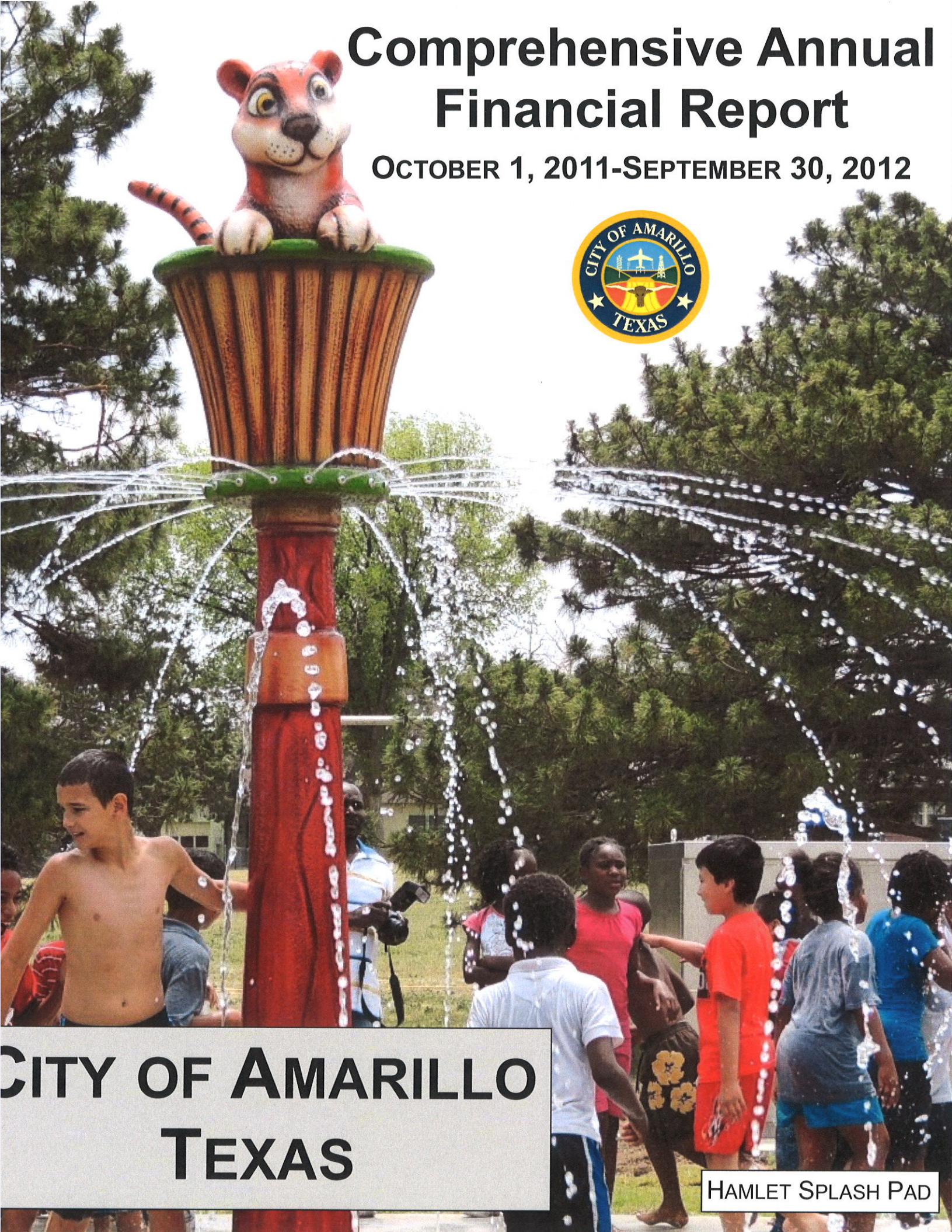


Comprehensive Annual Financial Report

OCTOBER 1, 2011-SEPTEMBER 30, 2012



**CITY OF AMARILLO
TEXAS**

HAMLET SPLASH PAD

CITY OF AMARILLO, TEXAS

Comprehensive Annual Financial Report

Fiscal Year Ended
September 30, 2012



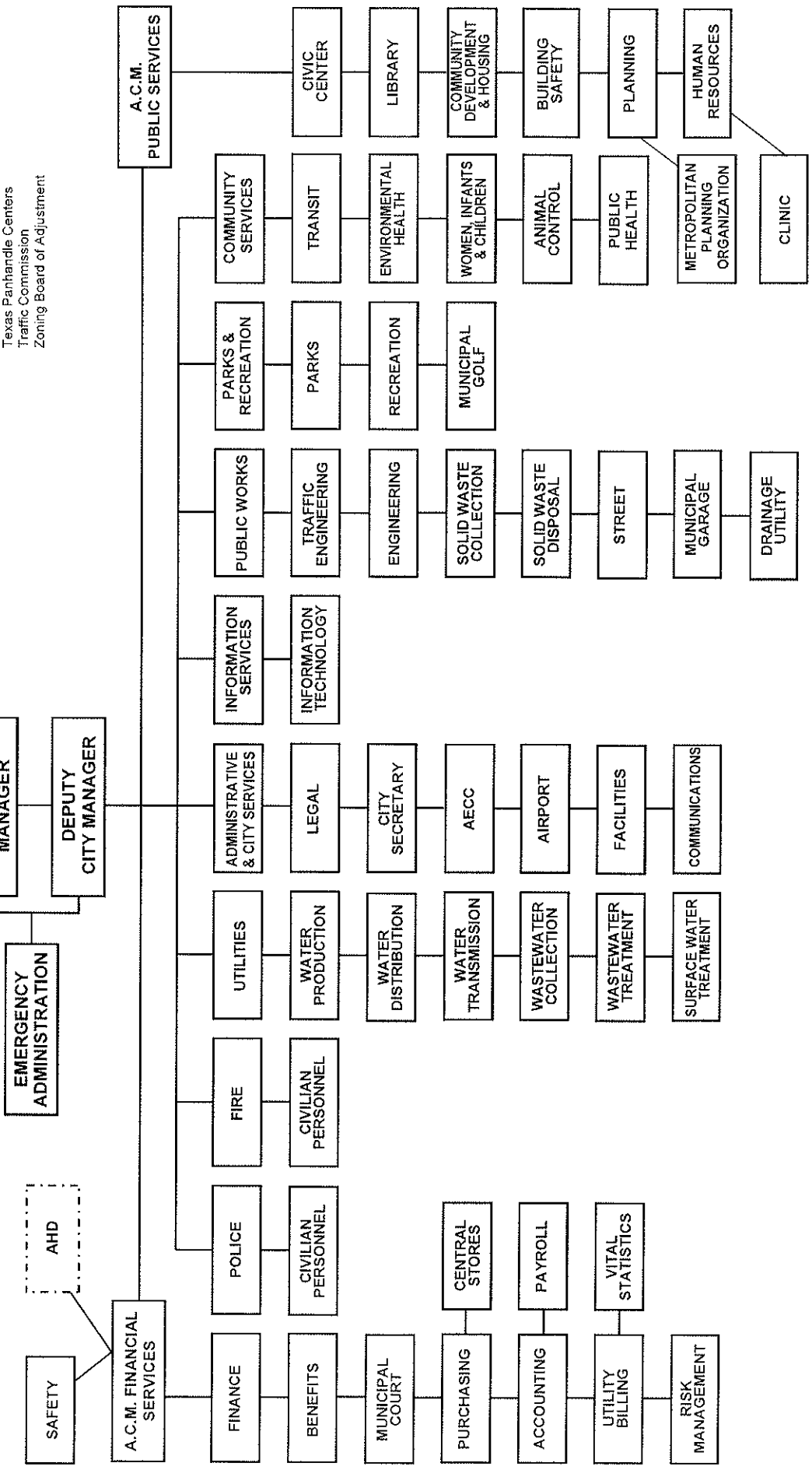
Prepared by:
Finance Division

Dean Frigo
Assistant City Manager
of Financial Services

CITY OF AMARILLO ORGANIZATION CHART

BOARDS AND COMMISSIONS
 Advisory Commission for People with Disabilities
 Airport Board
 Amarillo Economic Development Corporation
 Amarillo Hospital District
 Amarillo Housing Corporation
 Amarillo Housing Finance Corporation
 Amarillo Industrial Development Corporation
 Amarillo Local Government Corporation
 Amarillo-Potter Events Venue District
 Animal Control Board
 Bi-City-County Public Health Board
 Board of Appraisal Review
 Board of Hospital Managers
 Board of Review for Landmarks and Historical Districts
 Canadian River Municipal Water Authority
 Civil Service Commission

BOARDS AND COMMISSIONS
 Community Development Advisory Committee
 Construction Advisory and Appeals Board
 Convention and Visitors Council
 Downtown Urban Design Review Board
 Emergency Care Advisory Board
 Guyon Saunders Resource Center Oversight Committee
 Health Facilities Corporation
 Library Board
 Parks and Recreation Commission
 Photographic Traffic Signal Enforcement Committee
 Planning and Zoning Commission
 Ports to Plains Board of Directors
 Potter-Randall Appraisal District
 Potter-Randall County Emergency Communications District Board of Directors
 Public Improvement District Boards
 Tax Increment Reinvestment Zone #1 Board (TIRZ)
 Texas Panhandle Centers
 Traffic Commission
 Zoning Board of Adjustment



**CITY OF AMARILLO, TEXAS
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2012**

GOVERNING BODY:

Paul Harpole
Ellen Robertson Green
Brian J. Eades
Lilia Escajeda
Jim Simms

Mayor
Commissioner No. 1
Commissioner No. 2
Commissioner No. 3
Commissioner No. 4

OTHER PRINCIPAL OFFICIALS:

W. Jarrett Atkinson
Dean Frigo
Vicki Covey
Marcus Norris
Frances Hibbs
Michelle Bonner
Michael Rice
Emmett Autrey
Robert Taylor
Rod Tweet
Jeff Greenlee
James Brown
Lori James
Curtis Bainum

City Manager
Assistant City Manager Financial Services
Assistant City Manager Public Services
City Attorney
City Secretary
Director of Finance
Director of Public Works
Director of Utilities
Police Chief
Interim Director of Parks and Recreation
Fire Chief
Information Services Directors
Director of Human Resources
City Auditor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Amarillo
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moine

President

Jeffrey R. Emer

Executive Director

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CITY OF AMARILLO

OFFICE OF THE
CITY MANAGER

January 22, 2013

To the Honorable Mayor and City Commission,
City of Amarillo,
Amarillo, Texas

Ladies and Gentlemen:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Amarillo (the City) for the year ended September 30, 2012 in compliance with Article III, Section 27 of the City Charter. The purpose of the report is to provide the Mayor, City Commission, City Staff, citizens, bond holders, and other interested parties with useful information concerning the City's operations and financial position. The City is responsible for the accuracy, completeness, and fairness of the data presented in this report.

To the best of our knowledge, the following report is accurate in all material respects. It has been prepared in accordance with standards prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA) and other rule-making bodies. We believe the report contains all disclosures necessary for the reader to understand the City's financial affairs.

The City Manager, through his appointee, the Assistant City Manager for Financial Services, is responsible for establishing and maintaining an internal control structure to ensure that the assets of the government are protected from loss, theft or misuse, as well as to ensure that adequate and reliable accounting data are compiled to allow for the preparation of accurate financial statements in conformity with accounting principles generally accepted in the United States of America. This internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met, and it is continually modified to accommodate new technology and other changing conditions. The concept of reasonable assurance recognizes that (1) the cost of the control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. In our opinion, the City employs sound accounting and control policies that fulfill these responsibilities.

As a recipient of federal and state financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. In our opinion, the City employs an appropriate level of control and review procedures to ensure compliance with all applicable requirements.

We believe that this report is accurately and fairly presented, and that all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Independent audits are an essential element of financial control and accountability. The City Charter requires an annual audit to be made of the financial records of the City by a Certified Public Accountant selected by the City Commission. The City has complied with this requirement and the auditors' opinion has been included in this report. The auditors performed their examination in accordance with generally accepted auditing standards and stated that in their opinion; the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133. Information related to the City's

single audits, including the Schedule of Expenditures of Federal Awards and the auditors' reports on the internal control structure and compliance with applicable laws and regulations are included in separate federal and state "single audit" reports.

To facilitate the study of the City's financial affairs, the CAFR is divided into three parts:

- An introductory section, which includes this letter of transmittal.
- A financial section, which includes the basic financial statements and accompanying notes, combining and individual fund statements and related schedules, required supplementary information regarding budgetary compliance and pension trend data, and other supplementary information such as details concerning capital assets, investments, ad valorem taxes, and outstanding debt. The report of the independent auditors is located at the beginning of the financial section and is followed by Management's Discussion and Analysis. Also provided, as "Supplementary Information" in the financial section is certain historical and detailed information concerning our water and sewer system, investments by funds, and ad valorem tax schedules.
- A statistical section, which includes selected financial and demographic information, generally presented on a multi-year basis. Information included in the statistical section is not part of the City's financial statements, although the material is part of the CAFR.

Effective with the 2010/11 fiscal year, the City implemented Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued by the Governmental Accounting Standards Board (GASB). This statement established accounting and financial reporting requirements for intangible assets to reduce inconsistencies. The statement considers a variety of assets to be intangible under the guidance put forward by GASB Statement No. 51, including:

- Computer software: Internally developed or licensed software purchased from external sources.
- Land use rights: Easement, water, timber, mineral rights and other land use rights.
- Intellectual rights: Patents, trademarks and copyrights.

Most of the City's computer software is not internally developed, and the City does not own any patents or copyrights. The City's intangible assets consist of right-of-way easements. The right-of-way easements have an indefinite life and, accordingly, are not subject to amortization. GASB Statement No. 51 encouraged retroactive reporting for intangible assets acquired in fiscal years ending after June 30, 1980; however, it was not required for intangible assets with an indefinite life. The City elected to report these assets prospectively. Details relating to the City's intangible assets are provided at Note 6.

This will be our fifth annual report under the GASB Statement No. 43, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits*. Both statements deal with the accounting of post-employment benefits other than pensions. The City's most significant post-employment benefit, other than the pension benefit, is that retirees are allowed to continue their medical and dental plan coverage, including dependant coverage, after retirement. Historically; cities, including the City of Amarillo, have accounted for other post-employment benefits (OPEB) on a pay-as-you-go basis. Using the pay-as-you-go method, the benefit is not recognized during the career of the employee when it was earned. Moreover, the pay-as-you-go method does not recognize the liability for the future benefit. With the pay-as-you-go method, the expense is recognized after employment, which can shift the burden for the expense to different groups of taxpayers or customers. With GASB 45, the cost of the benefit is recognized as an expense over the working career of the employee and the related obligation for the future benefit is recognized as a liability. While the City is required to recognize this cost, the City can still fund the benefit on a pay-as-you go basis. The annual cost and liability for Other Post Employment Benefits is recognized in our Employee Insurance Fund.

The GASB in their Statement No. 44, *Economic Condition Reporting*, required some additional information in the statistical section. This will be seven years of reporting under GASB Statement No. 44. There are more schedules and more detailed information in the statistical section of the report. The purpose of GASB Statement No. 44 was to improve the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by Statement No. 34. In order to clarify that the requirements are applicable to all types of state and local governmental entities that prepare a statistical section, this statement establishes the objectives of the statistical section and the five categories of information it contains—financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information. In addition to the items required by GASB Statement No. 44, we have added a schedule of building permits issued to the demographic and economic information.

Effective with the 2002 fiscal year, the City implemented Statement No. 34 issued by the GASB. This statement established a new accounting model for governmental entities, which made significant changes in such matters as fund definitions, measurement focus and basis of accounting. Readers who are familiar with the City's financial statements for prior fiscal years will notice a significant difference in presentation resulting from this new standard.

For many years, the City discharged treated effluent wastewater into a playa lake in full compliance with a State of Texas issued environmental discharge permit. A plume of water developed beneath the playa and has slowly migrated outward. The most notable quality of this plume is that it contains slightly more chloride than the ambient groundwater in the vicinity. The City has been monitoring nearby homeowners' water wells for about twenty years. When the chloride content tests above a certain amount, the City has routinely drilled replacement wells that are deeper than the plume and have encased the wells to prevent the plume from affecting the taste of the well water. The City has also installed reverse osmosis treatment systems for homeowners to enhance the taste of their well water. The chloride in groundwater does not meet any state or federal definition of pollution or contamination; the water is safe to drink. The City intends to continue this practice in the future as a good neighbor to surrounding homeowners. The City has, accordingly, recorded a liability of \$3.26 million for the future practice of monitoring wells and providing replacement wells and treatments systems in the Water & Sewer Fund.

Following the report of the independent auditors is Management's Discussion and Analysis ("MD&A"). Although the Securities and Exchange Commission has required public companies to present MD&A for many years, this requirement, promulgated by Statement No. 34, is new to governmental financial reporting. The objective of the MD&A is to provide an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions. The Statement specifies the topics that must be included in the MD&A, and we believe that our presentation is in conformity with this new standard.

Profile of the City of Amarillo:

The City of Amarillo is geographically located within the boundaries of both Potter and Randall Counties in the center of the "Crown" or "Panhandle" of Texas, and now contains an area of 101.26 square miles. Located on Interstate Highway 40 at the crossroads of a number of other highways and railroad lines, the City is the trade, banking, transportation, medical services and marketing center of the entire Panhandle, as well as for portions of New Mexico, Oklahoma, Colorado and Kansas. The estimated 2012 population is 194,375.

In accordance with its current Charter, adopted in 1913, the City of Amarillo operates under a commission-manager form of government. As the legislative body, the City Commission is responsible for enacting all ordinances, resolutions and regulations governing the City, as well as for appointing the members of the various statutory and ordinance boards, and appointing the City Manager. As chief administrator, the City Manager is responsible for enforcement of the laws and ordinances, as well as for supervising all offices and departments created by the City Commission.

The City provides the full range of municipal services normally associated with a municipality, including police and fire protection, street paving and maintenance, traffic engineering, enforcement of building and sanitary codes, a civic center complex, parks, golf courses, swimming pools and other recreational facilities, and five public libraries. The City provides solid waste collection and disposal services, and operates a transit system, which operations are accounted for as general governmental functions. The City maintains the water and sewer systems and an international airport, the operations of which are accounted for as enterprise funds.

Effective October 1, 2012 the City established a Drainage Utility System. The System encompasses the entire City. While there was no revenue in 2011/12, the City did incur some expense in preparing the Utility for October billing.

Overview of the Financial Reporting Entity:

In accordance with governmental accounting standards, various governmental entities with which we have relationships were evaluated to determine whether they should be reported in the City's combined financial statements as a part of its reporting entity. Based on standards established by the GASB, an entity should be considered to be part of the City's reporting entity if it is concluded that the nature and significance of the relationship between the City and the entity is such that exclusion would cause the City's financial statements to be misleading or incomplete.

Based on the accounting standards, the financial affairs of the Amarillo Hospital District, the Amarillo Economic Development Corporation, the Amarillo-Potter Events Venue District, the Amarillo Local Government Corporation and Tax Increment Reinvestment Zone #1 (TIRZ #1) are reported as component units in the City's financial statements. The Amarillo Local Government Corporation was created in 2011/12. The Amarillo Local Government Corporation's mission is to oversee the construction and operation by contract of the Downtown Convention Hotel, parking garage, and multiple-purpose event venue, on land leased by the Local Government Corporation from the City. The City appoints the Amarillo Local Government Corporation Board, approves their budget and is the only funding source for the Corporation. The Amarillo Hospital District is a separate political subdivision of the State of Texas, but is considered part of the City's financial reporting entity because the City Commission appoints the District's Board of Managers and has final authority over its budget and tax rate. Similarly, the Amarillo Economic Development Corporation is organized as a nonprofit corporation under the laws of the State of Texas, but is included in the financial statements because of the City Commission's authority to select its Board of Directors and approve its budget. The Amarillo-Potter Events Venue District, approved by the voters on January 17, 1998, is considered part of the City's financial reporting entity because the City's Mayor appoints four of the seven members of the District's Board of Directors. Moreover, through a facility lease agreement, the City has financial responsibility with respect to the Venue District's debt service payment(s) if the related tax revenues were not sufficient to make the payment(s). TIRZ #1 has a ten-member board. The City of Amarillo appoints three board members, Potter County appoints three members and Amarillo College, Amarillo Independent School District, Amarillo Hospital District and the Panhandle Groundwater District each appoint one board member. While TIRZ revenues can be pledged to support debt, only the City can issue the debt and pledge the TIRZ revenue. Moreover, the City Commission created the TIRZ and has final approval authority on the budget and all TIRZ projects. However, only summarized information regarding these entities is presented in our financial statements. Complete financial statements are available in separately issued reports for each of these entities.

The affairs of the Amarillo Housing Finance Corporation are included in our financial reporting entity because of the City Commission's appointment of its Board of Directors. The activities of this corporation are limited to issuance of housing bonds under provisions of the Texas Housing Finance Corporation Act, and its bonds are not general obligations of either the corporation or the City. It does not publish separate financial statements. Since none of the component unit operations are integral to the operations of the City, their affairs are segregated from the financial presentation of the primary government. As provided by the new accounting model, the aggregate component unit information is reflected "discretely" in the city-wide financial statements.

Operating and Capital Budgets:

Budgetary controls serve two main purposes. First, the annual appropriated budget approved by the City Commission satisfies our legal obligation to review and adopt an annual budget. Second, budgetary controls provide management with an effective means of managing the financial activities of a particular function or department. Activities of the general fund, debt service funds, and major grants in existence at the beginning of the fiscal year, internal service funds, enterprise funds, and other special revenue funds are included in the annual budget. The General Fund, Debt Service Fund, Compensated Absences, Public Health Fund, Law Enforcement Offices Standards and Education Training (LEOSE), Local Seized Property Fund, and Court Technology Fund, Court Security Fund and the Public Improvement Districts budgets are legally adopted and represent appropriation of funds. The internal service fund budgets and enterprise fund budgets are for management purposes only and do not represent appropriations. Grants included in the budget are estimates included for presentation purposes only to give the budget reader a better understanding of the financial scope of the entire organization. Budgets are adopted for grant funds at the time formal acceptance of the grants is made by the City Commission, such budgets generally being adopted for the time period covered by each grant.

