2018	23,555	130,000	153,555
December 1, 2018	20,956	-	20,956
June 1, 2019	20,956	135,000	155,956
December 1, 2019	18,255	-	18,255
June 1, 2020	18,255	135,000	153,255
December 1, 2020	15,488	-	15,488
June 1, 2021	15,488	145,000	160,488
December 1, 2021	12,516	-	12,516
June 1, 2022	12,516	150,000	162,516
December 1, 2022	9,422	-	9,422
June 1, 2023	9,422	155,000	164,422
December 1, 2023	6,225	-	6,225
June 1, 2024	6,225	160,000	166,225
December 1, 2024	2,905	-	2,905
June 1, 2025	<u>2,905</u>	<u>140,000</u>	<u>142,905</u>
TOTAL	<u>\$740,534</u>	<u>\$1,825,000</u>	<u>\$2,565,534</u>

CITY OF AUBREY, TEXAS

WATER AND SEWER SYSTEM JUNIOR LIEN REVENUE BONDS – SERIES 1979
AMOUNT \$340,000 – RATE 5%

<u>Year</u>	<u>Interest</u>		<u>Principal</u>	<u>Total</u> <u>Payments</u>
	<u>February 1</u>	<u>August 1</u>	<u>August 1</u>	
2010	\$ 3,600	\$ 3,600	\$ 13,000	\$ 20,200
2011	3,275	3,275	14,000	20,550
2012	2,925	2,925	14,000	19,850
2013	2,575	2,575	15,000	20,150
2014	2,200	2,200	16,000	20,400
2015	1,800	1,800	17,000	20,600
2016	1,375	1,375	18,000	20,750
2017	925	925	18,000	19,850
2018	<u>475</u>	<u>475</u>	<u>19,000</u>	<u>19,950</u>
Total	<u>\$19,150</u>	<u>\$19,150</u>	<u>\$144,000</u>	<u>\$182,300</u>

CITY OF AUBREY, TEXAS

SCHEDULE OF INSURANCE POLICES IN FORCE
SEPTEMBER 30, 2009

<u>Insurer</u>	<u>Amount of Coverage</u>	<u>Risk Covered</u>	<u>Expiration Date</u>
Texas Municipal League	\$1,000,000	General Liability	10/01/09
Texas Municipal League	\$1,000,000	Automobile Liability	10/01/09
Texas Municipal League	\$1,000,000	Law Enforcement Liability	10/01/09
Texas Municipal League	\$1,000,000	Public Officials Liability	10/01/09
Texas Municipal League	\$8,689,800	Real and Personal Property	10/01/09
Texas Municipal League	\$1,459,480	Automobile Physical Damage	10/01/09
Texas Municipal League	\$1,550,653	Payroll Workers Compensation	10/01/09
Western Surety	\$ 67,000	Fidelity Bond-Court Clerk, City Secretary, Assistant Secretary, Police Chief, Mayor, Mayor Pro-term	04/17/10
Texas Municipal League	\$ 165,484	Mobile Equipment	10/01/09
Texas Municipal League	\$ 100,000	Boiler and Machinery	10/01/09

CITY OF AUBREY, TEXAS

MISCELLANEOUS STATISTICS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Municipal Water Department

	<u>Water</u>	<u>Sewer</u>
Number of Properties Connected:		
Residential	778	728
Commercial	64	56
Gross Revenues from the System	\$880,183	

CITY OF AUBREY, TEXAS

PROPERTY TAX LEVY AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Year Ending</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Total Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>
2000 and prior	\$ -	\$ -		\$ 4,886
2001	204,183	203,778	99.80%	405
2002	265,759	265,292	99.82%	467
2003	337,934	337,481	99.87%	453
2004	391,755	391,350	99.90%	405
2005	426,925	426,488	99.90%	437
2006	497,890	494,145	99.25%	3,745
2007	556,563	551,903	99.16%	4,660
2008	631,057	625,741	99.16%	5,316
2009	680,092	665,976	97.92%	<u>14,116</u>
Total				34,890
Less allowance for uncollectible taxes				<u>(3,842)</u>
Net Collectible				<u>\$ 31,048</u>

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TEXAS 76202-0977
TEL. (940) 387-8563
FAX (940) 383-4746

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

Honorable Mayor and City Council
Aubrey, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the City of Aubrey 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 February 1, 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 the 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 or 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 that are required to be reported under *Government Auditing Standards*.

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

Hankins, Eastup, Deaton, Tom & Seay

Hankins, Eastup, Deaton, Tom & Seay
A Professional Corporation
Certified Public Accountants

February 1, 2010

CITY OF AUBREY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2009

None