The City prioritizes the funding of capital projects on the basis of five-year capital improvement plans. A capital improvement is any expenditure for the purchase, construction, replacement, expansion, or major renovation of the physical assets of the City when the project is relatively expensive (more than \$25,000), long-term, and permanent. Some common examples are streets, libraries, traffic signal systems, fire stations, specialized equipment, and water and sewer lines. Capital needs of less than \$25,000 (minor replacement items) are provided for in the department's annual budget. The first year of the five-year plan is the City's annual capital budget, which is approved by the City Commission, along with the annual operating budget. Capital Improvement expenditures are controlled by means of individual project appropriations, and all funds needed to complete a project are reserved no later than the inception of the project.

As an enhancement of budgetary controls over expenditures, the City also maintains an encumbrance accounting system, which assures that adequate funds are set aside as commitments are made in the form of purchase orders. Open encumbrances for both purchase orders and construction contracts are reported as reservations of fund balances at year-end.

Budget and Financial Reporting:

The City of Amarillo was awarded the Certificate of Achievement for Excellence in Financial Reporting for our 2010/11 Comprehensive Annual Financial Report (CAFR). In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. Moreover, the CAFR must satisfy generally accepted accounting principles, applicable legal requirements, and the Government Finance Officers Association's (GFOA) program standards.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to program requirements, and we are submitting it to the review process of GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. Our latest budget has been submitted for review, and we expect that our budget will earn the GFOA's Distinguished Budget Presentation Award.

Our most significant financial achievement this year is affirmation by Standard & Poors of the City's AAA General Obligation debt and upgrading the City's Water & Sewer Revenue Bond debt to AAA. The City also enjoys Moody's ratings of Aa1 on both the City's General Obligation debt and Water & Sewer Revenue bonds. The AAA rating is the Standard & Poors highest rating debt rating. The Aa1 Moodys' rating is one-third step below Standard and Poors.

Cash Management and Investments:

State statutes govern the City's investment policies as well as the City's own written investment policy and strategy. In accordance with State law and the City Investment Policy, the City's investment objectives are to preserve capital, to provide liquidity, and to optimize earnings within the constraints of capital preservation and liquidity. City funds are deposited in an FDIC-insured bank located within the City. Permissible investments include the following:

1. Interest bearing accounts and bank money market accounts at the City's authorized depository. Certificates of deposits including CDARS (Certificate of Deposit Accounts Registry Service).
2. Obligations of the United States or its agencies and instrumentalities. The investment in agencies and instrumentalities is limited to 75% of the portfolio.
4. No-load money market mutual funds that are continuously rated AAA or AAAM by at least one nationally recognized rating agency, has a dollar-weighted average stated maturity of 90 days or less, and seeks to maintain a stable net asset value of \$1 per share.
5. Taxable municipal securities rated not less than AA- or its equivalent by a nationally recognized rating agency. The total investment in taxable municipal securities would be limited to 10% of the portfolio. To the extent that the investment in taxable municipal securities is not fully utilized in the portfolio, the unused portion can be invested in agencies' securities in addition to the 75% limit.

The City will not employ any investment strategy that is inherently risky and will not invest in any securities that are inherently risky. Prohibited securities include mortgage-backed securities that pay only interest; mortgage-backed securities that pay only principal; obligations where the interest rate is determined by an index that adjusts opposite to changes in a market index; obligations related to foreign currency or foreign market interest rates or indices and obligations with maturities greater than five years.

The City's demand deposits, time deposits, and certificates of deposits balances that exceed FDIC insurance are collateralized by securities held by the Federal Reserve. The City uses third party safekeeping for its investment securities.

The City began using a securities lending program in 2005 as a means to increasing investment income. Securities are lent to select brokerage firms for which collateral is received that exceeds the fair value of such investments during the period of the loan. Collateral may be cash or high-quality securities. Securities loans are initially collateralized at 102 percent of the fair value of the securities lent; the collateral cannot fall below 100 percent during the duration of the loan. Cash collateral received from the borrower is invested by the lending agent, as an agent for the City, in short-term investments including money market mutual funds. These short-term investments are included as investments in the statement of net assets for governmental type funds and on the balance sheet of proprietary funds. The City records a corresponding liability for the return of the cash collateral held for securities lending in the statement of net assets for governmental type funds and on the balance sheet of proprietary funds. Since the asset and corresponding liability are equal, the impact on net assets would be zero. At September 30, 2012, there was no cash collateral held for the securities lending program and, therefore, there was no adjustment to investments and the corresponding liability.

Long-term Financial Planning:

As mentioned above, in conjunction with our annual operating budget, we develop a five-year capital improvements estimate. When feasible, the City uses pay-as-you-go financing for capital. When debt is needed to finance capital assets, the City strives to schedule bond issues so that level payments are made over no more than the useful life of the assets. Historically, the excess of revenues over expenditures are earmarked for future capital needs, and the available resources of the general fund are transferred to capital project funds during the budgetary process.

Recent Debt Issuances:

While the City historically uses available funds from the excess of revenues over expenditures to provide for its major capital improvement needs, our capital needs exceeded our ability to generate internal funds for capital. Starting in 2007, we had several debt issuances.

Our new air terminal was funded with approximately \$23 million from grants, approximately \$8 million from Airport reserves and \$16.1 million in Certificates of Obligation. While these certificates have an ad valorem tax pledge, it is the City's intention to repay the certificates from an Airport Passenger Facility Charge (PFC). The Federal Aviation Administration (FAA) approved the new \$4.50 PFC in 2008. The PFC, along with some future entitlement funds, should be sufficient to service the Airport Certificates of Obligation, and the City should not have to levy a tax to support this debt in the future.

Our Potter County Well Field came into service this year. The well field is capable of producing 20 to 22 million gallons of water per day. Eventually, the well field can be expanded to produce about 40 million gallons per day. The Potter County Well Field project is the largest single capital project in our history. The Potter County Well Field will be a new water supply for the City of Amarillo. The new well field would be able to supply the City's current water needs without using our surface allocation from Lake Meredith and provide for future growth. The Water & Sewer System committed \$5.7 million to the well field. In 2009, we were successful in obtaining funds from the Texas Water Development Board (TWDB) in two issuances to complete the project through the Water Infrastructure Fund (WIF) program. In both issuances, the TWDB purchased the City's Certificates of Obligation and is the only bondholder. The first issuance was for \$38,885,000 and the City received an overall interest rate of 2.10% on 20-year debt. The City increased its Water & Sewer Rates by 10% to service the debt. In the second issuance, the City received 1.97% on \$47.4 million on 20-year debt.

We added a high service pump station to our water treatment plant. The project was shovel ready and qualified as a "green" project due to the projected energy savings. Using current pricing, the new pump station should save approximately \$200,000 in electricity. The City was also able to take advantage of the American Recovery and Reinvestment Act (ARRA) along with funding from Texas Water Development Board. The City issued \$18,075,000 in Certificates of Obligation at zero percent interest. The project was substantially complete at the end of calendar year 2011. The City had to increase water & sewer rates by 10% in 2010/11 for the increased debt service on the Potter County Well Field project and the high service pump station.

2010 Certificates of Obligation:

The City also received funding from the Texas Department of Transportation (TxDOT) for a much-needed bridge over the BNSF railroad tracks at the intersection of S.E. Third Avenue and Grand Street. Grand Street is one of the main north-south arterial streets for the east side of Amarillo. When the Grand Street crossing is blocked due to rail traffic, the other main north-south arterial, Eastern Street, is often also blocked. The proposed bridge would remedy the problem on Grand Street and even help relieve congestion on Eastern Street, as well. The project is estimated at approximately \$9 million, with most of the funding coming from the Amarillo MPO and TxDOT Amarillo District ARRA funds (about \$8.3 million). The balance of the project cost will be paid from City funds. Potter County contributed \$241,000 to the project. The City issued \$1,392,000 of Recovery Zone Build America Bonds, Series 2010 for its portion of the project cost. These bonds were issued with a true interest cost of 3.194%. The City's portion of the project is \$967,472; the balance of the bond proceeds will be used for street improvement projects within the Recovery Zone.

With the Recovery Zone Build America Bonds, the City receives an interest credit of 45% of the interest paid for each interest payment made. This credit was used in calculating the above, 3.194% true interest cost. These credits are not exempt from the "fiscal cliff" legislation and could be reduced. However, the issue size is so small; it would not significantly impact the tax rate for debt service.

2011 Certificates of Obligation:

During January 2011, the City issued the 2011A Certificates of Obligation in the amount of \$3,750,000 and the 2011B Certificates of Obligation in the amount of \$2,210,000. The proceeds from the 2011A issue are for improvements to the Ross Rogers Golf Course. These certificates have a continuing tax pledge, but the City anticipates that the issue will be repaid from golf course improvement and renovation fees. The proceeds from the 2011B issue are for improvements in the TIRZ #1. These issues have a continuing tax pledge, but the City anticipates that the issue will be repaid from revenue generated from the TIRZ #1.

2011 Water & Sewer Revenue Bonds:

In August 2011, the City issued \$16.3 million in Water & Sewer Revenue Bonds. The bonds were issued to purchase additional water rights adjacent to the City's existing water rights in Roberts County. The City purchased 32,350 acres of water rights in Ochiltree County, which is north of the City's existing water rights in Roberts County. When the City develops these rights, the City will have a very large contiguous area to develop.

2012 Debt Issuances:

On December 12, 2012 the City closed on two debt issues. The first debt issue is \$6,260,000 in Combination Tax and Drainage Utility Revenue Certificates of Obligations (COs). The 2012A issue is mainly for drainage improvements on Farmers Avenue. The City is leveraging state funds and the State will participate with approximately \$1.7 million for paving improvements on the Farmers project. There should still be some remaining funds for other drainage improvements. In addition to the tax pledge, the Drainage COs have an unlimited net pledge of the Drainage Utility System of 1.25 times net revenue. The City intends to fund the debt entirely from the Drainage Utility and not levy a property tax for the COs. Thus, the debt is structured similar to the City's Water & Sewer revenue debt. The City needed the tax pledge because there had not been one full month of Drainage Utility revenue when the debt was issued. However, the City needed to fund the Farmer's project or risk losing State funding.

The second issue in 2012 is to purchase rolling stock for our municipal garage. Rolling stock replacement was delayed during the recent economic downturn. The 2012B issue has a five-year maturity and the proceeds will be used to purchase rolling stock with at least a five-year life. The 2012B issue is for \$2,790,000 in Combination Tax and Sanitation Revenue Certificates of Obligations. The COs have a \$1,000 limit pledge of Sanitation Revenues and a property tax pledge. The City intends to pay for the COs from Municipal Garage Rental Revenues and not levy a tax for the debt.

Using the CO structure, the City got very attractive rates on the debt. The 2012A issuance has a 20-year maturity and has a true interest cost of 1.763%. The 2012B has a five-year maturity and has a true interest cost of 0.686%.

Our Local Economy:

Historically, major industries of the area include grains, cattle, beef processing, natural gas, oil, helium and other petroleum by-products, refining operations, and nuclear weapons processing. These industries are still very important to Amarillo; however, Amarillo has a more diverse economy. Food processing, defense industry, manufacturing, distribution, traffic and transportation, general retail, banking, criminal justice, medical facilities, administrative and back-office operations, and higher education are all important industries in Amarillo.

Amarillo is also a regional trade center for a very large five-state region. Thus, retail sales, banking and medical services are significant activities in Amarillo. Moreover, because of Amarillo's central location in the United States and being traversed by I-40, I-27 and State Highway 287, traffic & transportation and travel & tourism are important industries to Amarillo.

Natural gas and petroleum are major industries in the City of Amarillo and the Panhandle. There was a significant increase in the price of oil compared to last year. According to the *Amarillo Economic Analysis*, prepared by Amarillo National Bank, September 2012 oil was at \$87.25 per barrel compared to September 2011 at \$76.36 per barrel last year⁽¹⁾. Natural gas prices dropped compared to last year. Natural Gas was at \$3.79 per mmbtu last year compared to \$2.82 per mmbtu at September 2012⁽¹⁾. Since we are both a producer and a consumer of natural gas, part of our economy benefits from higher gas prices while it is detrimental to another part of our economy. Increases in natural gas prices mean higher royalty payments to landowners, but it also means higher energy costs for our area farmers that use natural gas for irrigation and other industries.

While there is some benefit to lower oil and gas prices to the economy in general, changes in oil and gas prices have a direct impact on drilling activity in the Panhandle. At September 2008, there were 95⁽¹⁾ active drilling rigs in the Panhandle compared to 29⁽¹⁾ at September 2009 and 74⁽¹⁾ at September 2010. In September 2011, there were 78 active drilling rigs compared to 75 in 2012⁽¹⁾.

According to the Texas Cattle Feeders Association, our cattle feeding area produces about 7,000,000 fed cattle annually, which is about 30% of the nation's beef. Cattle prices have improved in 2012. At September 2012, fed cattle prices were \$123 per hundredweight compared to \$112.50 per hundredweight in 2011⁽¹⁾. However, due to increased costs, fat cattle are losing about \$200 per head coming out of the feedyard⁽¹⁾.

Dairies have become major industries in the Panhandle. According to FirstBank Southwest's presentation on Panhandle Economics, dairies have increased from 3,700 head in 2000 to 141,400 in 2009. September 2012 milk prices dropped to \$17.50 per hundredweight from \$21.67 a year ago⁽¹⁾. However, the September 2012 milk prices are at their highest levels since January 2012⁽¹⁾.

The majority of principal area crops cannot be grown without irrigation and natural gas is the main fuel used for irrigation. The major crops grown in the Panhandle are wheat and corn. This has been a very good year for farmers and there are some reports of some strong corn crops in the western panhandle with prices at \$7.90 per bushel compared to \$7.61 last year. Corn prices have more than doubled compared to 2009.

Wheat prices have also done well. Wheat was at \$7.67 per bushel at September 2011 compared to \$8.48 per bushel at September 2012⁽¹⁾. At September 2010, wheat had significantly increased to \$6.37⁽¹⁾ per bushel from \$3.94⁽¹⁾ at September 2009. Wheat was at \$6.43⁽¹⁾ per bushel at September 2008 and \$4.87⁽¹⁾ per bushel at September 2006.

Cotton has become a more important crop in our area and cotton prices dropped this year. Cotton was at \$70.40 cents per pound at September 2012 compared to \$94 per pound in 2011⁽¹⁾. At September 2010, cotton was at \$87.14⁽¹⁾ cents per pound compared to \$53.5⁽¹⁾ cents per pound in 2009. At September 2006, cotton was at \$47.2⁽¹⁾ cents per pound compared to \$42.1⁽¹⁾ cents per pound at September 2005. Historically, cotton has been grown south of Amarillo. However, new hybrids can be grown in our area.

Our Economic Development Corporation:

In order to diversify and grow our local economy, in 1989 Amarillo citizens approved a ½ percent sales tax dedicated to the promotion of economic development and financing of industrial, manufacturing, distribution and regional wholesaling projects that will result in new jobs in Amarillo. The half-cent sales tax currently generates about \$16 million annually. To manage these funds, the Amarillo Economic Development Corporation (Amarillo EDC) was created and became fully operational when the first tax proceeds were received in June 1990.

The Amarillo EDC's mission is: "To promote business expansion in the greater Amarillo area that builds a stronger, more diversified economy and increases the economic vitality and wealth of the community." The organization accomplishes its mission by attracting new business and industry to the Amarillo area that will create skilled, high-wage primary jobs, assisting existing primary business and industry with growth and expansion plans through a pro-active business retention and expansion program and creating a business environment

conducive to entrepreneurialism by providing financial support and technical assistance to primary businesses in collaboration with partner agencies.

In the past 21 years, the Amarillo EDC has engaged in over 100 projects with over 100 companies, building a *Portfolio of Success*, including new industrial locations, retention and expansion and entrepreneurialism projects. The portfolio includes: 42 retention & expansion projects, 14 relocation projects and 40 entrepreneurialism projects. The Perryman Group, an independent economic consulting firm, recently evaluated the combined investment each company has contributed to the community. The study stated, "The Amarillo EDC has successfully attracted new businesses to the local area and encouraged existing firms to stay and expand. In fact, about one in three jobs in the local area is linked to a company the Amarillo EDC has assisted in some way. The long-term economic vitality of Amarillo and the surrounding area have clearly been enhanced by the Amarillo EDC."

Amarillo EDC's Five Target Industries:

1. Aviation/Aerospace – Aircraft Manufacturing; Aircraft Engine and Engine Parts Manufacturing. The Amarillo EDC will continue efforts to market to the suppliers of current Amarillo aviation companies encouraging support industry to flourish. *Portfolio of Success*: Bell Helicopter, TACAir, Tradewind Turbines, Leading Edge Aviation Services, Headsets Inc.
2. Business & Financial Services – Companies continue to search for strong work ethic and favorable natural conditions that will allow for a secure location for their sensitive business operations. Amarillo provides both for interested prospects. *Portfolio of Success*: AIG-Western National Life, Nationwide Insurance, SITEL, Dental Network of America, CS Stars.
3. Diversified Manufacturing – Primary Metal Industries, Fabricated Metal Products, Industrial Machinery, Electronics and Instruments. Companies under this category manufacture mid-value, mid- to-high bulk products, which are under extreme pressure to reduce costs. *Portfolio of Success*: Sage Oil Vac, GTM, Tech Spray, SciCron Technologies, and Alstom Power, Inc.
4. Transportation & Logistics – Amarillo's transportation assets are well suited for this industry. Companies are currently looking for ways to reduce cost by locating within the central part of the United States. *Portfolio of Success*: Ben E. Keith, Affiliated Foods, Hastings, Anderson Merchandisers, and AmeriCold Logistics.
5. Food Technologies – Amarillo's location, industry clusters and resources are well suited for this industry. *Portfolio of Success*: Tyson, Plains Dairy, Hilmar Cheese Company, and Pacific Cheese⁽⁷⁾.

Major Industries and Employers:

The Amarillo Chamber of Commerce lists 29 employers with 400 or more employees in Amarillo. This is a very diverse group of employers consisting of governmental entities, manufacturing, defense, industry, food processing, healthcare, general retail, traffic & transportation, energy companies, public utilities, higher education, financial services, retirement services, the travel industry and computer services⁽³⁾.

Two of our largest employers are in the defense industry: Bell Helicopter and B&W Pantex. The Pantex Plant, located 17 miles northeast of Amarillo, in Carson County, is charged with maintaining the safety, security and reliability of the nation's nuclear weapons stockpile. The Pantex Plant is managed and operated by B&W Pantex for the U.S. Department of Energy/National Nuclear Security Administration. Pantex's work falls within three main missions: Stockpile Stewardship, Nonproliferation and Safeguards and Security. As stewards over the nation's nuclear stockpile weapons, Pantex evaluates, retrofits, and repairs weapons in support of both life-extension programs and certification of weapons safety and reliability. Pantex also develops, tests, and fabricates high-explosive components for weapons. Pantex dismantles surplus weapons, sanitizes components from dismantled weapons and provides interim storage and surveillance of plutonium pits in conjunction with their Nonproliferation mission. Pantex's safeguard and security mission entails protecting the Plant personnel,

facilities, materials and information. All work at Pantex is carried out under these overarching priorities: the security of weapons and information, the safety and health of workers and the public, and the protection of the environment⁽²⁾. Approximately 3,233 people are employed at Pantex⁽³⁾.

In 1998, Bell Helicopter announced their decision to locate the Bell Helicopter Tiltrotor Assembly Center in Amarillo, Texas. Initial investment was \$30,000,000 along with the construction of a world-class facility. In this short period of time, the invested amount in this facility has surpassed \$100,000,000. Amarillo is very proud of Bell Helicopter and the continued success their company has created for the region. Bell Helicopter's Military Aircraft Assembly Center in Amarillo is building the revolutionary V-22 Osprey, the Kiowa and Huey military helicopters⁽⁷⁾. The V-22 has the speed of an airplane and the hovering of a helicopter⁽⁸⁾. The Amarillo EDC issued bonds to help with the project. Under the terms of the lease, Bell's lease payment is abated so long as they meet local compensation and spending requirements.

According to a September 27, 2012 Globe News article, Bell will also build the new Relentless 525 civilian helicopter in Amarillo. According to Bell officials, the Relentless 525 helicopter in Amarillo will help stabilize the plant's work force even if military aircraft production slows. Bell officials estimated civilian aircraft production would add 100 jobs in Amarillo. However, if defense cuts impact the plant, military aircraft workers can switch to civilian aircraft production, thus stabilizing the workforce. Potential uses for the aircraft include offshore oil and gas exploration, firefighting, emergency medical flights, paramilitary operations and hauling corporate VIPs. Earlier this year, City officials approved a \$4.2 million AEDC investment in the new plant. Textron, Bell's parent company, will pump the remaining \$22.8 million into the new 249,000-square-foot production plant near Rick Husband Amarillo International Airport. According to the article, Bell currently employs 1,462 in the Amarillo operations.

ASARCO was organized in 1899 as American Smelting and Refining Company. Originally a consolidation of a number of lead-silver smelting companies, the Company has evolved over the years into an integrated producer of copper and other metals. Asarco's Amarillo Copper Refinery is among the world's most modern. The refinery is recognized internationally as an important producer and supplier of copper. The Company's Amarillo Copper Refinery in Amarillo together with the SX/EW plants at the Ray and Silver Bell mines produce approximately 375,000,000 pounds of refined copper per year. ASARCO employs 345⁽³⁾ workers in Amarillo.

Other manufacturing operations in Amarillo include Owens Corning Fiberglass, which employs about 433⁽³⁾ people. Owens Corning produces fiberglass for building products. Amarillo Gear has been in continual operation in Amarillo since 1917 and manufactures the largest range of spiral bevel right-angle gear drives in the world since 1934. Amarillo Gear is a Marmon Walter/Berkshire Hathaway Company⁽¹⁰⁾ and employs 160⁽³⁾.

Merrick Pet Care, Inc. was founded in 1968 and produces pet food products for dogs and cats. The company offers its products through pet specialty stores and online retailers in the United States. Merrick Pet Care, Inc. employs 350.

International Paper Company produces containerboard packaging in Amarillo and employs 101⁽³⁾ people. Arden Corporation produces cushions for patio furniture and employs 130⁽³⁾. Tech Spray specializes in cleaners, coatings, and other chemicals and tools that improve efficiency, safety, and performance⁽²¹⁾. Tech Spray employs about 118⁽⁷⁾. Crouse-Hinds is a division of Copper Industries. Cooper Crouse-Hinds has grown into a diversified worldwide provider of electrical products that perform reliably and safely in harsh and hazardous environments. Cooper Crouse-Hinds employs 108 in Amarillo⁽⁷⁾.

Food distribution is also an important industry to Amarillo. Affiliated Foods employs 1,200⁽³⁾ workers in its facility. Ben E. Keith, a distributor of food service products, employs 250⁽³⁾ persons. Our largest single employer is also in the food industry. Tyson Foods has 3,700⁽³⁾ employees operating its plant in northeast Amarillo.

Both ranching and cattle feeding are important to our area. There are several advantages to cattle feeding operations in our area. The area's central location reduces transportation costs. There are locally grown feed grains and volume shipments from the Midwest which ensure a plentiful supply of feed. Relatively mild winters and good summer weather have helped the three-state area earn its reputation as "Cattle Feeding Country." Local lenders in the area understand the industry and are willing partners. According to the Texas Cattle Feeders Association, 30% of the nation's beef is produced in the Texas Panhandle. Both Cactus Feeders and Friona Industries are headquartered in Amarillo. Cactus Feeders has ten large-scale cattle feed yards across the Texas High Plains and Southwest Kansas. Since its founding in 1975, Cactus Feeders has grown into a \$750 million company that employs approximately 500 people. Cactus Feeders is the world's largest cattle feeding operation⁽⁴⁾. Founded in 1962, Friona Industries owns four feed yards in northwestern Texas with a feeding capacity of more than 290,000 head of cattle⁽⁵⁾. Friona Industries employs 178⁽³⁾.

Amarillo is a regional medical center for a five-state geographic region and the healthcare industry is one of the largest employers in Amarillo. The Harrington Regional Medical Center in Amarillo was the first specifically designated city hospital district in Texas. From the beginning, the Medical Center was planned to include health care, the training of doctors and nurses, and medical research programs. The Harrington Regional Medical Center had 410-acre campus and was supported by the Don and Sybil Harrington Regional Medical Center at Amarillo, had 22 resident facilities, five acute care units (High Plains Baptist Hospital, Northwest Texas Hospital, Psychiatric Pavilion, Department of Veterans Affairs Medical Center, and Texas Panhandle Mental Health Authority-Crisis Stabilization Unit), three long-term care units (Texas Department of Mental Health and Mental Rehabilitation Amarillo State Center, Bivins Memorial Nursing Home, and Texas Panhandle Mental Health Authority-Outpatient Facility), four education and research units (Don Harrington Discovery Center, Texas A&M Agricultural Research and Extension Center, Texas A&M Veterinary Diagnostic Laboratory, and Amarillo Garden Center), six medical and health related units (Coffee Memorial Blood Center, Amarillo Speech, Hearing and Language Center, Children's Rehabilitation Center, and Potter/Randall County Medical Society, Ronald McDonald House, and Medical Center Park), three combination patient care, medical research, and medical education units (Texas Tech University Regional Academic Health Sciences Center, Texas Tech Clinic, and Don and Sybil Harrington Cancer Center), and one medical center support facility (child care facility for children of employees)⁽¹⁹⁾.

The Medical Center complex is home to several of our major employers: Baptist St. Anthony's Health Care System with 2,330⁽³⁾ employees and Northwest Texas Healthcare System with 1,393⁽³⁾ employees. Both Baptist St. Anthony's Health System (BSA) and Northwest Texas Healthcare System (NWTHS) offer integrated acute care hospitals. BSA offers a full range of medical and surgical services at their 451-bed⁽²⁰⁾ acute care patient facility located within the Harrington Regional Medical Center. BSA is also a partner in Physicians Surgical Hospitals, LLP, which offers two additional acute care hospital facilities near the Medical Center⁽¹⁴⁾.

Northwest Texas Healthcare System (NWTHS) is a designated tertiary care academic institution. The hospital provides physicians and patient diagnosis and treatment of the most acute clinical conditions. The emergency department is a certified Level-III Trauma Center and sees approximately 57,000 patients annually. NWTHS has 404-bed general medical hospital, a community health center including an 85-bed behavioral health facility⁽¹⁵⁾. NWTHS is one of our largest taxpayers.

Our VA Medical Center employs approximately 860⁽³⁾ people. The Amarillo VA Health Care System, a division of the Southwest VA Health Care Network, provides primary specialty, and extended care of the highest quality to veterans throughout the Texas and Oklahoma panhandles, eastern New Mexico, and southern Kansas. Approximately 25,000 patients are treated annually. The health care system maintains 69 acute care inpatient beds for general medical, surgical, and intensive care. Geriatric and extended care is provided in the 120-bed skilled nursing home care unit. A modern ambulatory care center and medical arts building facilitates the delivery of primary care, specialty care and preventive health services. The Amarillo VA Health Care System also ensures health care is accessible to those veterans residing in rural areas through three community-based outpatient clinics located in Lubbock, Clovis, New Mexico, and Liberal, Kansas⁽⁶⁾.

Other large medical employers include the Texas Panhandle Centers Behavioral & Developmental with 415⁽³⁾ employees, the Plum Creek Specialty Hospital with 300⁽³⁾ employees, Panhandle Eye Group with 149⁽³⁾ employees, the Amarillo Diagnostic Clinic with 190⁽³⁾ employees, Family Medicine Centers with 242⁽³⁾ employees, Amarillo Heart Group with 155⁽³⁾ employees, the Don & Sybil Harrington Cancer Center with 165⁽³⁾ employees, Kindred Hospital, Amarillo 147⁽³⁾ employees, Regence Health Network with 165⁽³⁾ employees and Physicians Surgical Hospitals with 123⁽³⁾ employees.

Mild weather, excellent medical facilities, and low living costs make Amarillo an excellent location for retirement living. There are several large retirement communities in Amarillo including Baptist Community Services with 400⁽³⁾ employees, Park Central Retirement Community with 300⁽³⁾ employees, Ussery-Roan Texas State Veterans Home with 100⁽³⁾ employees, Bivins Memorial, the Craig Methodist Retirement Community with 140⁽³⁾ employees, and Ware Living Center with 141⁽³⁾ employees.

Administrative and back-office operations are also included in Amarillo's major employers. Western National Life Insurance Company provides fixed annuity products through financial institutions in the United States. The company was founded in 1944 and is based in Amarillo, Texas. Western National Life Insurance Company operates as a subsidiary of AIG (American International Group, Inc.)⁽¹¹⁾. Western National Life employs about 1,002⁽³⁾ people.

For 27 years, Insurance Management Services (IMS) has been a leader in Health Benefit Administration for employer groups of all sizes. IMS is locally owned and operated exclusively out of Amarillo⁽¹³⁾ and employs 107⁽³⁾. IMS started as a small business with manual claims administration and has evolved into a full-service Third Party Administrator with 45,000 covered lives⁽¹³⁾.

Major retail stores draw customers from a wide region into our city. Amarillo is currently home to four Wal-Mart supercenters and a Sam's Club. Wal-Mart employs a total of 1,099⁽³⁾ people and Sam's Club employs 150⁽³⁾. United Supermarkets is a large employer and employs a total of 466⁽³⁾ in their seven stores in Amarillo. Toot'n Totum has several convenience stores in Amarillo and employs 700⁽³⁾. Founded in 1968, Hastings Entertainment, Inc. is a leading multimedia entertainment retailer that combines the sale of new and used books, videos, video games and CDs, and trends and consumer electronics merchandise, with the rental of videos and video games in a superstore format. Hastings currently operates 146 superstores, averaging approximately 24,000 square feet, primarily in medium-sized markets throughout the United States. Hastings also operates an e-commerce Internet Web site that makes available entertainment products⁽¹²⁾. The Hastings retail chain headquarters is located in Amarillo and has 510⁽³⁾ employees.

Customer support and back office operations are also large employers. SITEL has telemarketing services in Amarillo and employs 337⁽³⁾. Anderson Merchandisers has 338⁽³⁾ employees. Maxor National Pharmacy Services Corporation is a pharmacy benefit management company headquartered in Amarillo and has 172⁽³⁾ employees. The American Quarter Horse Association is also headquartered in Amarillo and employs 302⁽³⁾. The Atmos Energy customer support center in Amarillo employs 333⁽³⁾. Nationwide Insurance also has a customer support center in Amarillo with 430⁽³⁾ employees. AT&T is also one of our larger employers with 320⁽³⁾ employees.

McCoy Myers was acquired by Computer Services, Inc (CSI) in 2005 and is now under the CSI brand. CSI has a data center operation in Amarillo and offers both in-house and outsourced turnkey data center services to banks⁽¹⁷⁾. CSI employs 113⁽³⁾ people.

Amarillo also serves as a regional banking center. Bank of America, Citibank, Chase and Wells Fargo have branches in Amarillo, along with regional banks and local banks. The banking industry is very important to Amarillo and banks are some of our larger employers. Amarillo National Bank is on our list of top ten taxpayers and employs approximately 558⁽³⁾. Wells Fargo employs approximately 100⁽³⁾; Bank of

America employs 105⁽³⁾. FirstBank Southwest employs 78⁽³⁾. Herring Bank employs 125⁽³⁾ and Happy State Bank employs 263⁽³⁾.

The Texas Department of Criminal Justice has two prison units in Amarillo and is a major employer. The two prisons provide 1,246⁽³⁾ jobs.

Higher education is a major employer in the Amarillo area. Our community college, Amarillo College, offers both vocational training and associate degree programs and has 644⁽³⁾ employees. Texas Tech University has a large presence in our community. The Texas Tech Health Science Center in Amarillo has both a medical school and pharmacy school in Amarillo and employs 962⁽³⁾. Texas Tech University provides training in our community for medical doctors earning specialty accreditation in family medicine. Texas Agrilife Research & Extension Center employs 78⁽³⁾. West Texas A&M University in nearby Canyon, which is a part of the Texas A&M University System, employs 755⁽³⁾. West Texas A&M also has a campus in Amarillo.

As mentioned earlier, the oil and gas industry is important in the Panhandle and energy companies are also major employers. Centergas Fuels, Inc. employs 250⁽³⁾, Valero Energy Corp. employs 105⁽³⁾ and Davidson Oil Company employs 108⁽³⁾.

The traffic and transportation industry has been important to Amarillo from its beginning in 1887. Amarillo was founded near a bend in the Fort Worth and Denver (FW&D) Railroad tracks, which were under construction. The Burlington Northern Santa Fe Railroad is still one of our major employers with 830⁽³⁾ employees. Trucking is also important to Amarillo. Baldwin Distributing Services, Inc. and Plains Transportation, Inc. are also in the trucking industry; Baldwin employs 150⁽³⁾ and Plains employs 101⁽³⁾. Support for the trucking industry is a larger employer in Amarillo and includes companies like Amarillo Truck Center, which employs 112⁽³⁾, Roberts Truck Center with 76⁽³⁾ employees, and Bruckner's with 70⁽³⁾ employees.

Today, Amarillo's airport has the third longest commercial runway in the world. There are numerous direct daily flights from Amarillo to major hub airports having direct flights to foreign countries. You can get to Dallas-Ft. Worth Regional Airport in one hour; Houston Intercontinental in about an hour and a half; Denver International in an hour; Las Vegas in two hours; and LAX in four hours. Amarillo is a hub for major highways that connect to the rest of the region; I-40 to Oklahoma City and Albuquerque, U.S. 287 to Dallas and Fort Worth and U.S. 87 to Denver⁽⁷⁾.

Because of Amarillo's location on Interstate 40, Interstate 27, and State Highway 287; along with attractions in and nearby Amarillo, hospitality and tourism are significant industries. Approximately eight million people travel through Amarillo annually and dine in over 500 local restaurants. The Amarillo hotel industry has 86 hotels with over 5,100⁽³⁾ rooms to rent. One of our larger employers is a hotel facility. The Ambassador Hotel employs 120⁽³⁾ people. Amarillo has an amusement park and an art museum. The American Quarter Horse Museum is located on Interstate 40. The Panhandle Plains State Historical Museum is in nearby Canyon, Texas. Palo Duro Canyon and the Alibates Flint Quarry are also nearby. Wonderland Amusement Park is located in north Amarillo.

Two of the larger employers are engineering firms. Talon/LPE is a full-service environmental consulting and engineering corporation and employs 95, while Zachry Engineering Inc. employs 185⁽³⁾. The construction industry is also a major employer. J. Lee Milligan, Inc. employs 225⁽³⁾, L. A. Fuller & Sons Construction Inc. employs 150⁽³⁾ and Denman Building Products, LTD employs 100⁽³⁾ people.

In summary, Amarillo's local economy is broadly diversified. While Amarillo has several large industries and employers, no single industry or employer dominates the Amarillo economy.

Current Economic Climate and Trends:

Amarillo has fared much better than most cities during the recent recession. We had neither a reduction in service nor any reduction in available hours to our citizens. In 2011, the City's Water & Sewer revenue debt was upgraded to AAA by Standard & Poors. Amarillo is one of the few cities that has AAA General Obligation debt and AAA Water & Sewer revenue debt by Standard & Poors.

The recovery has been most dramatic on our sales tax. We had another record high in 2011/12 besting the previous record in 2010/11 fiscal year. Our 2011/12 sales tax was \$48.3 million compared to \$46 million in 2010/11. Moreover, every month in 2011/12 exceeded the corresponding month in the previous year. Generally, sales tax is erratic on a month-to-month basis, with some months exceeding their corresponding previous year month and some months being down compared to their corresponding previous year month. Amarillo also had another record year in hotel occupancy tax revenue. Our 2011/12 hotel tax revenue was over \$5 million compared to last year's revenue of \$4.8 million.

Unemployment has also improved. Amarillo's unemployment rate is 4.4% compared to 5.9% last year and 5.8% the year before⁽¹⁾. However, Amarillo's unemployment was better than the State of Texas at 6.8% and our national unemployment at 7.8 %⁽¹⁶⁾.

We had another good year in our water and sewer fund. Rates were increased by 6% to fund the debt service on our portion of the CRMWA water rights and the City of Amarillo water rights purchase. The total increased need is 11% with 5% in 2011/12 and another 5% in 2012/13. 2011/12 water and sewer revenue was \$69.76 million in utility sales and service revenue and operating income of \$22.4 million. After nonoperating costs of \$6.4 million, the water and sewer fund netted \$15.9 million compared to \$27.6 million in 2010/11. However, the City sold a portion of the water rights purchased in 1954 in Hartley County in 2011 for a net gain of \$6.9 million. Most of the City's water rights are in Roberts County, and we did not feel that the City would develop the Hartley County rights.

Our property tax base continues to grow. Moreover, the base did not decrease during the recession. As of January 2011, we had just over \$10.3 billion in value compared to approximately \$10 billion the previous years. In 2011/12, the City had \$155 million in property value compared to \$157 million in 2010/11.

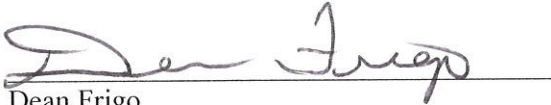
Building was very flat in 2011/12. The City had \$192.5 million in permits compared to \$192.3 million in 2010/11. Commercial permits increased to \$56.5 million in 2011/12 compared to \$48.3 million in 2010/11, but residential permits decreased. Residential permits were at \$136 million in 2011/12 compared to \$143.9 million in 2010/11. However, 2011/12 residential permits were better than 2009/10 (\$128 million) and 2008/9 (\$124.9 million).

For our 2011/12 budget, sales tax is estimated at \$46 million, which is about the same as actual 2010/11. However, at the time we were building the budget, it was a slight increase over our revised forecast. Other revenues were left relatively flat for the 2011/12 budget. We had a one cent increase in our property tax rate in the 2011/12 budget. Most of the tax increase will go toward maintaining and repairing our streets.

Amarillo continues to enjoy strong sales tax receipts and increasing property values. Amarillo has a very good quality of life and a lot of opportunity. Amarillo has a strong diversified economy with plenty of jobs. We have major employers and industries for professionals, skilled craftsman, and laborers. Amarillo has the best-funded Economic Development Corporation in the State and Chamber of Commerce to help attract and retain industry and support tourism. Amarillo has great public education and higher education. Amarillo has excellent medical facilities and very nice retirement facilities. We are well represented by national, regional, and local banks. Retail availability is diverse and strong in Amarillo; anything you need and most everything you want can be found in Amarillo. We have amusement parks, regional parks, and neighborhood parks. We have sports teams, museums, area lakes, and other attractions. In short, Amarillo is a great place to live and work.

We wish to thank the Mayor and members of the City Commission for their responsible manner of conducting the financial operations of the City.

Yours very truly,



Dean Frigo
Assistant City Manager for Financial Services
City of Amarillo, Texas



W. Jarrett Atkinson
City Manager
City of Amarillo, Texas

Sources:

- (1) Amarillo Economic Analysis, courtesy of Amarillo National Bank
- (2) B&W Pantex
- (3) Amarillo Chamber of Commerce includes only full-time employees
- (4) Cactus Feeders
- (5) Friona Industries
- (6) Amarillo VA Health Care System
- (7) Amarillo Economic Development Corporation
- (8) Bell Helicopter
- (9) Harrington Regional Medical Center
- (10) Amarillo Gear
- (11) Western National Life
- (12) Hastings
- (13) Insurance Management Services
- (14) Baptist St. Anthony's Hospital
- (15) Northwest Texas Hospital
- (16) U.S. Bureau of Labor Statistics
- (17) Computer Services, Inc
- (18) Texas State Historical Association
- (19) U.S. News Health Hospitals
- (20) Tech Spray

Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of Amarillo, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Amarillo, Texas (the City), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress on pages 5 through 21, page 102, and 103 through 105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained

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during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining statements, schedules and other information, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining statements, schedules and other information, and supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Connor, McMillon, Mitchell & Mennum PLLC

Amarillo, Texas
January 22, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Amarillo's (City) Comprehensive Annual Financial Report (CAFR) presents an overview, through Management's Discussion and Analysis (MD&A), of the City's financial activities and performance during the fiscal year ended September 30, 2012. As the management of the City of Amarillo, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012.

Financial Highlights:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$779.25 million (net assets). Of this amount, \$696.25 million is invested in capital assets and infrastructure net of related debt. \$11.28 million of this amount is restricted for debt service and other purposes. The remaining \$71.72 million is unrestricted net assets.
- The City's total net assets increased by \$11.20 million. Of this amount, \$6.43 million decrease is attributable to governmental activities, and an increase of \$17.63 million is attributable to net operating revenues of the water and sewer system and airport fund, which revenues are attributable to rates/fees established to fund both current operating needs and future development.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$100.17 million, an increase of \$220,665 from the beginning fund balance. The General Fund's fund balance increased by \$2.46 million. The decrease in fund balance for capital projects funds was \$710,535. This decrease was a result of construction starts associated with issuing \$25 million in Certificates of Obligation and transfers from the General Fund. Decreases in other governmental funds, which include many grants and special revenue funds, were \$1.53 million.
- At the end of the current fiscal year, the fund balance for the General Fund was \$46.26 million, or 34.31% of total general fund expenditures. Expenditures and transfers out of the General Fund were \$143.94 million, which amounts included transfers of general revenues to capital outlay, compensated absences, internal service funds, grant funds, and other funds which carry out general governmental operations. The General Fund remains in good financial condition with unassigned fund balance of \$44.34 million.
- General Fund revenues had a marked increase over the previous fiscal year. The City recorded a record level of sales tax collections for fiscal year 2012. Total sales tax collections exceeded \$48 million. The City continues to see strong sales tax collections into the first quarter of the 2012/13 fiscal year. This trend is being seen in most Texas cities despite the continued weak national economy and high unemployment rates in most parts of the country. Management keeps a close watch on sales tax collections to assist in making changes during the year, if needed. The City also had a record year for hotel occupancy tax revenue in 2011/12, recording slightly over \$5 million.
- In August 2011, the City issued \$16.3 million in Water & Sewer Revenue Bonds. The bonds were issued to purchase additional water rights in fiscal year 2011/12. The City purchased 34,609.52 acres of water rights in Ochiltree, Roberts and Lipscomb Counties. When the City develops these rights, the City will have a very large contiguous area to develop.

- During the current year the City Commission approved the creation of a Drainage Utility Fund to be used for drainage improvements. The residential rate structure includes Small, Typical and Large classifications. The Typical classification represents fifty percent of parcels in the City with a monthly fee of \$2.51. All nonresidential properties will be billed at \$2.51 for every 2,800 square feet of impervious cover on the property. Assessments begin October 1, 2012 and we anticipate for the first year this new fee will generate approximately \$4.5 million in additional revenue.
- On December 12, 2012 the City closed on two debt issues. The first debt issue is \$6,260,000 in Combination Tax and Drainage Utility Revenue Certificates of Obligations (COs). The 2012A issue is mainly for drainage improvements on Farmers Avenue. The City is leveraging State funds and the State will participate with about \$1.7 million for paving improvements on the Farmers project. There should still be some remaining funds for other drainage improvements. In addition to the tax pledge the Drainage COs have an unlimited net pledge of the Drainage Utility System of 1.25 times net revenue. The City intends to fund the debt entirely from the Drainage Utility and not levy a property tax for the COs. Thus, the debt is structured similar to our Water & Sewer revenue debt. The City needed the tax pledge because we did not have one full month of Drainage Utility revenue when the debt was issued. However, we needed to fund the Farmer's project or risk losing State funding. The second debt issue is to purchase rolling stock for the City's municipal garage.

Overview of the Financial Statements:

Effective October 1, 2001, the City adopted the provisions of Statement No. 34 issued by the Governmental Accounting Standards Board (GASB). The financial presentation promulgated by that statement is very different from the governmental financial presentation that was generally accepted before the issuance of Statement No. 34. This discussion is intended to serve as an introduction to the City's basic financial statements presented in conformity with the new accounting standard.

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

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

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish *governmental activities* – functions of the City that are principally supported by taxes and intergovernmental revenues – from *business-type activities* – functions of the City that are intended to recover all or a significant portion of their costs through user fees and charges. The *governmental activities* of the City include public safety, streets and traffic, culture and recreation, solid waste, transit, urban redevelopment and tourism, as well as general

government and staff services. The *business-type activities* of the City include a water and sewer system and an international airport.

In addition to the financial statements of the City, the government-wide financial statements include information concerning six legally separate entities that are part of the City's financial reporting entity because of the City's oversight responsibility for their affairs. These entities include the Amarillo Hospital District, the Amarillo Economic Development Corporation, the Amarillo-Potter Events Venue District, the Amarillo Housing Financial Corporation, Amarillo Local Government Corporation and the Tax Increment Reinvestment Zone #1. This information is presented separately from that of the primary government (the City of Amarillo) because such component units are not legally or functionally an integral part of the City.

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

Government funds: *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Accordingly, these statements do not reflect capital assets or long-term debt, and they report capital outlay as opposed to depreciation and report proceeds and principal reductions of long-term debt as sources and expenditures which increase or decrease fund balance. Such statements are useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

In addition to a general fund, the City maintains special revenue funds, 2 debt service funds, 10 capital projects funds, and 1 permanent fund. These funds have been categorized as either *major or non-major* based on the significance of their financial position or operations. For the current fiscal year, management has determined that the General Fund and the Capital project funds meet the criteria for major fund classification.

The City adopts annual appropriated budgets for most funds, other than funds controlled by the five-year capital improvement program or funds controlled by project-length grant budgets.

Proprietary funds: The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer system and for its international airport. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a governmental entity's various functions. The City uses internal service funds to account for its fleet of vehicles, its management information systems, and its general and employee health self-insured programs. Because over 80% of these services benefit *governmental* functions as opposed to

business-type functions, their net assets and unallocated (investment) earnings have been included with *governmental activities* in the government-wide financial statements.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund statements can be found on pages 38 and 39 of this report.

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

Other information: As the budgetary comparison schedules of the major governmental funds are not a part of the basic financial statements, this information is presented after the footnotes as *required supplementary information*. This report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its firefighters through the Firemen's Retirement and Relief Fund and its other employees through the Texas Municipal Retirement System and its progress in funding other postemployment benefits.

Government-Wide Financial Analysis:

Changes in assets over time may serve as a useful indicator of a government's financial position. Prior to the effective date of Statement No. 34 issued by the Governmental Accounting Standards Board, capital assets used in governmental fund activities were accounted for in a "general fixed assets group of accounts" and were not depreciated. Effective with its adoption of Statement No. 34 as of October 1, 2001, the City computed the accumulated depreciation on all governmental activity capital assets, including infrastructure. Therefore, changes in assets of both governmental and business-type activities, including capital assets as well as current assets, provide meaningful information to the reader. The table below reflects the City's net assets as of September 30, 2012 compared to the prior year:

City of Amarillo, Texas - Net Assets
(in thousands)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>		<i>Percent</i> 2012
	2012	2011	2012	2011	2012	2011	
Current assets	\$ 168,245	\$ 168,496	\$ 51,820	\$ 48,982	\$ 220,065	\$ 217,478	18.17%
Restricted assets	3,671	-	33,768	65,446	37,439	65,446	3.09%
Capital assets	352,577	346,526	601,353	532,557	953,930	879,083	78.73%
Total assets	\$ 524,493	\$ 515,022	\$ 686,941	\$ 646,985	\$ 1,211,434	\$ 1,162,007	100.00%
Current liabilities	\$ 21,225	\$ 22,613	\$ 23,753	\$ 24,560	\$ 44,978	\$ 47,173	10.41%
Noncurrent liabilities	142,182	126,269	245,021	221,892	387,203	348,161	89.59%
Total liabilities	\$ 163,407	\$ 148,882	\$ 268,774	\$ 246,452	\$ 432,181	\$ 395,334	100.00%
Net assets:							
Invested in capital assets							
net of related debt	\$ 320,391	\$ 308,957	\$ 375,863	\$ 363,032	\$ 696,254	\$ 671,989	89.35%
Reserved/restricted	5,576	1,707	5,703	6,021	11,279	7,728	1.45%
Unrestricted	35,119	55,476	36,601	31,480	71,720	86,956	9.20%
Total net assets	\$ 361,086	\$ 366,140	\$ 418,167	\$ 400,533	\$ 779,253	\$ 766,673	100.00%

The City's net assets increased by \$11.20 million during the current fiscal year. The following table reflects the elements of this change:

City of Amarillo, Texas - Changes in Net Assets
(in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Percent</u> <u>2012</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
Revenues							
Program revenues							
Charges for services	\$ 43,109	\$ 42,571	\$ 78,632	\$ 77,444	\$ 121,741	\$ 120,015	45.27%
Operating grants and contributions	19,724	19,858	-	-	19,724	19,858	7.33%
Capital grants and contributions	12,682	3,889	7,898	8,410	20,580	12,299	7.65%
General revenues:							
Property taxes	36,102	33,349	-	-	36,102	33,349	13.42%
Other taxes	69,893	67,331	-	-	69,893	67,331	25.98%
Gain on sale of property	-	-	-	6,975	-	6,975	0.00%
Investment earnings, etc.	735	1,111	217	206	952	1,317	0.35%
Total revenues	182,245	168,109	86,747	93,035	268,992	261,144	100.00%
Expenses:							
General/staff services	15,527	15,303	-	-	15,527	15,303	6.02%
Public safety	87,643	82,194	-	-	87,643	82,194	34.00%
Streets/traffic	21,680	20,357	-	-	21,680	20,357	8.41%
Culture and recreation	25,808	24,380	-	-	25,808	24,380	10.01%
Solid waste	13,734	13,212	-	-	13,734	13,212	5.33%
Transit	5,122	4,703	-	-	5,122	4,703	1.99%
Tourism/urban development	14,627	16,937	-	-	14,627	16,937	5.67%
Information technology	2,704	2,538	-	-	2,704	2,538	1.05%
Interest on long-term debt	2,218	2,350	-	-	2,218	2,350	0.86%
Water and sewer	-	-	58,290	52,873	58,290	52,873	22.61%
Drainage utility	-	-	47	-	47	-	0.02%
Airport	-	-	10,389	8,480	10,389	8,480	4.03%
Total expenses	189,063	181,974	68,726	61,353	257,789	243,327	100.00%
Excess (deficiency) before transfers	(6,818)	(13,865)	18,021	31,682	11,203	17,817	
Transfers	387	1	(387)	(1)	-	-	
Change in net assets	(6,431)	(13,864)	17,634	31,681	11,203	17,817	
Net assets, beginning	366,140	380,004	400,533	368,852	766,673	748,856	
Prior period adjustment (see Note 1)	1,377	-	-	-	1,377	-	
Net assets, beginning, as restated	367,517	380,004	400,533	368,852	768,050	748,856	
Net assets, ending	\$ 361,086	\$ 366,140	\$ 418,167	\$ 400,533	\$ 779,253	\$ 766,673	

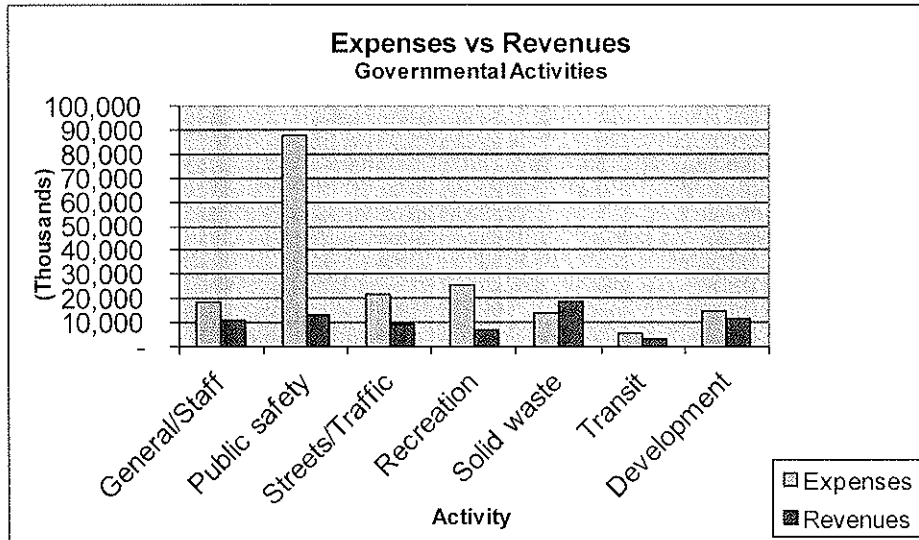
Governmental activities: Unrestricted net assets of the Governmental Activities were \$35.12 million. Of this amount, approximately \$37.56 million is reserved for capital projects. Unrestricted net assets of the Business-type Activities, which are comprised of the Water and Sewer Fund, Drainage Utility Fund and the Airport Fund, totaled \$36.6 million. The unrestricted net assets of the Business-type Activities are used to provide working capital and fund capital projects.

The decrease in net assets for the Governmental Activities is attributable to the allocated cost of postemployment benefits required under GASB 45. Additional decreases in net assets were attributable to increased liability for compensated absences, accrual of self insurance losses, increased long term debt and depreciation of capital assets.

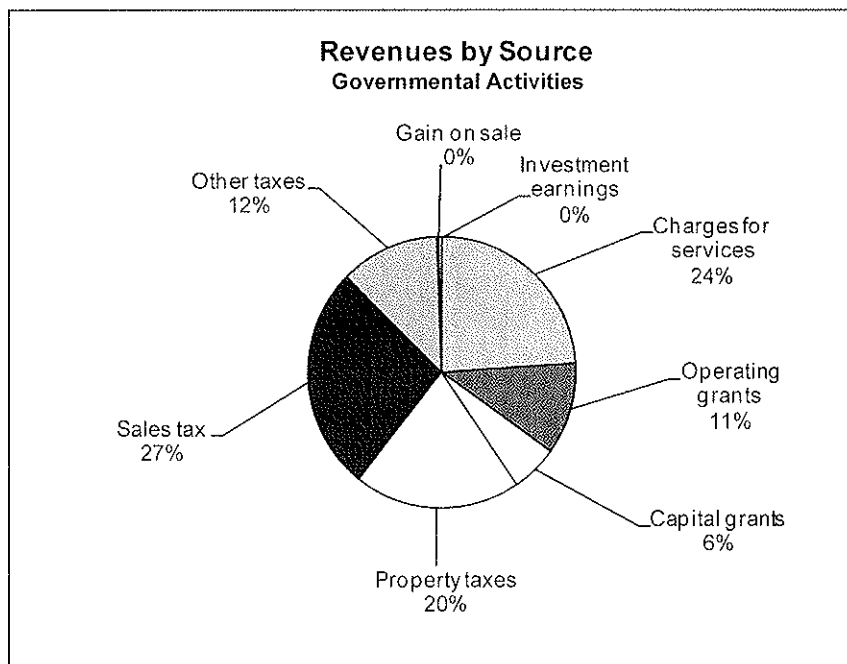
The accompanying bar chart entitled *Expenses vs. Revenues – Governmental Activities* - reflects the extent to which each of the major governmental functions of the City is supported by revenues designated for that purpose. These revenues include charges for services, intergovernmental revenues, and citizen participations and contributions. Charges for services include fees of the solid waste disposal utility and

transit system, revenues of the auditorium-coliseum complex and park department, and permits, licenses, and fines. For the current year, expenses of the governmental functions were in the total amount of \$189.06 million. Program revenues consisting of charges for services, operating grants, and capital grants were in total amount of \$75.51 million, resulting in a net cost of governmental functions in amount of \$113.55 million to be supported by general revenues of the City which include property taxes and sales tax revenue. General revenues totaled \$106.95 million. General revenues and program revenues combined were \$182.63 million representing total revenues derived from governmental activities.

The chart below titled Expenses vs. Revenues Governmental Activities shows the expenses and revenues by activity. For most activities, expenses exceed revenues. General revenues such as sales tax and property taxes are used to fund most of the governmental activities.



The accompanying pie chart entitled *Revenues by Source – Governmental Activities* – reflects the major components of both revenues as described above (\$179.93 million).



Business-type activities: Business-type activities, which include the Water and Sewer Fund, Drainage Utility Fund and the Airport Fund, increased the City's net assets by \$17.63 million. The increase in net assets for the Business-type Activities is attributable to increased revenue in the Water and Sewer fund. Operating net income of the Water and Sewer fund was \$22.43 million compared to \$24.49 million in the previous fiscal year. The operating income remains high due to increased water and sewer rates, as well as the extreme drought conditions which attributed to the record amount of water sold and consumed by our citizens. Airport net assets increased by \$1.37 million, which is mainly attributable through increased operating revenues and increased passenger facility charge revenue. The Drainage Utility Fund is reporting deficit net assets of \$46,588. The Drainage Utility Fund was approved in late fiscal year 2011/12 and will have assessment income starting October 1, 2012.

As can be seen from the above tabulation, 89.35% of the City's net assets are invested in capital assets (land, buildings, pipelines, streets and runways, etc.), net of any related debt that is outstanding. Management reviews the use of these assets on an ongoing basis, and determines whether any should be disposed of. All of these assets are either being used in current City operations or, as in the case of underground water rights, are being held for planned future use.

\$11.28 million of the assets represent resources that are subject to external restrictions on how they may be used. These restrictions primarily represent accounts established in accordance with bond covenants together with bond proceeds held pending construction expenditures. Other restrictions include amounts to be spent in accordance with grant agreements. The balance of net assets is available to meet the City's ongoing obligations to citizens and creditors.

Water and Sewer System: Water metered sales decreased by \$515,115. Water revenues are unpredictable because they are affected by the amount and timing of local rainfall. During 2011-12, the Texas Panhandle was still experiencing drought conditions. While the drought was not as severe as the previous year, large volumes of water were consumed during the hot summer months. The increase in water volume sold combined with rate increases implemented for fiscal year 2010/11 and 2011/12 and a new rate tier for high consumption residential customers increased water sales. Changes in water usage have little effect on sewer revenues, however this revenue source increased by \$822,565 due to rate changes and growth within the City.

Airport: The Airport has been in process of expanding facilities, and the Federal Aviation Administration funds a significant part of the cost of this expansion. While the Airport generally attempts to operate on a break-even basis, its net assets increased by \$1.37 million. This increase is attributable to increased operating revenues and an increase passenger facility charge revenues. The passenger facility charge is approved to collect up to \$19.2 million, which will be used to pay back general obligation bonds issued on September 3, 2009 in the amount of \$16.14 million. During 2011/12, the Airport collected \$1.64 million in passenger facilities charges, which is \$89,302 over the previous year. Airport operating revenues increased slightly from \$6.20 million to \$6.74 million. Operating revenues are derived from airlines, fees and commissions and other building rentals.

Financial Analysis of the City's Funds:

Government funds: The focus of the financial statements of *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 requirement. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As management has long adhered to a policy of financing construction out of unreserved fund balances available after all current needs have been met, these balances also serve as an indication of the amounts available for expansion or replacement of infrastructure and other capital improvements.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$100.17 million, an increase of \$220,665 from the prior year. Beginning in fiscal year ending September 30, 2011, the City implemented and began reporting the fund balance structure under guidelines established by GASB 54. GASB 54 requires the fund balances of governmental funds be segregated into five major components. These are: Non-spendable, Restricted, Committed, Assigned and Unassigned. Of the total fund balances, approximately half has been designated by management for specific purposes, and is being accounted for in governmental funds established to control the expenditure of the funds for designated purposes. These funds consist primarily of the Capital Project Funds and the Compensated Absences Fund, which was established to currently fund the City's liability under its sick and annual leave policy. The balance is available to fund current expenditures, or to fund future capital improvement or operating needs. All of this unassigned fund balance is accounted for in the General Fund, which is the primary operating fund of the city. At the end of the current fiscal year, the total fund balance of the General Fund was \$46.26 million, of which \$44.34 million was unassigned.

The fund balance of the General Fund increased by \$2.46 million during the current year. The fund balance of the Capital Projects Funds decreased by \$710,535. This decrease is due to expenditures being made on active projects, including the completion and work being done on the projects funded by the \$25 million in Certificates of Obligation issued in fiscal year 2006/07. The capital projects funds had restricted and assigned fund balances of \$37.56 million at September 30, 2012. These funds are restricted and assigned for construction projects in progress and for projects currently in the planning stages and in the City's five-year capital plan.

The HUD Programs fund accounts for funds administered by the City for the U.S. Department of Housing and Urban Development, including block grants, housing assistance, and various smaller low income programs. Most of the grants awarded to the City are expenditure-driven; thus, for most programs, revenues equal expenditures.

Proprietary funds: The financial statements of the proprietary funds provide information for the two types of funds – the business-type (enterprise) funds and the internal service funds. The internal service fund financial statements reflect net assets in amount of a deficit of \$30.59 million. The purpose of internal service funds is to provide services within a government on a break-even basis. Funds classified as internal service are: Municipal Garage, Information Technology, Risk Management and Employee Insurance. The net income or loss from these internal service funds has been allocated back to the using departments or funds for the city-wide financial statements. The unrestricted net assets of the internal service funds are generally used to replace capital assets. Net assets of the internal service funds decreased by \$18.21 million due in large part of recording the liability and related expense in compliance with GASB 45 for post employment health benefits in the Employee Insurance Fund. The recording of this liability in the Employee Insurance fund has created the overall deficit in net assets for the internal service funds as a whole. Net assets for the Municipal Garage Fund, Information Services Fund and Risk Management Fund remain positive and provide adequate resources for ongoing operations.

The accounting principles applied to these funds are similar to that of the private sector. Consequently, with the exception of the allocation of internal service fund losses to business-type activities, the net assets and changes in net assets of the enterprise funds in these financial statements is identical with the net assets and changes in net assets in the city-wide financial presentation.

Capital Assets and Debt Administration:

Capital assets: The City's investment in capital assets as of September 30, 2012, was \$953.93 million, net of accumulated depreciation. The following tabulation summarizes the City's capital assets at September 30, 2012:

City of Amarillo, Texas - Capital Assets

(in thousands - net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land, easements and water rights	\$ 11,786	\$ 9,214	\$ 88,976	\$ 72,948	\$ 100,762	\$ 82,162
Infrastructure	137,257	133,943	-	-	137,257	133,943
Library resources	4,625	4,576	-	-	4,625	4,576
Water and Sewer other	-	-	395,086	361,584	395,086	361,584
Airport facilities	-	-	70,952	74,888	70,952	74,888
Buildings and other improvements	148,914	154,308	-	-	148,914	154,308
Machinery and equipment	25,455	27,224	1,897	2,200	27,352	29,424
Construction in progress	24,540	17,261	44,442	20,577	68,982	37,838
Total capital assets	<u>\$ 352,577</u>	<u>\$ 346,526</u>	<u>\$ 601,353</u>	<u>\$ 532,197</u>	<u>\$ 953,930</u>	<u>\$ 878,723</u>

For this purpose, the vehicles, management information systems, and other assets of the internal service funds are classified as assets used in government activities. Refer to footnote number 6 in the notes to basic financial statements for additional information related to capital assets.

The City of Amarillo attempts to fund its capital needs on a pay-as-you-go basis to the extent possible. The City from time to time will borrow funds in order to complete significant infrastructure projects. The City attempts to take advantage of favorable interest rates and use debt only when conditions are favorable. Footnote 11 to the financial statements discloses in detail the debt activities of the City. In addition a Combined Schedule of Outstanding Debt Issuances is provided in the supplemental section of the CAFR. The following table shows the City's total amounts due under bond agreements as of September 30, 2012:

City of Amarillo, Texas - Outstanding Debt

(in thousands)

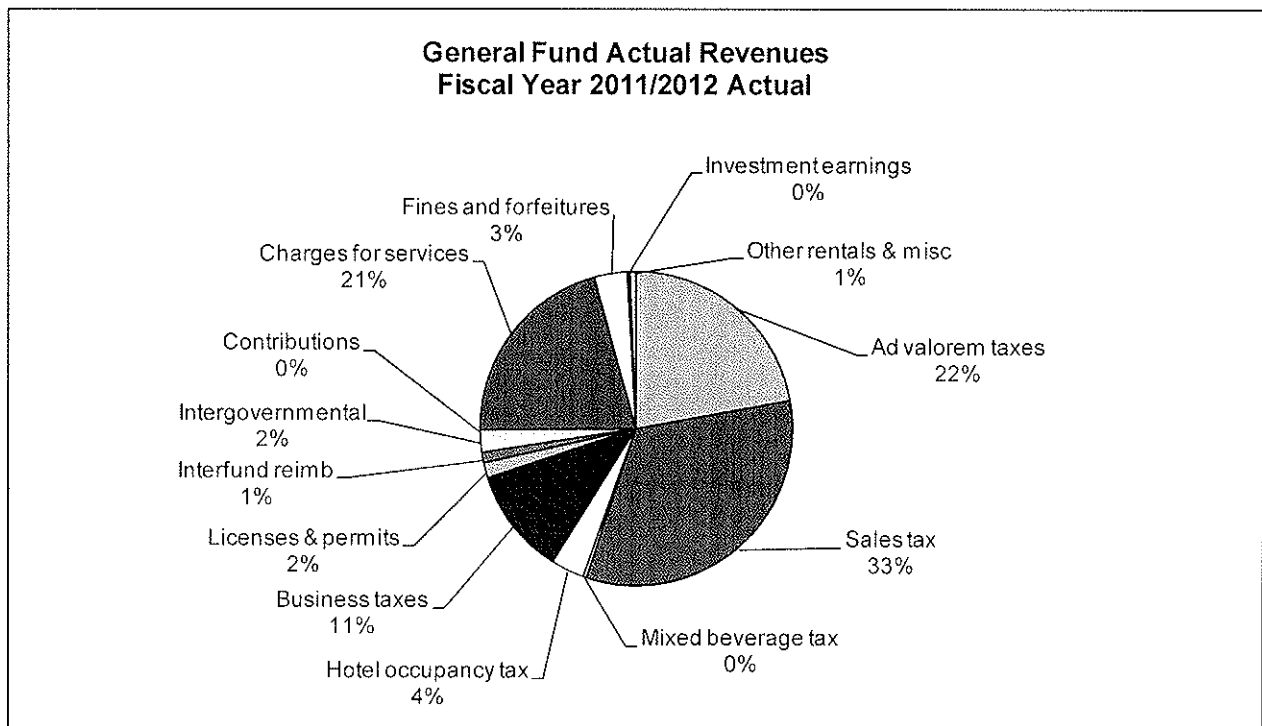
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 5,420	\$ 5,818	\$ -	\$ -	\$ 5,420	\$ 5,818
Certificates of obligation	21,620	22,600	106,965	111,490	128,585	134,090
Special assessment debt	8,680	9,009	-	-	8,680	9,009
Water and sewer revenue bonds	-	-	48,085	50,455	48,085	50,455
Water authority debt	-	-	98,802	65,664	98,802	65,664
Airport	-	-	13,289	14,653	13,289	14,653
Total outstanding debt	<u>\$ 35,720</u>	<u>\$ 37,427</u>	<u>\$ 267,141</u>	<u>\$ 242,262</u>	<u>\$ 302,861</u>	<u>\$ 279,689</u>

Refer to footnote numbers 10 and 11 in the notes to basic financial statements for additional information related to long-term debt and other commitments.

General Fund Budgetary Highlights

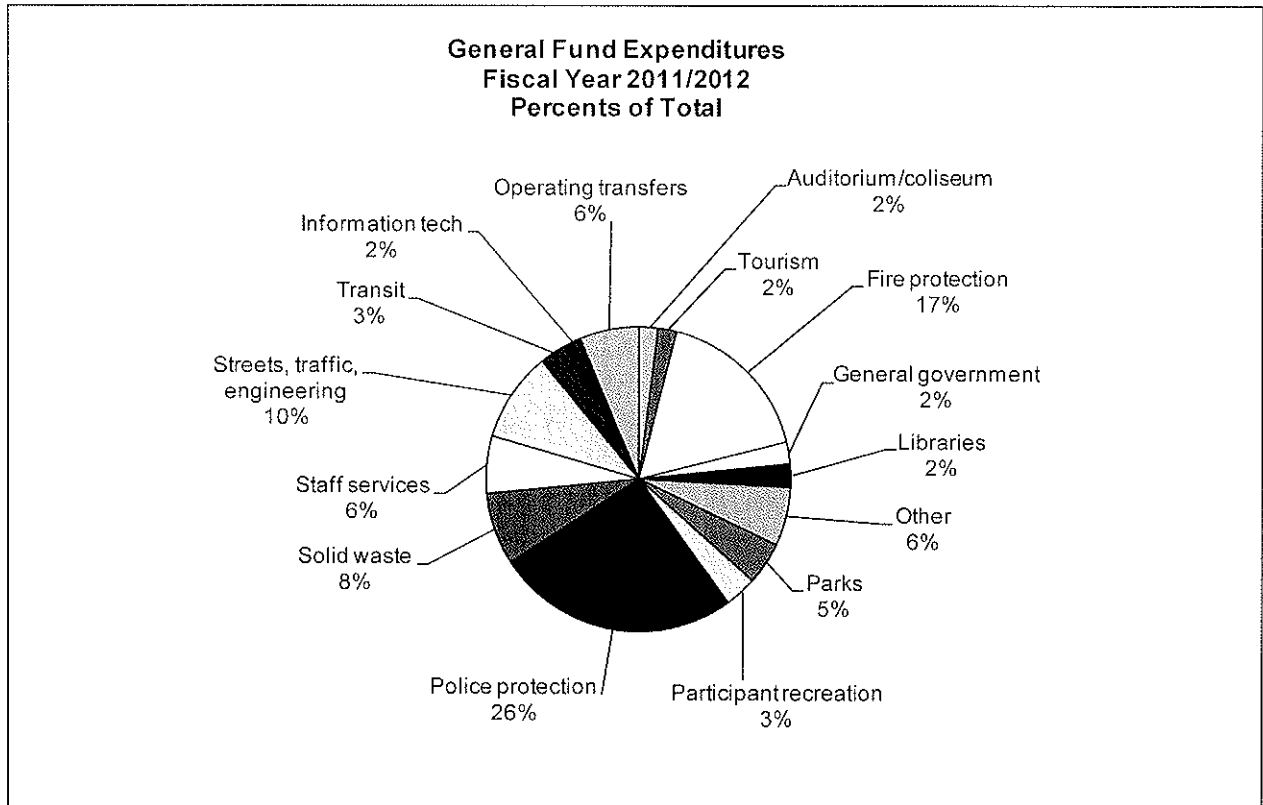
The primary purpose of the General Fund is to account for general revenues such as property taxes, sales taxes, and other taxes and expenditures related to essential city functions and programs. The General Fund is comprised of multiple departments that carry out many of the City's essential functions from street repair and maintenance, traffic, fire and police protection, sanitation collection and disposal, and other administrative functions just to name a few.

General Fund Revenues: The total General Fund revenues budgeted for fiscal year 2011/12 was \$143,292,515. Certain reclassifications of interdepartmental reimbursements are made from the approved budget for financial reporting purposes. Sales tax revenue accounts for 33% of the General Fund total revenue excluding transfers. Sales tax revenues were budgeted for \$46,000,000. Actual sales tax revenues for 2011/12 were \$48,256,664. Sales tax revenues exceeded expected budgeted amounts by \$2,256,664. Despite the struggling national economy, our local economy has seemed to be weathering this well with the significant increase in sales tax revenues. Most cities in Texas have experienced the same growth in Sales Tax Revenue. Another major component of General Fund revenues is ad valorem property taxes. Ad valorem taxes were budgeted at \$31,881,594. Actual ad valorem taxes were \$32,361,774. Other General Fund revenues are comprised of charges for services, business taxes, fines and forfeitures, investment earnings and miscellaneous revenues. In total, the actual General Fund revenues exceeded budgeted revenues by \$3,030,025. The attached chart shows the major sources of General Fund revenues:



General Fund Expenditures: The total General Fund operating expenditure budget excluding fund transfers for fiscal year 2011/12 was \$139,216,771. Total actual expenditures and appropriations against the operating budget for 2011/12 were \$135,003,093. This resulted in under-spending the budget by \$4,213,678. Police and Fire protection combined, account for 43% of the General Fund expenditure budget. Operating transfers to capital projects funds and other funds were budgeted for \$9,634,298.

Actual transfers to capital projects funds during the year were \$9,080,216. The following chart shows the breakdown by functional area of the General Fund actual expenditures for 2011/12:



The City's primary source of funding the annual General Fund CIP program is through re-allocation of excess revenues and unspent monies from the preceding fiscal year. The goal is to maintain an adequate level of fund balance or reserves within the General Fund for contingencies and operations and to allocate any excess funds to the capital improvement program.

Economic Factors and Next Year's Budget and Rates

There are numerous issues that our organization must be cognizant of in the 2012/13 Budget. Budgetary challenges to monitor for the upcoming year include:

- Public Safety:** For the 2011/12 budget, we were able to focus on additions to Public Safety. We added 12 additional police officers for the 2011/12 budget and have included an additional 10 for the 2012/13 year. This continues significant progress towards the Police Department's goal to add officers each year until we have a staffing ratio of two officers per 1,000 in population or until the crime rate statistics show that we have had a positive impact in the City.

With the planned construction of Fire Station Number 13, we intend to add a second engine company to provide a two company 'hub' station to support several existing stations. Three additional firefighter positions were added 2011/12 year and the 2012/13 budget includes four additional firefighter positions. In total, fifteen firefighters will be needed to staff the second engine company at Station 13 and future budgets will include additional firefighters to reach the necessary number.

- **Enhancement of the City's Pay Plan & Benefits:** Cities are service-based organizations in which attracting and retaining qualified employees is critical in accomplishing our mission. For 2012/13, the budget proposes a 2.75% pay increase. While a 2.75% pay increase is modest, it is significant when you consider many cities had to cut pay, layoff employees, and have unpaid furlough days. We also retained the Discretionary Retention Pay (DRP). The DRP is paid in a lump sum to civilian employees and is equivalent to the state-mandated longevity pay for Police Officers and Firefighters. Overall, we believe the City is salary competitive in our local market in most positions, with the exception of entry-level positions. Turnover in these positions has remained steady despite enhancements in last year's budget. This will be a constant focus for future budgets.
- **Stabilization of Employee Health Care Costs:** The City uses a multi-prong approach to managing healthcare costs. While we have stop loss coverage for claims above \$750,000, the City is largely self-insured for employee and retiree medical. Thus, any savings we achieve directly impacts Plan costs. Prescription medicines are a significant cost to our Plan. In early 2007, we contracted with a local Pharmacy Benefit Management (PBM) to obtain favorable pricing. Prescription medications that have satisfactory over-the-counter alternatives have been removed from the formulary and the pharmaceutical co-pays encourage usage of generic drugs. Currently, the Plan has over 80% generic utilization.

The Plan further provides access to initial care through the CityCare Clinic. The goal of the Clinic is access to care for those who were not accessing this needed service, disease management, and wellness services. Beginning in 2009, the City brought the clinic in-house and empirical data suggests the Clinic is meeting its goals for both employees and the Plan.

Included in the 2012/13 budget is a 1.0% increase in employer and employee contributions to the health plan. We will continue efforts to maintain stability and additional cost savings in our health plan. However, the federal healthcare reform bill has and will continue to add future costs to the Plan. In January 2011, the Plan added 63 children over age 19, but under age 26. Access to the Plan for those between the ages of 19 and 26 is limited to individuals that do not have insurance offered where they work, to mitigate the impact on the Plan. However, in many instances, we added covered members without adding premium dollars since we have one rate for family coverage. We will monitor the Plan in the upcoming year for overall costs and for the impact of healthcare reform and will appropriately consider future contribution increases.

- **Drainage Utility Fee:** During the current year the City Commission approved the creation of a Drainage Utility. The primary need for a Drainage Utility is to provide a dedicated funding source for the operations and maintenance of the existing storm-water system. This Utility will allow the City to provide additional capacity through investment in capital projects, and to provide for the future growth of the City. Of equal importance is that this program will provide a dedicated funding source for the ongoing operations, repair and preventative maintenance of the existing storm-water system. The City's drainage system currently includes over 180 miles of storm drain pipe and roadway culverts, 15 miles of constructed ditch and channels, and over 3,300 curb inlets. A large portion of the City's storm-water system is based on the traditional curbs and gutters of the streets, which are often at or over their carrying capacity due to downstream flow limitations. The Drainage Utility provides a means to address both the current system and provides for the ability to enhance the existing system to alleviate current problem areas.

Based on evaluation of the impervious area on residential properties in Amarillo, a three-tiered rate structure was developed for single-family properties. The residential rate structure includes small, typical and large classifications. The typical classification represents fifty percent of parcels in the City with a monthly fee of \$2.51. All nonresidential properties will be billed at \$2.51 for every

2,800 square feet of impervious cover on the property. We anticipate for the first year this new fee will generate approximately \$4.5 million in additional revenue.

- **Capital Needs:** The City continues to face an aging infrastructure. The new Drainage Utility Fund will allow us to address improvements to the storm-water drainage system. We anticipate addressing capital needs in the approximate amount of \$6.1 million for the first year of this fund. The City's General Fund capital program includes \$1.75 million to rehabilitate Southwest 58th Street from Washington to Georgia and \$2.2 million to address repairs and upgrades to City Facilities. The General Fund capital program also provides for additional police cars for the new officers, improvements to the Park system, and other items.

We have had significant pressure to keep budgeted expenditures as low as possible in prior budget fiscal years. With that in mind, we lowered Municipal Garage rental rates for the user departments in the 2009/10 fiscal year and 2010/11 fiscal year. For the near term, the Municipal Garage has a strong fund balance; however, we recognize with rising replacement costs we will need to review the equipment rate structure. In both the 2011/12 and 2012/13 fiscal year budgets, we have increased the equipment rental rates by 5% and will continue to monitor those rates in future budgets. This same scenario applies to the City's Information Technology fund, with appropriate enhancements made to this fund as well.

The City Water and Wastewater Utility, or Utilities Fund, had an excellent year. The Utilities fund includes over \$13 million in capital projects that will be fully funded by system-generated revenues with no debt being acquired for these purposes. These projects cover both expansion and the ongoing maintenance and repair associated with the systems. Amarillo now has nearly 1,100 miles of water mains in the city and an additional 931 miles of wastewater mains. The City's water and wastewater systems are very robust and have excellent capacity. Efforts will continue to be focused on addressing aging infrastructure and ensuring future capacity.

CONSOLIDATED BUDGET

Our 2012/13 fiscal year budget is \$271,270,199, which is a 4.74% or \$12,276,898 increase compared to our 2011/12 budget of \$258,993,301.

The areas of specific increase/decrease in this budget are:

	FY 2011/12	FY 2012/13	% Change
General Fund M&O	\$ 147,392,222	\$ 152,303,266	3.3%
Water & Sewer M&O	42,285,169	43,366,468	2.6%
Capital	36,354,395	40,769,015	12.1%
Special Revenue M&O	21,471,015	19,851,112	(7.5)%
Municipal Garage M&O	8,424,625	9,192,085	9.1%
Insurance M&O	22,117,380	22,687,813	2.6%
Debt Service	22,358,617	23,385,461	4.6%
Airport M&O	6,175,597	6,333,861	2.6%
Drainage Utility M&O	-	1,691,756	-

	FY 2011/12	FY 2012/13	% Change
Info Technology M&O	3,813,492	3,838,349	0.7%
Capital Transfers	1,522,988	341,413	(77.6)%
Less Interfund Transfers	(52,922,198)	(52,490,400)	(0.8)%
Total Budget	\$ 258,993,301	\$ 271,270,199	4.7%

Municipal government is a service provision business and the predominant expense category in our budget is always personnel and associated employee salaries and benefits expense. Personnel costs comprise 48% or \$130.8 million of our 2012/13 net budget. The second largest category is Capital Improvements Projects of \$40.8 million or 15% of our budget. The third highest category of expenses is Debt Service, which accounts for 8.6% or \$23.4 million of our budget. Debt service expenditures include all funds, including Water.

Property and Sales Taxes

As discussed earlier, after three years with the same property tax rate, the City Commission increased the property tax rate by one cent to \$0.32009 for the 2011/12 fiscal year. Even with the increase, our \$0.32009 tax rate is one of the lowest rates in the State. It is interesting to note that while the property tax rate and associated levy is often in the public eye, it raises less revenue than is required to operate only the Amarillo Police Department for the upcoming fiscal year.

The sales tax is the City's largest revenue source. Amarillo has long enjoyed a history of steadily increasing sales tax, which has offset our low property tax rate. However, for the 2008, 2009 and 2010 fiscal years, the City had seen flat or declining sales tax receipts. We were very pleased to report that the sales tax receipts received for the 2010/11 and 2011/12 fiscal years were at the highest levels ever at \$46 and \$48.3 million, respectively. We have an estimated budget for the 2012/13 fiscal year of \$48.7 million. Even so, the sales tax budget of \$48.7 million for the 2012/13 fiscal year is not sufficient alone to fund the budgets for the Police and Fire Departments. The City relies on multiple revenue sources to fund the General Fund operations.

Franchise Fees, User Fees and Charges

During the 2010/11 fiscal year the City issued water and sewer bonds to fund water rights purchases, as well as participating in a CRMWA debt issue for the purchase of ground water rights. Funding of this debt service necessitated an 11% increase in the water and sewer rates. This rate increase was implemented over two budget cycles. Thus, rates were increased by 6% in the 2011/12 budget and we have included 5% increase to follow for the 2012/13 fiscal year budget. The water rate structure is designed so that customers who only use water for domestic use still have very reasonable rates. A residential 10,000 gallon water user will have a monthly rate of \$28.09 which is very low compared to other Texas Cities.

For 2012/13, we have included an increase on the landfill collection charges from \$27.50 to \$29.00 per ton. The additional revenue from this is dedicated to covering the increasing cost of regulatory compliance at the Landfill. Revenue from the electricity and gas franchise fees has been relatively flat. The revenue estimates for 2012/13 include only slight increases from these sources.

Employee Staffing

This 2012/13 budget consists of 2,045 permanent and 346 part-time employee positions. Permanent positions have increased by 25 positions over the current year and part-time positions have increased by six. The largest single increase is in Public Safety, with a total of 14 new positions. With the increase in the sales tax revenue, we have been able to continue addressing staffing concerns.

<u>Personnel Additions</u>	<u>Department</u>	<u>Full Time</u>
Officer	Police Department	7
Sergeant	Police Department	3
Administrative Assistant II	Civilian Personnel	1
Electrical Inspector	Building Safety	1
Van Operator	Transit	1
Park Maintenance Mechanic	Park Maintenance	2
Utility Worker (reclass to part time)	Park Maintenance	-6
Zoo Keeper II	Zoo Maintenance	1
Firefighters	Fire Department	4
Fire Mechanic	Fire Civilian	1
Electrician I	Water Production	1
Meter Service Representative	Water Distribution	1
Utility Worker	Wastewater Collection	2
Street Supervisor I	Drainage Utility	1
Street Foreperson II	Drainage Utility	1
Utility Worker	Drainage Utility	4
Equipment Operator II	Drainage Utility	1
Security Operations Agent	Airport	<u>-1</u>
Total Additions		<u>25</u>

For the 2012/13 year we have proposed an additional 10 new officers. The Police Department will now have 345 police officers, which is an increase of 28 since December of 2010. Our goal is to add 10 to 12 officers each year for the next four years. During the 2011/12 fiscal year, we added three additional firefighters to begin staffing a second engine company at Station 13. For the 2012/13 year, we are including an additional four firefighters for a total of 251. Collectively, the Police and Fire Departments account for approximately 43% of the General Fund budget and is a major service priority of our residents. The authorized strength of the Police Department has fallen behind the growth rate over the last several years and this is an area that has received considerable attention in the 2012/13 budget.

The City Water and Sewer Utility has 260 full-time employees and seven part-time employees. We have 124 full-time and 200 part-time employees in the Parks Department and at our golf courses, 58 employees at the Airport, 58 full-time and 20 part-time employees in the five libraries, 31 full-time employees in Building Safety, 35 full-time and nine part-time employees in the Civic Center Complex, and 52 employees to maintain and clean City facilities. The Solid Waste Collection and Disposal operation has 139 full-time and eight part-time employees. The Street Department has 86 full-time and 13 part-time employees and the Traffic Engineering Department includes the school crossing guard program and has 44 part-time and 24 full-time employees. The Transit Department has 63 full-time and the Municipal

Garage has 53 full-time employees. The Drainage Utility Fund has 16 full-time and one part-time, including nine positions transferred from the Street Department.

Employee Compensation

- 1) 2.75% across the board for Police and Fire
- 2) 2.75% as pay-for-performance based on annual evaluations.
- 2) Continuation of the Civilian Discretionary Retention Pay Program (DRP).
- 3) Continued funding of employee incentive pay programs.

The total cost of these Pay Plan improvements and benefits is \$3,680,000. Most of the cost (\$2,925,000) is in the General Fund.

Capital Projects

The recommended Capital Improvement Program (CIP) budget for the 2012/13 fiscal year is \$40.8 million, which has increased from the \$36.4 million available in 2010/11. Included in the 2012/13 Capital Program is \$6.1 million in Drainage Utility Projects. The most significant is \$4.2 million to fund the Farmers Avenue project. The most significant general fund projects include: \$1.75 million for rehabilitation of 58th Street between Washington and Georgia, \$2.3 million to fund improvements to City owned facilities, \$1.2 million for street overlay, plus an additional \$1 million to fund improvements to area parks.

We are very pleased to continue funding Water and Sewer capital at \$13.1 million. Included in this amount is \$2.65 million for water main replacement and extensions and an additional \$2.65 million for sewer main extensions and improvements. We have also included \$1.25 million to address dam improvements at the Palo Duro Well Field. The Airport has budgeted \$5.7 million for capital; of that amount, we anticipate \$2.9 million from Federal Aviation Administration grant funding. We have included \$2.3 million for the final phase of construction of a consolidated service center for rental car operations.

Featured Programs

The City of Amarillo and the Amarillo Local Government Corporation (LGC) continue the development of the downtown convention center hotel, parking structure, and multi-purpose venue. Several other entities such as the Amarillo Tax Increment Reinvestment Zone #1 and Center City of Amarillo are also contributing to these efforts. As the projects develop, the downtown core of Amarillo and the City as a whole will have an opportunity for significant growth and economic development.

The 2012/13 budget continues improvements to the City's Transit System. Each of the last two budgets has expanded the capacity of the Spec-Trans system. This system provides direct door-to-door service for qualifying riders and provides the only accessible transportation for many Amarillo residents to access health care and other important basic services.

The City will continue its focus on street repair and improvements in the 2012/13 budget year. Funding from the one cent tax rate increase last year is carried forward into the current year to allow for a larger arterial overlay program. This program maximizes the lifespan of our arterial streets and delays or prevents expensive reconstruction projects. The City has several reconstruction projects scheduled, with the focus this year being the completion of 58th Avenue from Georgia Street to Washington Street. Completion of this segment will have the full span of Hillside/58th in excellent condition and suitable for future overlay work rather than reconstruction.

Request for information:

This financial report is designed to provide a general overview of the City of Amarillo's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Amarillo, P.O. Box 1971, Amarillo, Texas 79105-1971.

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BASIC FINANCIAL STATEMENTS

These statements present an overview of the financial position and transactions of the entire reporting entity. The Statement of Net Assets and Statement of Activities report information on all of the nonfiduciary resources and activities of the primary government and its component units. These statements, as well as the Statement of Net Assets and Statement of Activities of the component units, are presented on a basis of accounting promulgated by the Governmental Accounting Standards Board, which is similar to the generally accepted accounting principles applicable to commercial enterprises. The financial statements of the governmental funds, proprietary funds, and the fiduciary funds are presented in accordance with generally accepted governmental accounting principles to the types of funds presented.

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CITY OF AMARILLO, TEXAS
STATEMENT OF NET ASSETS
September 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 41,885,416	\$ 16,124,217	\$ 58,009,633	\$ 20,168,256
Investments	94,467,793	41,912,452	136,380,245	212,854,990
Receivables, net	10,420,433	11,358,277	21,778,710	6,322,124
Internal balances	18,537,969	(18,537,969)	-	-
Inventories and prepaid expenses	2,933,075	963,535	3,896,610	5,331,011
Other current assets	-	-	-	1,332,781
Total current assets	<u>168,244,686</u>	<u>51,820,512</u>	<u>220,065,198</u>	<u>246,009,162</u>
NONCURRENT ASSETS				
Restricted cash and cash equivalents	3,671,462	33,423,967	37,095,429	6,060,143
Receivables, net	-	343,950	343,950	93,635,823
Other noncurrent assets	-	-	-	17,037,626
Land and building held for future incentives	-	-	-	9,479,215
Capital assets:				
Land	8,641,254	4,530,161	13,171,415	-
Contributed right of way easements	3,144,986	570,218	3,715,204	-
Water rights and contracts, net of amortization	-	83,875,458	83,875,458	-
Infrastructure, net of depreciation	137,256,656	-	137,256,656	-
Buildings and improvements, net of depreciation	148,913,440	466,037,739	614,951,179	28,155,950
Equipment and vehicles, net of depreciation	25,455,117	1,897,292	27,352,409	95,048
Library resources, net of depreciation	4,624,967	-	4,624,967	-
Construction in progress	24,540,485	44,442,427	68,982,912	-
Total noncurrent assets	<u>356,248,367</u>	<u>635,121,212</u>	<u>991,369,579</u>	<u>154,463,805</u>
TOTAL ASSETS	<u>\$ 524,493,053</u>	<u>\$ 686,941,724</u>	<u>\$ 1,211,434,777</u>	<u>\$ 400,472,967</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 12,079,278	\$ 10,041,079	\$ 22,120,357	\$ 1,082,269
Current portion of long-term obligations	1,763,860	4,866,248	6,630,108	4,330,000
Estimated liability for self-insured losses, current portion	5,934,870	-	5,934,870	65,000
Bonded debt current maturity	-	8,620,000	8,620,000	-
Current portion of compensated absences	1,446,493	225,883	1,672,376	-
Total current liabilities	<u>21,224,501</u>	<u>23,753,210</u>	<u>44,977,711</u>	<u>5,477,269</u>
NONCURRENT LIABILITIES				
Liabilities payable from restricted assets	-	-	-	542,424
Noncurrent portion of long-term obligations	34,093,516	239,724,931	273,818,447	79,650,385
Other accrued expenses	-	3,109,196	3,109,196	-
Estimated liabilities for:				
Compensated absences, net	16,843,768	1,426,889	18,270,657	183,447
Self-insured losses, net of current portion	9,764,732	-	9,764,732	215,183
Landfill closure and postclosure care	2,106,502	-	2,106,502	-
Postemployment benefits	74,568,830	-	74,568,830	-
Net pension obligation	4,804,502	759,813	5,564,315	-
Total noncurrent liabilities	<u>142,181,850</u>	<u>245,020,829</u>	<u>387,202,679</u>	<u>80,591,439</u>
TOTAL LIABILITIES	<u>\$ 163,406,351</u>	<u>\$ 268,774,039</u>	<u>\$ 432,180,390</u>	<u>\$ 86,068,708</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 320,390,991	\$ 375,863,333	\$ 696,254,324	\$ 13,340,320
Restricted for:				
Debt service	1,763,860	5,702,750	7,466,610	1,079,681
Other purposes	3,812,464	-	3,812,464	4,611,677
Unrestricted (deficit)	35,119,387	36,601,602	71,720,989	295,372,581
TOTAL NET ASSETS	<u>\$ 361,086,702</u>	<u>\$ 418,167,685</u>	<u>\$ 779,254,387</u>	<u>\$ 314,404,259</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF AMARILLO, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 3,875,862	\$ 5,876,609	\$ 794	-
Staff services	11,650,494	4,146,479	312,421	505,453
Public safety and health				
Police protection	43,265,529	1,455,660	332,107	-
Fire protection	28,891,617	1,706,827	-	-
Other	15,486,136	4,341,010	4,620,456	543,365
Streets, traffic and engineering	21,680,105	804,886	47,000	10,945,190
Culture and recreation				
Auditorium/Coliseum	5,587,869	2,020,669	398,004	14,506
Libraries	4,852,897	162,154	272,530	-
Parks	9,012,175	1,133,575	1,200	413,677
Participant recreation	6,354,914	2,507,018	1,294	222,000
Solid waste	13,734,078	18,644,949	-	-
Transit	5,121,742	213,849	2,693,749	7,328
Information technology	2,703,716	-	-	-
Economic development	2,847,958	-	-	-
Urban redevelopment/housing	11,779,399	95,458	11,044,151	30,075
Interest on long-term debt	2,217,767	-	-	-
Total governmental activities	<u>189,062,258</u>	<u>43,109,143</u>	<u>19,723,706</u>	<u>12,681,594</u>
BUSINESS-TYPE ACTIVITIES				
Water and Sewer	58,290,626	70,233,887	-	4,587,476
Drainage Utility	46,588	-	-	-
Airport	10,388,942	8,398,066	-	3,311,359
Total business-type activities	<u>68,726,156</u>	<u>78,631,953</u>	<u>-</u>	<u>7,898,835</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 257,788,414</u>	<u>\$ 121,741,096</u>	<u>\$ 19,723,706</u>	<u>\$ 20,580,429</u>
COMPONENT UNITS				
Amarillo Hospital District	\$ 8,510,747	\$ -	\$ 278,842	\$ 28,667
Amarillo Economic Development Corporation	20,091,297	7,777,947	-	550,796
Amarillo-Potter Events District	3,102,810	47,192	-	-
Amarillo Housing Finance Corporation	-	338	-	-
Tax Increment Reinvestment Zone #1	1,270,527	-	-	-
Amarillo Local Government Corporation	90,985	-	-	-
TOTAL COMPONENT UNITS	<u>\$ 33,066,366</u>	<u>\$ 7,825,477</u>	<u>\$ 278,842</u>	<u>\$ 579,463</u>

GENERAL REVENUES

Property taxes, levied for general purposes
Property taxes, levied for debt services
Sales taxes
Mixed beverage taxes
Hotel occupancy taxes
Gross receipts business taxes
Unrestricted investment earnings

TRANSFERS

Total general revenues and transfers

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR

PRIOR PERIOD ADJUSTMENT (NOTE 1)

NET ASSETS, BEGINNING OF YEAR, RESTATED

NET ASSETS, END OF YEAR

The accompanying notes are an integral part of the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ 2,001,541	\$ -	\$ 2,001,541	\$ -
(6,686,141)	-	(6,686,141)	-
(41,477,762)	-	(41,477,762)	-
(27,184,790)	-	(27,184,790)	-
(5,981,305)	-	(5,981,305)	-
(9,883,029)	-	(9,883,029)	-
(3,154,690)	-	(3,154,690)	-
(4,418,213)	-	(4,418,213)	-
(7,463,723)	-	(7,463,723)	-
(3,624,602)	-	(3,624,602)	-
4,910,871	-	4,910,871	-
(2,206,816)	-	(2,206,816)	-
(2,703,716)	-	(2,703,716)	-
(2,847,958)	-	(2,847,958)	-
(609,715)	-	(609,715)	-
(2,217,767)	-	(2,217,767)	-
(113,547,815)	-	(113,547,815)	-
-	16,530,737	16,530,737	-
-	(46,588)	(46,588)	-
-	1,320,483	1,320,483	-
-	17,804,632	17,804,632	-
(113,547,815)	17,804,632	(95,743,183)	-
-	-	-	(8,203,238)
-	-	-	(11,762,554)
-	-	-	(3,055,618)
-	-	-	338
-	-	-	(1,270,527)
-	-	-	(90,985)
-	-	-	(24,382,584)
33,255,011	-	33,255,011	589,735
2,846,831	-	2,846,831	-
48,256,664	-	48,256,664	16,085,554
533,575	-	533,575	-
5,002,181	-	5,002,181	-
16,100,508	-	16,100,508	2,295,432
735,449	217,027	952,476	7,865,154
387,328	(387,328)	-	-
107,117,547	(170,301)	106,947,246	26,835,875
(6,430,268)	17,634,331	11,204,063	2,453,291
366,139,632	400,533,354	766,672,986	311,950,968
1,377,338	-	1,377,338	-
367,516,970	400,533,354	768,050,324	311,950,968
\$ 361,086,702	\$ 418,167,685	\$ 779,254,387	\$ 314,404,259

The accompanying notes are an integral part of the basic financial statements.

**CITY OF AMARILLO, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,312,730	\$ 16,610,085	\$ 7,270,049	\$ 27,192,864
Restricted cash and cash equivalents	-	3,671,462	-	3,671,462
Investments, at fair values	39,661,593	18,115,031	10,262,008	68,038,632
Receivables, net of allowances for uncollectibles				
Property taxes	475,511	-	11,334	486,845
Accounts	1,345,421	(180)	306,643	1,651,884
Accrued interest	141,217	41,783	13,122	196,122
Other accrued revenue	1,378,977	-	36,181	1,415,158
Due from other funds unrestricted	1,534,198	-	24,351	1,558,549
Due from other governments	4,411,310	8,440	1,313,019	5,732,769
Inventory of supplies	1,546,717	-	-	1,546,717
Prepaid items	7,742	1,000	651,712	660,454
TOTAL ASSETS	<u>\$ 53,815,416</u>	<u>\$ 38,447,621</u>	<u>\$ 19,888,419</u>	<u>\$ 112,151,456</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Vouchers payable	\$ 1,188,182	\$ 222,257	\$ 385,472	\$ 1,795,911
Accounts payable	2,070,187	444,535	437,851	2,952,573
Accrued expenses	2,936,667	91,254	5,466	3,033,387
Deposits	76,182	-	1,268,954	1,345,136
Due to other funds - unrestricted	672	127,329	1,294,045	1,422,046
Due to other governments	780,308	-	39,202	819,510
Deferred revenues - property taxes	404,544	-	4,825	409,369
Deferred revenues - other	94,109	-	105,790	199,899
Total liabilities	<u>7,550,851</u>	<u>885,375</u>	<u>3,541,605</u>	<u>11,977,831</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	7,742	1,000	651,712	660,454
Inventory	1,546,717	-	-	1,546,717
Uncollected taxes	70,967	-	6,509	77,476
Restricted for:				
Debt service	-	-	375,156	375,156
Capital projects	-	3,671,462	-	3,671,462
Special purposes	-	-	3,812,464	3,812,464
Committed for:				
Compensated absences	-	-	11,500,973	11,500,973
Encumbrances	295,059	-	-	295,059
Assigned for:				
Capital projects	-	33,889,784	-	33,889,784
Unassigned	44,344,080	-	-	44,344,080
Total fund balances	<u>46,264,565</u>	<u>37,562,246</u>	<u>16,346,814</u>	<u>100,173,625</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 53,815,416</u>	<u>\$ 38,447,621</u>	<u>\$ 19,888,419</u>	<u>\$ 112,151,456</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF AMARILLO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS

\$ 100,173,625

The City uses internal service funds to charge the costs of the municipal garage, information services, risk management and employee health services to other departments of the City on a cost-reimbursement basis. The assets and liabilities, excluding capital assets, of the internal service funds are included in the governmental activities in the statement of net assets.

(50,262,651)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the balances for capital assets (net of depreciation) in the governmental activities is to increase net assets.

368,801,704

Long-term liabilities, including bonds payable and compensated absence liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. In addition, long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as reductions in long-term debt in the government-wide financial statements. The net effect of including the long-term liabilities and the debt principal payments is to decrease net assets. Those liabilities consist of:

(60,060,671)

Long-term debt	\$ 35,857,376
Compensated absence	17,573,126
Landfill closure and postclosure	2,106,502
Net pension obligation	4,523,667
	<u>\$ 60,060,671</u>

The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.

(16,224,799)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the receivable from the business-type activities for services provided by the internal service funds. The net effect of these reclassifications and recognitions is to increase net assets.

18,659,494

Deferred revenue	\$ 609,268
Accrued interest payable	(487,743)
Internal balances	18,537,969
	<u>\$ 18,659,494</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 361,086,702

The accompanying notes are an integral part of the basic financial statements.

CITY OF AMARILLO, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes				
Ad valorem taxes	\$ 32,361,774	\$ -	\$ 2,846,831	\$ 35,208,605
Sales taxes	48,256,664	-	-	48,256,664
Mixed beverage taxes	533,575	-	-	533,575
Hotel occupancy taxes	5,002,181	-	-	5,002,181
Gross receipts business taxes	16,100,508	-	-	16,100,508
License and permits	2,315,185	-	-	2,315,185
Interfund revenues	1,584,965	-	-	1,584,965
Intergovernmental revenues	3,388,112	5,028,497	16,303,333	24,719,942
Citizen contributions	7,363	-	2,781	10,144
Construction participation	-	4,654,768	30,285	4,685,053
Other entity participations	-	-	808,345	808,345
Charges for services	30,428,631	171,736	1,385,107	31,985,474
Fines and forfeitures	4,955,058	-	1,205,323	6,160,381
Investment earnings	391,254	117,356	58,070	566,680
Other rentals and commissions	395,662	(13,356)	-	382,306
Miscellaneous	601,608	1,200	68,755	671,563
Total revenues	<u>146,322,540</u>	<u>9,960,201</u>	<u>22,708,830</u>	<u>178,991,571</u>
EXPENDITURES				
Current				
General government	3,314,666	-	-	3,314,666
Staff services	8,755,786	-	324,126	9,079,912
Public safety and health				
Police protection	37,036,816	-	406,257	37,443,073
Fire protection	24,583,803	-	-	24,583,803
Other	8,965,884	-	4,825,299	13,791,183
Streets, traffic and engineering	13,683,894	-	-	13,683,894
Culture and recreation				
Auditorium - Coliseum	2,857,382	-	318,393	3,175,775
Libraries	3,578,900	-	274,471	3,853,371
Parks	6,477,760	458	561,115	7,039,333
Participant recreation	4,921,714	-	20,719	4,942,433
Solid waste	11,063,271	-	-	11,063,271
Transit system	3,957,318	-	-	3,957,318
Urban redevelopment and housing	-	-	11,942,850	11,942,850
Information technology	2,703,716	-	-	2,703,716
Tourism	2,847,958	-	-	2,847,958
Capital outlay	106,906	19,304,500	973,957	20,385,363
Debt service				
Principal retirement	-	-	1,706,708	1,706,708
Interest and fiscal charges	-	-	1,730,024	1,730,024
Termination vacation and sick leave pay	-	-	1,313,015	1,313,015
Total expenditures	<u>134,855,774</u>	<u>19,304,958</u>	<u>24,396,934</u>	<u>178,557,666</u>
Excess (deficit) of revenues over (under) expenditures	<u>11,466,766</u>	<u>(9,344,757)</u>	<u>(1,688,104)</u>	<u>433,905</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	70,281	9,431,166	618,802	10,120,249
Transfers to other funds	(9,080,216)	(796,944)	(456,329)	(10,333,489)
Total other financing sources (uses)	<u>(9,009,935)</u>	<u>8,634,222</u>	<u>162,473</u>	<u>(213,240)</u>
Net change in fund balances	<u>2,456,831</u>	<u>(710,535)</u>	<u>(1,525,631)</u>	<u>220,665</u>
FUND BALANCES, BEGINNING OF YEAR	<u>43,807,734</u>	<u>38,272,781</u>	<u>16,495,107</u>	<u>98,575,622</u>
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>1,377,338</u>	<u>1,377,338</u>
FUND BALANCES, BEGINNING OF YEAR, as restated	<u>43,807,734</u>	<u>38,272,781</u>	<u>17,872,445</u>	<u>99,952,960</u>
FUND BALANCES, END OF YEAR	<u>\$ 46,264,565</u>	<u>\$ 37,562,246</u>	<u>\$ 16,346,814</u>	<u>\$ 100,173,625</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF AMARILLO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 220,665

The City uses an internal service fund to charge the costs of the municipal garage, information services, risk management and employee health services to other departments of the City. The net income (loss) of the internal service fund is included in the governmental activities in the Statement of Activities, except for net income (loss) allocated to the business-type activities for services provided by the internal service funds to those activities. The net effect of this consolidation is to decrease net assets. (18,207,110)

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. Issuance of long-term debt provides current financial resources to the governmental funds; however, it should be shown as an increase in long-term liabilities in the government-wide financial statements. The net effect of including the 2012 capital outlays, issuance of long-term debt, and debt principal payments is to increase net assets. 24,538,271

Capital outlay	\$ 20,385,363
Residual value of assets disposed of	(633,461)
Library books additions	506,895
Contributed capital	2,572,766
Long-term debt principal payments	1,706,708
	<u>\$ 24,538,271</u>

Depreciation is not recognized as an expense in the 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. (16,224,799)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions and the net loss on services provided to the business-type activities by the internal service funds. The net effect of these reclassifications and recognitions is to increase (decrease) net assets. 3,242,705

Compensated absences	\$ (643,453)
Deferred revenue	893,237
Net loss of internal service funds	
allocated to business-type activities	3,871,231
Landfill closure and post-closure care	(109,609)
Accrued interest payable	(487,743)
Deferred amount for issuance	
premiums/costs	4,678
Additional ARC allocation	(285,636)
	<u>\$ 3,242,705</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (6,430,268)

The accompanying notes are an integral part of the basic financial statements.

**CITY OF AMARILLO, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities Internal Service Funds</u>
	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Airport</u>	<u>Total</u>	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 13,337,634	\$ 510	\$ 2,786,073	\$ 16,124,217	\$ 14,692,552
Investments, at fair values	35,148,563	-	6,763,889	41,912,452	26,429,161
Accounts receivable	5,602,192	-	293,048	5,895,240	742,863
Accrued interest receivable	60,022	-	5,833	65,855	58,792
Other accrued revenue	3,788,401	-	259,436	4,047,837	-
Due from other funds	-	-	-	-	162,685
Due from other governments	-	-	1,349,345	1,349,345	-
Inventory of supplies	-	-	-	-	384,809
Prepaid expenses	963,535	-	-	963,535	341,095
Total current assets	<u>58,900,347</u>	<u>510</u>	<u>11,457,624</u>	<u>70,358,481</u>	<u>42,811,957</u>
NONCURRENT ASSETS					
Restricted cash and cash equivalents	33,050,537	-	373,430	33,423,967	-
Other noncurrent receivable	343,950	-	-	343,950	-
Capital assets					
Land	1,752,820	-	2,777,341	4,530,161	-
Contributed right of way easements	570,218	-	-	570,218	-
Underground water rights	56,700,214	-	-	56,700,214	-
Accumulated depletion water rights	(4,107,495)	-	-	(4,107,495)	-
Water supply contract	50,336,389	-	-	50,336,389	-
Accumulated amortization - water supply contract	(19,053,650)	-	-	(19,053,650)	-
Pipelines and plant	545,610,923	-	-	545,610,923	-
Accumulated depreciation - pipelines and plant	(150,524,679)	-	-	(150,524,679)	-
Runways, buildings and improvements	-	-	140,136,680	140,136,680	-
Accumulated depreciation - runways, buildings and improvements	-	-	(69,185,185)	(69,185,185)	-
Improvements	-	-	-	-	4,732,818
Accumulated depreciation improvements	-	-	-	-	(2,844,526)
Equipment and vehicles	3,770,282	-	4,665,779	8,436,061	55,939,655
Accumulated depreciation - equipment and vehicles	(3,151,223)	-	(3,387,546)	(6,538,769)	(39,343,414)
Construction in progress	36,349,481	102,935	7,990,011	44,442,427	1,189,881
Total capital assets, net of accumulated depreciation	<u>518,253,280</u>	<u>102,935</u>	<u>82,997,080</u>	<u>601,353,295</u>	<u>19,674,414</u>
Total noncurrent assets	<u>551,647,767</u>	<u>102,935</u>	<u>83,370,510</u>	<u>635,121,212</u>	<u>19,674,414</u>
TOTAL ASSETS	<u>\$ 610,548,114</u>	<u>\$ 103,445</u>	<u>\$ 94,828,134</u>	<u>\$ 705,479,693</u>	<u>\$ 62,486,371</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF AMARILLO, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS, CONTINUED
SEPTEMBER 30, 2012**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities Internal Service Funds</u>
	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Airport</u>	<u>Total</u>	
LIABILITIES					
CURRENT LIABILITIES					
Vouchers payable	\$ 1,753,994	\$ 449	\$ 283,703	\$ 2,038,146	\$ 359,260
Accounts payable	1,630,633	-	197,496	1,828,129	1,120,899
Accrued expenses	2,339,336	13,576	420,713	2,773,625	164,859
Deposits	32,740	-	87,786	120,526	-
Consumer security deposits	3,144,653	-	-	3,144,653	-
Share of Water Authority debt - current	4,866,248	-	-	4,866,248	-
Due to other funds - unrestricted	-	136,000	-	136,000	163,188
Estimated liability for incurred losses	-	-	-	-	5,934,870
Bonded debt current maturity	7,290,000	-	1,330,000	8,620,000	-
Current portion of compensated absences	187,561	-	38,322	225,883	73,346
Total current liabilities	<u>21,245,165</u>	<u>150,025</u>	<u>2,358,020</u>	<u>23,753,210</u>	<u>7,816,422</u>
NONCURRENT LIABILITIES					
Bonded debt, net of current portion	133,829,981	-	11,958,789	145,788,770	-
Water Authority debt, net of current portion	93,936,161	-	-	93,936,161	-
Provision for compensated absences, net	1,249,273	-	177,616	1,426,889	643,789
Other accrued expenses	3,109,196	-	-	3,109,196	-
Estimated liabilities for incurred loss, net	-	-	-	-	9,764,732
Postemployment benefits	-	-	-	-	74,568,830
Net pension obligation	635,209	8	124,596	759,813	280,835
Total noncurrent liabilities	<u>232,759,820</u>	<u>8</u>	<u>12,261,001</u>	<u>245,020,829</u>	<u>85,258,186</u>
TOTAL LIABILITIES	<u>\$ 254,004,985</u>	<u>\$ 150,033</u>	<u>\$ 14,619,021</u>	<u>\$ 268,774,039</u>	<u>\$ 93,074,608</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 306,052,107	\$ 102,935	\$ 69,708,291	\$ 375,863,333	\$ 19,674,414
Restricted for debt service	5,329,320	-	373,430	5,702,750	-
Unrestricted	45,161,702	(149,523)	10,127,392	55,139,571	(50,262,651)
TOTAL NET ASSETS	<u>\$ 356,543,129</u>	<u>\$ (46,588)</u>	<u>\$ 80,209,113</u>	436,705,654	<u>\$ (30,588,237)</u>
Amounts due governmental activities for allocable share of net expenses of certain internal service funds				<u>(18,537,969)</u>	
TOTAL NET ASSETS OF BUSINESS-TYPE ACTIVITIES IN STATEMENT OF NET ASSETS				<u>\$ 418,167,685</u>	

The accompanying notes are an integral part of the basic financial statements.

**CITY OF AMARILLO, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 YEAR ENDED SEPTEMBER 30, 2012**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities Internal Service Funds</u>
	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Airport</u>	<u>Total</u>	
OPERATING REVENUES					
Airfield fees and commissions	\$ -	\$ -	\$ 538,756	\$ 538,756	\$ -
Charges for services	-	-	-	-	1,224,593
Employees' benefit plan contributions	-	-	-	-	4,883,820
Internal charges	-	-	-	-	31,388,787
Miscellaneous revenues	-	-	-	-	3,641
Other building and ground rentals	-	-	1,464,486	1,464,486	-
Rents and miscellaneous	310,142	-	-	310,142	-
Tap fees and frontage charges	242,732	-	-	242,732	-
Terminal building area rental	-	-	4,733,224	4,733,224	-
Utility sales and service	69,103,211	-	-	69,103,211	-
Drainage utility assessments	-	-	-	-	-
Total operating revenues	<u>69,656,085</u>	<u>-</u>	<u>6,736,466</u>	<u>76,392,551</u>	<u>37,500,841</u>
OPERATING EXPENSES					
Salaries, wages and fringe benefits	11,394,284	26,714	2,479,141	13,900,139	5,016,960
Supplies	1,303,399	1,704	199,335	1,504,438	2,387,181
Fuel and oil	-	-	-	-	3,875,439
Fuel and power	4,476,328	-	563,208	5,039,536	-
Contractual services	4,216,512	18,170	463,355	4,698,037	1,528,293
Water Authority charges	4,682,183	-	-	4,682,183	-
Other charges	8,044,314	-	2,096,691	10,141,005	2,285,094
Claim and loss adjustments	-	-	-	-	18,906,619
Postemployment expense	-	-	-	-	17,615,147
Depreciation	13,110,658	-	4,587,212	17,697,870	5,122,344
Total operating expenses	<u>47,227,678</u>	<u>46,588</u>	<u>10,388,942</u>	<u>57,663,208</u>	<u>56,737,077</u>
Operating income (loss)	<u>22,428,407</u>	<u>(46,588)</u>	<u>(3,652,476)</u>	<u>18,729,343</u>	<u>(19,236,236)</u>
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) in disposal of property	(161,536)	-	-	(161,536)	246,680
Interfund reimbursement	577,802	-	-	577,802	-
Passenger facility charge	-	-	1,639,556	1,639,556	-
Interest earnings	170,434	-	52,772	223,206	178,869
Change in value of investments	-	-	(6,179)	(6,179)	(10,100)
Other miscellaneous revenues	-	-	22,044	22,044	13,111
Interest expense and fiscal charges	(7,030,181)	-	-	(7,030,181)	-
Total nonoperating revenues (expenses)	<u>(6,443,481)</u>	<u>-</u>	<u>1,708,193</u>	<u>(4,735,288)</u>	<u>428,560</u>
Income (loss) before contributions and transfers	15,984,926	(46,588)	(1,944,283)	13,994,055	(18,807,676)

The accompanying notes are an integral part of the basic financial statements.

**CITY OF AMARILLO, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS, CONTINUED
 YEAR ENDED SEPTEMBER 30, 2012**

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Water and Sewer	Drainage Utility	Airport	Total	
NONOPERATING REVENUES (EXPENSES), CONTINUED					
Capital contributions	\$ 4,587,476	\$ -	\$ 3,311,359	\$ 7,898,835	\$ -
Transfers from other funds	-	-	-	-	620,966
Transfers to other funds	<u>(387,328)</u>	-	-	<u>(387,328)</u>	<u>(20,400)</u>
Change in net assets	20,185,074	(46,588)	1,367,076	21,505,562	(18,207,110)
NET ASSETS, BEGINNING OF YEAR	<u>336,358,055</u>	<u>-</u>	<u>78,842,037</u>	<u>415,200,092</u>	<u>(12,381,127)</u>
NET ASSETS, END OF YEAR	<u>\$ 356,543,129</u>	<u>\$ (46,588)</u>	<u>\$ 80,209,113</u>	436,705,654	<u>\$ (30,588,237)</u>
Allocation of net expenses of certain internal service funds to business-type activities				<u>(18,537,969)</u>	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES IN STATEMENT OF NET ASSETS				<u>\$ 418,167,685</u>	
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Net Assets of Proprietary Funds to the Statement of Activities					
Total Net Change in Fund Balances - Proprietary Funds				\$ 21,505,562	
Internal service fund allocation for proprietary funds				<u>(3,871,231)</u>	
Change in net assets for Primary government business-type activities				<u>\$ 17,634,331</u>	

The accompanying notes are an integral part of the basic financial statements.

**CITY OF AMARILLO, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities Internal Service Funds</u>
	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Airport</u>	<u>Total</u>	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from third parties	\$ 68,801,986	\$ -	\$ 7,201,753	\$ 76,003,739	\$ -
Cash received from City departments	-	-	-	-	37,166,836
Cash payments to suppliers for goods and services	(25,151,729)	(19,425)	(4,104,148)	(29,275,302)	(10,521,867)
Cash payments to employees	(11,321,429)	(13,130)	(2,447,297)	(13,781,856)	(4,918,559)
Cash payments for claims and loss adjustments	-	-	-	-	(19,806,149)
Net cash provided (used) by operating activities	<u>32,328,828</u>	<u>(32,555)</u>	<u>650,308</u>	<u>32,946,581</u>	<u>1,920,261</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers (to) from other funds	(387,328)	-	-	(387,328)	600,566
Amounts borrowed from or repaid by other funds	577,802	136,000	-	713,802	(29,974)
Amounts repaid or loaned to other funds	-	-	-	-	(259)
Cash payments received for passenger facility charge	-	-	1,639,556	1,639,556	-
Other	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>190,474</u>	<u>136,000</u>	<u>1,639,556</u>	<u>1,966,030</u>	<u>570,333</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(82,224,385)	(102,935)	(3,643,683)	(85,971,003)	(5,123,812)
Capital grants received	4,587,476	-	2,139,643	6,727,119	-
Proceeds from issuance of bonds	38,222,252	-	-	38,222,252	-
Bond issuance cost	(473,755)	-	-	(473,755)	-
Principal paid on bond maturities	(7,210,000)	-	(1,280,000)	(8,490,000)	-
Principal paid on proportionate share of Water Authority debt	(4,386,366)	-	-	(4,386,366)	-
Noncurrent receivable	16,042	-	-	16,042	-
Interest expense	(7,799,662)	-	(588,188)	(8,387,850)	-
Proceeds from insurance	-	-	-	-	13,111
Proceeds from sale of capital assets	18,785	-	65,797	84,582	804,059
Net cash provided (used) by capital and related financing activities	<u>(59,249,613)</u>	<u>(102,935)</u>	<u>(3,306,431)</u>	<u>(62,658,979)</u>	<u>(4,306,642)</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF AMARILLO, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS, CONTINUED
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Business-Type Activities - Enterprise Funds</u>				Governmental Activities Internal Service Funds
	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Airport</u>	<u>Total</u>	
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investment securities	\$ 25,956,459	\$ -	\$ 4,000,000	\$ 29,956,459	\$ 25,625,000
Purchase of investment securities	(31,093,280)	-	(4,004,724)	(35,098,004)	(25,135,037)
Interest and gains on investments	443,961	-	69,481	513,442	298,702
Net cash provided (used) by investing activities	<u>(4,692,860)</u>	<u>-</u>	<u>64,757</u>	<u>(4,628,103)</u>	<u>788,665</u>
Net increase (decrease) in cash and cash equivalents	(31,423,171)	510	(951,810)	(32,374,471)	(1,027,383)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	<u>77,811,342</u>	<u>-</u>	<u>4,111,313</u>	<u>81,922,655</u>	<u>15,719,935</u>
CASH AND CASH EQUIVALENTS, AT END OF YEAR (RESTRICTED AND UNRESTRICTED)	<u>\$ 46,388,171</u>	<u>\$ 510</u>	<u>\$ 3,159,503</u>	<u>\$ 49,548,184</u>	<u>\$ 14,692,552</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 22,428,407	\$ (46,588)	\$ (3,652,476)	\$ 18,729,343	\$ (19,236,236)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	13,110,658	-	4,587,212	17,697,870	5,122,344
(Increase) decrease in accounts receivable	(954,343)	-	530,612	(423,731)	(334,005)
(Increase) decrease in other accrued revenue	100,244	-	(65,325)	34,919	-
(Increase) decrease in prepaid expenses	(939,039)	-	-	(939,039)	(58,135)
(Increase) decrease in inventories	-	-	-	-	(6,345)
Increase (decrease) in vouchers payable	(774,430)	449	(295,183)	(1,069,164)	(878,197)
Increase (decrease) in accounts payable	(1,843,033)	-	(768,684)	(2,611,717)	496,817
Increase (decrease) in accrued operating expenses	1,145,443	13,576	287,679	1,446,698	35,570
Increase (decrease) in customer deposits	98,668	-	11,629	110,297	-
Increase (decrease) in provision for compensated absences	(6,836)	8	13,983	7,155	61,101
Increase (decrease) in net pension obligation	3,893	-	861	4,754	1,730
Increase (decrease) in HBNR accrual	-	-	-	-	(273,056)
Increase (decrease) in other accrued liabilities	(40,804)	-	-	(40,804)	-
Increase (decrease) in estimated claims liabilities	-	-	-	-	16,988,673
Net cash provided (used) by operating activities	<u>\$ 32,328,828</u>	<u>\$ (32,555)</u>	<u>\$ 650,308</u>	<u>\$ 32,946,581</u>	<u>\$ 1,920,261</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Amortization of bond issuance costs	\$ 165,943	\$ -	\$ -	\$ 165,943	\$ -
Decreases (increases) in fair values of investments	14,463	-	(6,179)	8,284	(10,100)
Interest expense capitalized	603,538	-	503,595	1,107,133	-

The accompanying notes are an integral part of the basic financial statements.

CITY OF AMARILLO, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012

	Private- Purpose Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 33,176	\$ 745,550
Accrued interest receivable	8	-
Investments, at fair values	30,000	-
TOTAL ASSETS	\$ 63,184	\$ 745,550
 LIABILITIES		
Due to agencies	-	\$ 745,550
TOTAL LIABILITIES	\$ -	\$ 745,550
 NET ASSETS		
Held for other governments, individuals, entities	\$ 63,184	\$ -
TOTAL NET ASSETS	\$ 63,184	\$ -

The accompanying notes are an integral part of the basic financial statements.

CITY OF AMARILLO, TEXAS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2012

	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Investment earnings	\$ 78
Total additions	<u>78</u>
 DEDUCTIONS	
Supplies	<u>140</u>
Total deductions	<u>140</u>
Change in assets	(62)
NET ASSETS, BEGINNING OF YEAR	<u>63,246</u>
NET ASSETS, END OF YEAR	<u><u>\$ 63,184</u></u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF AMARILLO, TEXAS
STATEMENT OF NET ASSETS - COMPONENT UNITS
SEPTEMBER 30, 2012

	Amarillo Hospital District	Amarillo Economic Development Corporation	Amarillo- Potter Events Venue District	Amarillo Housing Finance Corporation	Tax Increment Investment Zone #1	Amarillo Local Government Corporation	Total
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 3,802,676	\$ 13,592,716	\$ 1,230,651	\$ 127,216	\$ 1,414,997	\$ -	\$ 20,168,256
Investments	203,354,990	8,750,000	750,000	-	-	-	212,854,990
Receivables, net	-	6,136,596	185,528	-	-	-	6,322,124
Inventories and prepaid expenses	5,331,011	-	-	-	-	-	5,331,011
Other current assets	1,289,074	43,414	-	-	293	-	1,332,781
Total current assets	213,777,751	28,522,726	2,166,179	127,216	1,415,290	-	246,009,162
NONCURRENT ASSETS							
Restricted cash and cash equivalents	52,796	4,043,458	763,618	-	1,200,271	-	6,060,143
Restricted investments	-	-	-	-	-	-	-
Receivables, net	-	93,635,823	-	-	-	-	93,635,823
Unamortized bond issuance costs	-	-	93,375	-	-	-	93,375
Other assets	16,944,251	-	-	-	-	-	16,944,251
Land and building held for future incentives	-	9,479,215	-	-	-	-	9,479,215
Capital assets:							
Buildings and improvements, net of depreciation	87,118	12,609,461	13,192,171	-	-	-	25,888,750
Equipment and vehicles, net of depreciation	-	45,740	49,308	-	-	-	95,048
Construction in process	-	2,267,200	-	-	-	-	2,267,200
Total noncurrent assets	17,084,165	122,080,897	14,098,472	-	1,200,271	-	154,463,805
TOTAL ASSETS	\$ 230,861,916	\$ 150,603,623	\$ 16,264,651	\$ 127,216	\$ 2,615,561	\$ -	\$ 400,472,967
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable and accrued expenses	\$ 213,230	\$ 609,518	\$ 256,066	-	\$ -	\$ 3,455	\$ 1,082,269
Current portion of long-term obligations	-	3,870,000	460,000	-	-	-	4,330,000
Estimated liability for incurred losses - current portion	65,000	-	-	-	-	-	65,000
Total current liabilities	278,230	4,479,518	716,066	-	-	3,455	5,477,269
NONCURRENT LIABILITIES							
Liabilities payable from restricted assets - accrued interest	-	542,084	-	-	340	-	542,424
Noncurrent portion of long-term obligations	-	67,579,020	12,071,365	-	-	-	79,650,385
Estimated liabilities							
Compensated absences	-	183,447	-	-	-	-	183,447
Self-insured losses, net of current portion	215,183	-	-	-	-	-	215,183
Total noncurrent liabilities	215,183	68,304,551	12,071,365	-	340	-	80,591,439
TOTAL LIABILITIES	493,413	72,784,069	12,787,431	-	340	3,455	86,068,708
NET ASSETS							
Invested in capital assets, net of related debt	87,118	12,655,202	598,000	-	-	-	13,340,320
Restricted for:							
Debt service	-	142,763	763,618	-	173,300	-	1,079,681
Other purposes	52,795	3,358,611	-	-	1,200,271	-	4,611,677
Unrestricted	230,228,590	61,662,978	2,115,602	127,216	1,241,650	(3,455)	295,372,581
TOTAL NET ASSETS	230,368,503	77,819,554	3,477,220	127,216	2,615,221	(3,455)	314,404,259
TOTAL LIABILITIES AND NET ASSETS	\$ 230,861,916	\$ 150,603,623	\$ 16,264,651	\$ 127,216	\$ 2,615,561	\$ -	\$ 400,472,967

The accompanying notes are an integral part of the basic financial statements.

CITY OF AMARILLO, TEXAS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - COMPONENT UNITS
 YEAR ENDED SEPTEMBER 30, 2012

	Amarillo Hospital District	Amarillo Economic Development Corporation	Amarillo- Potter Events Venue District	Amarillo Housing Finance Corporation	Tax Increment Reinvestment Zone #1	Amarillo Local Government Corporation	Total
REVENUES							
Property taxes, levied for general purposes	\$ 5,944	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,944
Sales taxes	-	16,085,554	-	-	-	-	16,085,554
Gross receipts business taxes	-	-	2,295,432	-	-	-	2,295,432
Grant revenues	-	550,796	-	-	-	-	550,796
Revenue from participating taxing entities	-	-	-	-	494,761	89,030	583,791
Intergovernmental revenues - operating	278,842	-	-	-	-	-	278,842
Charges for services	-	7,271,124	-	-	-	-	7,271,124
Gain on disposal of property	-	506,231	-	-	-	-	506,231
Investment earnings	7,839,586	17,769	3,833	10	3,956	-	7,865,154
Miscellaneous	28,667	592	47,192	338	-	-	76,789
Total revenues	8,153,039	24,432,066	2,346,457	348	498,717	89,030	35,519,657
EXPENSES							
Functions:							
Public health	8,510,747	-	-	-	-	-	8,510,747
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development - industrial	-	15,497,865	-	-	-	-	15,497,865
Economic development - tourism	-	-	3,102,810	-	-	90,985	3,193,795
General government	-	-	-	-	1,270,527	-	1,270,527
Debt service:							
Interest and fiscal charges	-	4,593,432	-	-	-	-	4,593,432
Total expenses	8,510,747	20,091,297	3,102,810	-	1,270,527	90,985	33,066,366
Excess (deficit) of revenues over expenses	(357,708)	4,340,769	(756,353)	348	(771,810)	(1,955)	2,453,291
NET ASSETS, BEGINNING OF YEAR	230,726,211	73,478,785	4,233,573	126,868	3,387,031	(1,500)	311,950,968
NET ASSETS, END OF YEAR	\$ 230,368,503	\$ 77,819,554	\$ 3,477,220	\$ 127,216	\$ 2,615,221	\$ (3,455)	\$ 314,404,259

The accompanying notes are an integral part of the basic financial statements.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Definition and Scope of Reporting Entity

The City of Amarillo (the City) was chartered in 1913, as authorized by a statute enacted by the Texas Legislature that year, as the first city in Texas and fifth city in the United States to adopt the commission form of government. The principal services accounted for as general governmental functions include public safety and health, streets, solid waste, culture and recreation, planning and zoning, a transit system and general administrative service. In addition, the City maintains the water and sewer system and the airport, the operations of which are accounted for as enterprise funds.

The Governmental Accounting Standards Board, in Statement 14, as amended by GASB 39, established standards for defining the financial reporting entity. Under such standards, the following entities, although legally separate from the primary government of the City, have been determined to be component units of the City for financial reporting purposes because of their operational or financial relationships with the City. Consequently, their affairs are discretely presented in the combined financial statements of the City's comprehensive annual financial report (CAFR).

Amarillo Hospital District

The Amarillo Hospital District (the District), the first city hospital district in Texas, was established on March 24, 1959, by an amendment to the Constitution of the State of Texas. Its area is co-extensive with the incorporated limits of the City of Amarillo. The facilities built by the District constitute a regional center, serving the populace of an area that extends far beyond the boundaries of the City and county, across the entire Panhandle of the State of Texas and even surrounding states. Because of economic changes in the healthcare industry, in May 1996 the physical plant of the District was sold to a for-profit hospital entity, Northwest Texas Healthcare System, which, as one of the conditions of the sale, assumed responsibility for medical care of indigent citizens of the District to 2021 in exchange for inflation-adjusted, annual payments in the range of (in 1996 dollars) \$6 million to \$8 million. The inflation adjustment ceased in 2006 and the payment is fixed for the balance of the contract, which will be an additional 10 years unless the provider opts to extend the contract an additional 15 years. The quarterly payment to the provider is currently fixed at \$1,735,385 per quarter or \$6,941,540 annually. Certain public health services, which had been provided by the District, were assumed by the City. The District has no employees, but continues to exist as a governmental entity. Effective October 1, 1996, the City assumed responsibility for serving the District as its fiscal agent for purposes of maintaining its financial records. However, since the sale of the hospital, the District has not had to levy an ad valorem tax. The earnings from the sales proceeds together with the funds on hand at the time of the sale have been sufficient to fund indigent care payments and other expenses of the District.

The District currently collaborates with Northwest Texas Healthcare System to ensure both parties best allocate their resources for the provision of care to the low income and needy residents in their community. As part of this collaboration, Northwest has proposed that the District fund payments to Northwest under the Medicaid upper payment limit program ("Medicaid UPL"). Accordingly, the District suspended the "Indigent Care Agreement," which was part of the sales agreement and replaced it with an almost identical agreement called the "Health Care Services Agreement." With the suspension of the "Indigent Care Agreement," the District was no longer obligated to make indigent care payments. However, the District funded Northwest Texas Hospital's Medicaid program. After year-end, the "Indigent Care Agreement" was amended to extend the suspension through November 8, 2015, with a payment of \$1,360,000 to Medicaid UPL funding. The District has provided \$51.6 million in funding to the Medicaid program versus \$62.5 million in indigent care payments that would have been due under the contract.

The District is considered to be a part of the City's financial reporting entity because its Board of Managers is appointed by the City Commission and, additionally, the City Commission has final authority over any tax levy and the total amount of the annual budget.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Definition and Scope of Reporting Entity (Continued)

Amarillo Economic Development Corporation

The Amarillo Economic Development Corporation (AEDC) is a nonprofit corporation that was formed in 1990 for the purpose of increasing employment opportunities, primarily through assisting qualifying enterprises with funds provided by a portion of the local sales tax. Assistance may be in the form of incentive grants, loans, or leases which call for either discounted rates or rebates based on job development and/or local spending. The City serves as fiscal agent for AEDC's funds as well as its accounting records.

AEDC is considered to be a part of the City's financial reporting entity, because the City Commission appoints its Board of Directors, approves its budgets, and exercises final authority over its operations.

Amarillo-Potter Events Venue District

The Amarillo-Potter Events Venue District (Venue District) was established in January 1998, upon the approval of the voters of the City of Amarillo and Potter County to create a vehicle for financing a livestock arena and expansion of the Civic Center. In December 1998, the District issued \$10 million in bonds to finance the first phase of this construction, consisting of the livestock arena, and in December 2000 the final \$6.75 million of bonds were issued to fund the Civic Center expansion. In November 2005, the District refunded the 2000 bond issue. The 1998 Bonds were refunded in 2009. Debt service is provided by a 2% hotel occupancy tax and a 5% short-term motor vehicle rental tax, which became effective April 1, 1998. Should such tax revenues be insufficient, a rental payment from the City for use of the expanded Civic Center facilities is required. The City's rental obligation is the greater of any \$10 per month or any shortfall in the debt service fund due to insufficient Venue District tax receipts.

The Venue District is considered to be a part of the City's financial reporting entity, because the City's mayor appoints four of the seven members of the Venue District's Board of Directors, and the City has pledged its general revenues to make lease payments should the Venue District's revenues be insufficient to cover the bond obligations as they come due.

Amarillo Housing Finance Corporation

Amarillo Housing Finance Corporation (AHFC) was established to provide funding for home purchases by low- to moderate-income persons and families. Under the current program, mortgage loans are restricted to first-time homebuyers in targeted areas of the City. Beginning in April 1996, it has issued single-family mortgage revenue bonds in the principal amounts of \$15,700,000, and \$10,000,000 in 2003. The bonds are purchased by Freddie Mac, loans are made by local lending institutions, and the funding of the mortgages with the bond proceeds is handled by the trust department of a financial institution. The City serves as fiscal agent for AHFC.

AHFC is considered to be a part of the City's financial reporting entity, because the City Commission appoints its Board of Directors and has discretion over their terms of office as well as the programs and activities of the Corporation. Several City officials serve as officers of AHFC.

Amarillo Local Government Corporation

Amarillo Local Government Corporation (ALGC) is a nonprofit corporation that was formed March 2011 for the purpose of aiding and assisting the City to promote the development of the geographical area of the City.

ALGC is considered to be a part of the City's financial reporting entity, because the City Commission appoints its Board of Directors, approves its budgets, and exercises final authority over its operations.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Definition and Scope of Reporting Entity (Continued)

Tax Increment Reinvestment Zone # 1

The Taxing Increment Reinvestment Zone Number One was created in FY 2007 pursuant to the Texas Tax Increment Financing Act, Tax Code, Chapter 311. The purpose of the zone is to promote the development of or redevelopment of certain contiguous geographic areas in the City.

While the above-named entities are considered part of the City's overall reporting entity, they are discretely presented in a separate column of the City's combined financial statements to emphasize that they are legally separate from the City. Separately issued financial statements may be obtained by contacting the Director of Finance, City of Amarillo, P.O. Box 1971, Amarillo, Texas 79105.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function 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 on the basis of accounting applicable to funds-based financial statements. A separate financial statement is also provided for fiduciary funds, which with respect to the City comprise only cash and investments which are handled by the City in the capacity of an agent. These assets are excluded from the Statement of Net Assets because they do not represent resources of the City.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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.

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. This means that only current assets and current liabilities are generally included on the balance sheets. The reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Revenues are considered to be available when they are collectible

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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, including employee termination payments made by the Compensated Absences Fund, are recorded only when payments are due.

Sales taxes are considered "measurable" when in the hands of the State Comptroller and are recognized as revenue at that time. Other major revenues that are determined to be susceptible to accrual include property taxes, utility franchise taxes, interest, rentals, charges for services and intercity charges. Waste collection fees are recorded as revenue when billed, which is on a cycle billing basis. Intergovernmental grants or revenues based on the "reimbursements of expenditures" concept are recorded as revenues when the related expenditures are made. Other intergovernmental revenues are reflected as revenues at the time of receipt or earlier if the availability criterion is met.

The City reports the following major governmental funds:

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

The *Capital Projects Fund* is a combination of all capital outlay funds, which accounts for construction projects that are financed primarily by general revenues, as well as accounts for the resources set aside to fund the City's capital plans with respect to projects including streets.

All proprietary funds are accounted for on a cost of services or "flow of economic resources" measurement focus. This means that all assets and all liabilities (including capital assets and long-term debt) associated with their activities are included on their balance sheets. Costs of providing goods and services during the period include depreciation on capital assets. All proprietary funds follow generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (GASB). Consequently, their affairs are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The City reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for the provision of water and sewer services to residents and commercial enterprises of the City and proximate area.

The *Drainage Utility Fund* provides for a dedicated funding source for the operations and maintenance of the existing storm-water system.

The *Airport Fund* accounts for the operation of the City's international airport, which provides runway and passenger services as well as leases former U. S. Air Force facilities to commercial tenants.

Additionally, the City reports the following fund types:

Four *internal service funds* account for municipal garage, information services, risk management, and employee health services provided to the other departments of the City on a cost-reimbursement basis.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement.

The *private purpose trust funds* account for activities that are not City programs, but are programs sponsored by individuals, private organizations or other governments. Although the City serves as fiscal

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

agent, the funds received and held under the Centennial Parkway fund, the Indigent Dog Bite Victim fund, the Amarillo Industrial Development Corporation, and the Amarillo Health Facilities Corporation are not available to support the City activities and programs, but are received and held for individuals, private organizations or other governments.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. The Civic Center Operations fund is used to account for assets that the City holds for others in an agency capacity.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative service charges and payments in lieu of taxes between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *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 and investment revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the *Water and Sewer Fund*, the *Drainage Utility Fund* and the *Airport Fund* are charges to customers for sales and services, including tap fees intended to recover the cost of connecting new customers to the water and sewer system. The principal operating revenues of the *internal service funds* are charges to other funds for services and allocations of self-insurance costs. Operating expenses for these funds include the direct costs of personnel, supplies, and similar items needed to render the sales and services, including depreciation on capital assets, as well as administrative expenses. All revenues and expenses not meeting this definition, such as investment earnings and passenger facility charges, are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Estimates Inherent in Financial Statements

Preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimated liabilities related to self-insurance costs and other postemployment benefit costs are material estimates that are particularly susceptible to significant changes in the near term.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

With the exception of certain restricted and special funds, the City pools the resources of the various funds in order to facilitate the management of cash. Records are maintained that reflect each fund's equity in the pooled account.

For financial reporting purposes a portion of the investment portfolio is classified as equivalent to cash. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less, which present an insignificant risk of changes in value because of changes in interest rates.

Debt securities held by the City's various operating and reserve funds are valued at fair value.

Interfund Receivables and Payables

Activities between funds generally represent payment of charges to various departments for services rendered by other departments, reimbursements for allocated shares of expenditures, transfers of the City's unrestricted resources to supplement the inter-governmental grants and similar restricted resources of special revenue funds, and transfers of resources set aside to fund the long-term capital plan. Outstanding balances of these activities are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Other Receivables

Receivables of both governmental and proprietary funds are reported in the government-wide financial statements on the accrual basis of accounting.

In the governmental fund financial statements, receivables are comprised of those amounts that are considered to be both measurable and available as defined under the modified accrual basis of accounting. As a city ordinance prohibits the appropriation of property taxes until collected, the entire amount of such taxes considered measurable and available has been reserved. Taxes receivable other than property taxes are reflected as accounts receivable (gross receipts business taxes) or due from other governments (sales taxes collected and disbursed by the State). Solid waste disposal fees are recorded when billed on a cycle billing basis. Most intergovernmental grants provide for reimbursement of actual costs, and the related revenues are recognized in the fiscal period of the underlying expenditures. Because payments on paving notes and assessments are uncertain and often long deferred, they are reflected as revenues when collected.

Receivables of proprietary funds are recorded when earned. Unbilled water and sewer revenues are estimated and accrued at year-end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventories, Prepaid and Deferred Items

Inventories of supplies are reflected at cost, determined on an average-cost basis. Inventories of motor fuel and oil are maintained by the Municipal Garage (an *internal service fund*), while all other inventories of materials and supplies, including water and sewer pipeline and related stores and automotive parts, are maintained by the General Fund, being recorded under the "consumption method" as inventory acquisition (current assets) at the time the inventory items are purchased, and charged to the various funds and departments of the City on the basis of requisitions.

**CITY OF AMARILLO, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 Year Ended September 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Such items include payments of the housing assistance program which must be disbursed before fiscal year-end in order to be received by the vendors on October 1, but are obligations of the fiscal year beginning on that date.

Deferred revenues reported in the governmental fund financial statements generally represent delinquent taxes in excess of amounts currently available and advance rentals collected by the City's auditorium-coliseum complex.

Provision is made in the Risk Management and Employee Insurance funds (*internal service funds*) for the estimated amounts of liabilities related to incurred claims, including provisions for future settlement payments of both known and unknown loss events.

Restricted Assets

Certain resources of the *Water and Sewer Fund*, the *Drainage Utility Fund* and the *Airport Fund* are set aside for the construction and purchase of capital assets as well as repayment of its revenue bonds under applicable bond covenants. Such resources and the related liabilities payable out of those resources are reported in the financial statements as noncurrent assets and liabilities.

Capital Assets

Capital assets consist of property, plant, equipment, and infrastructure assets (streets, alleys, overpasses, curbs and gutters and drainage systems), as well as the cost of construction projects in process. Items having a value of more than \$2,500 are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their lives are not capitalized.

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets of the proprietary funds are also reported in the applicable financial statements, but capital assets are not included in the governmental fund financial statements.

Capital assets are stated at historical cost or at estimated fair value at date received, if donated, net of applicable depreciation. Material interest costs incurred during capital construction performed by proprietary type funds are capitalized. Interest expense incurred by the governmental funds is not capitalized.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. Depreciation of capital assets used in governmental fund activities is reported only in the government-wide financial statements.

Property, plant, equipment and infrastructure are depreciated or depleted over the estimated useful lives using the straight-line method. The estimated useful lives are generally within the following ranges:

Buildings and improvements	30-40 years	Sewer pipelines	75 years
Streets and related infrastructure	50 years	Runways and related improvements	10-30 years
Traffic signals	30 years	Motor buses	7 years
Landfill improvements	40 years	Automobiles, vans	3-7 years
Water supply contract	85 years	Data processing equipment	5 years
Water rights	20-100 years	Machinery and other equipment	7-30 years
Water pipelines	50 years	Office equipment	5-10 years
		Library books	15 years

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued)

Intangible Assets

Intangible assets consists of right-of-way easements. The right-of-way easements have an indefinite life and, accordingly, are not subject to amortization. Details relating to the City's intangible assets are provided at Note 6.

Compensated Absence

City employees are entitled to paid vacation and sick leave, based on length of service, which accumulate and partially vest. The City's vested obligations under this policy are accrued and are reflected as liabilities in the government-wide and proprietary fund financial statements.

Employees eligible for time-and-a-half overtime can accumulate paid time off in lieu of overtime pay. In addition to amounts for accumulated paid vacation and sick leave, comp time in lieu of overtime is also reflected as a liability in the government-wide and proprietary fund financial statements.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide and proprietary fund financial statements. Bonds payable are reported net of related discounts and issuance costs, which are amortized over the terms of the related debts.

In the fund financial statements, governmental fund types report the proceeds of debt issuances, net of bond issuance costs and discounts, during the current period as other financing sources.

Net Assets and Fund Balances

In the government-wide financial statements, the difference between the City's total assets and total liabilities represents net assets. Net assets displays three components – invested in capital assets, net of related debt; restricted; and unrestricted. Unrestricted net assets represent the net assets available for future operations.

In 2011, the City implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*.

In the governmental funds financial statements, fund balance consists of nonspendable fund balance which includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. Restricted fund balance includes amounts that are restricted to specific purposes. Committed fund balance includes amounts that have been formally set aside and can only be used for specific purposes as pursuant to official action by the City Commission prior to the end of the reporting period. Commitments are made and can be rescinded only via resolution by the City Commission. Assigned fund balance comprises amounts the City intends to use for a specific purpose but is neither restricted nor committed. The formal budget as approved by the City Commission authorizes the City Manager to assign fund balance. Unassigned fund balance represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

When restricted and other fund balance resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned and unassigned amounts, respectively.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

As provided by state law, the City follows these procedures in establishing the annual budgetary data reflected in the financial statements.

At least 30 days prior to the time when the City Commission makes its tax levy for the commencing fiscal year beginning October 1, the City Manager, as budget officer, files a proposed operating budget, including proposed expenditures and the means of financing them. Such budget is available for the inspection of any taxpayer, and public hearings are conducted subsequent to the time of filing. Prior to October 1, the budget is legally enacted through passage of an ordinance. Under the City's budget ordinance, the City Commission has authority to make such changes in the budget as it deems warranted. Additionally, the City Manager is authorized to transfer budgeted amounts among departments and among expenditure codes within any department or fund. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each fund is the fund's total expenditure budget. Accordingly, revisions that increase the total expenditures of a fund must be approved by the City Commission. Except for the employment of encumbrance accounting, budgets are adopted consistent with generally accepted accounting principles. Unencumbered appropriations lapse at year-end.

The annual formal appropriated budget as described above is employed as a management-control device during the year for the General Fund, the debt service funds, and special revenue funds, and those grant funds, which are necessarily budgeted on a contract-period basis differing from the City's fiscal year. Expenditures for the public improvement districts are being controlled by long-term service plans allocated in relation to available, property-owner assessments. The service plan is the approved budget for the individual Public Improvement District. The following funds with legally adopted budgets have a budgetary comparison presented: the General Fund, Debt Service Fund, Compensated Absence Fund and certain non-major special revenue funds. The non-major special revenue funds with legally adopted budgets are as follows: Court Technology, Court Security Fund, Public Health Fund, LEOSE Training Fund, Local Seized Property Fund and the Public Improvement Districts. Budgeted amounts reflected therein are as originally adopted or, if applicable, as last amended by the City Commission.

Grant funds not included in the annual appropriated budget are subject to management control by means of project-length budgets authorized by the City Commission in the grant application processes. Cumulative expenditures through September 30, 2012 were within the limits prescribed by such budgets.

Capital outlay is controlled through formal, job cost accounting, in which available monies are allotted among the planned construction and capital acquisition undertakings, and costs are accumulated subject to such allotments. Unencumbered appropriations do not lapse at year-end for Capital Projects Funds. The City adopts five-year, capital outlay plans to budget such projects.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities.

Deficit Fund Equity

The Emergency Shelter Fund, reported as a non-major governmental fund, has a \$1,597 deficit fund balance. The Colonies Public Improvement District (PID), also reported as a non-major governmental fund, has a \$27,812 deficit fund balance. The Colonies has raised rates significantly for fiscal year 2012/13 to address the increasing costs associated with maintaining the PID. Beginning with the fiscal year ending September 30, 2008, the City adjusted for postemployment health benefits as required by GASB Statement No. 45. This adjustment is \$14,682,580 for 2008, \$15,248,490 in 2009, \$13,463,957 in 2010, \$13,558,656 in 2011 and \$17,615,147 in 2012 resulting in a deficit fund balance of \$66,483,873 in

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Deficit Fund Equity (Continued)

the Employee Insurance Fund. The new Drainage Utility Fund has a \$46,588 deficit fund balance. Revenue to support this enterprise fund will begin being collected on October 1, 2012. The ALGC, a component unit, has deficit net assets of \$3,455, which is expected to be covered by future revenues.

Restatement of Fund Balance and Net Assets

The City's beginning fund balance for Other Governmental Funds has been restated to include the Public Library Bush Collection, the Library Trust, the Flood Hazard Fund, the Centennial Plaza Trust, the Civic Amarillo Fund, the Zoo Trust, the Center City Trust, the Rick Husband Memorial Fund, and the Keep Amarillo Beautiful Fund which were previously reported as fiduciary funds. Each of these funds are used to support the City's programs and, therefore, are now included as special revenue funds. Fund balances at September 30, 2011 were \$16,495,107; an additional \$1,377,338 has been included related to the above special revenue funds to restate the fund balances at September 30, 2011 as \$17,872,445.

Fiduciary funds are excluded from the government-wide statement of net assets and beginning net assets are also being restated to include the above listed funds now considered to be special revenue funds. Net Assets at September 30, 2011 were \$366,139,632; an additional \$1,377,338 has been included to restate net assets at September 30, 2011 as \$367,516,970.

NOTE 3 - DEPOSITS AND INVESTMENTS

All of the City's demand deposit and time accounts are held in a local banking institution under terms of a written depository contract. All of the City's demand and time accounts are insured or registered or held by the City or its agent in the City's name.

Under the Revised Statutes of the State of Texas, all deposits, to the extent not insured by the Federal Deposit Insurance Corporation (FDIC), must be collateralized by securities or insured by a bond. At September 30, 2012, demand deposit and time deposits held by the depository institution, before reduction for checks issued and not presented, were in the total amount of \$41,205,206, of this amount \$14,223,416 is insured by the FDIC, and the balance of the accounts are collateralized by securities in the amount of \$32,027,728. The City has a secondary depository institution with demand deposits of \$762,516. These amounts are collateralized by securities in the amount of \$1,356,653.

Time certificates of deposit with original maturities of more than three months are classified as investments for financial reporting purposes.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the area of investment practices, management reports and establishment of appropriate policies. With the exception of the assets of the deferred compensation plan and pension assets, all investments are administered by City management under terms of an investment policy and strategy that is updated to conform to the Texas Public Funds Investment Act (the Act) as last amended. The preservation of capital is the City's most important investment objective. Other objectives include providing liquidity and maximizing earnings within the constraints of the other objectives. The City is in substantial compliance with the requirements of the Act and with local policies.

Under the City's policies, the maximum dollar weighted-average maturity of the investment portfolio may not exceed one year, and 80% of the portfolio must be in investments with maturities of two years or less. At September 30, 2012, the weighted average maturity of the City's total investment securities was 0.69 years, excluding the securities lending investments.

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The City will only invest in the following types of securities:

- Bank money market funds and other interest-bearing accounts at the City's authorized depository.
- Direct obligations of the United States government.
- Obligations of agencies and instrumentalities of the United States, limited to 75% of the portfolio.
- Highly rated investment pools and no-load money market mutual funds (AAA or AAAM).
- Taxable municipal bonds, limited to 10% of the portfolio.
- Certificates of deposit including CDARS (Certificate of Deposit Accounts Registry Service).
- For bond proceeds only, fully collateralized, flexible, repurchase agreements.

Investments are separately owned by the various funds. Under applicable bond ordinances, funds of the Waterworks and Sewer Revenue bond redemption and reserve accounts may be invested only in U.S. Government or agency obligations or in obligations guaranteed by the U.S. Government or by its agencies. Funds not so invested are to be maintained in the City's depository and secured as provided by law. The City's investment policy also sets forth specific, investment requirements and strategies for its various fund types. The City does not enter into reverse repurchase agreements. All securities are held by the City's agent in the City's name.

The City participates in a securities lending program as a means to augment investment income. Securities are lent to select brokerage firms for which collateral is received that exceeds the fair value of such investments during the period of the loan. Collateral may be cash or securities. Collateral securities cannot be pledged or sold by the City unless the borrower defaults. Securities loans immediately terminate upon notice by either the City or the borrower.

Loans of fixed income securities are initially collateralized at 102 percent of the fair value of the securities lent. All borrowers are required to provide additional collateral by the next business day if the value falls to less than 100 percent of the fair value of the securities lent.

The following represents the balances relating to the securities lending transactions at the financial statement date:

<u>Securities Lent</u>	<u>Fair Value of Underlying Securities</u>	<u>Collateral Received/Securities Collateral Value</u>	<u>Cash Collateral Investment Value</u>
Lent for cash collateral	\$ --	\$ --	\$ --
Lent for securities collateral - fixed income securities	<u>111,537,908</u>	<u>113,861,676</u>	<u>--</u>
	<u>\$ 111,537,908</u>	<u>\$ 113,861,676</u>	<u>\$ --</u>

Cash collateral received from the borrower is invested by the lending agent, as an agent for the City, in a money market mutual fund in the name of the City, with guidelines approved by the City.

At September 30, 2012, the City had no credit risk exposure to borrowers, because the amounts the City owed the borrowers exceeded the amounts the borrowers owed the City. The City is fully indemnified by its custodial bank against any losses incurred as a result of borrower default.

The lending agent provides indemnification if the borrowers fail to return the underlying securities (and if the collateral is inadequate to replace the securities lent) or fail to pay income distributions on them. There were no significant violations of legal or contractual provisions, no borrower or lending agent

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

default losses, and no recoveries of prior-period losses during the year. There are no income distributions owing on the securities lent.

Interest Rate Risk: In accordance with the Investment Policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of the investment portfolio to less than twelve months and requiring that 80% of the portfolio must be in investments with maturities of two years or less. Also as stated in the Investment Policy the City will not borrow funds using investment securities as collateral, will not take a position in a security for speculation and the City uses a buy and hold strategy for most investments.

Credit Risk: The City invests in direct obligations of the United States and obligations of agencies and instrumentalities of the United States. The Policy also allows for the investment in taxable municipal securities rated not less than AA- (or equivalent). The City does not have any commercial paper or taxable municipal security investments at this time. The City does invest in a treasury only and a government agency no-load money market mutual fund that is continuously rated AAA or AAAM (or equivalent).

Concentration of Credit Risk: As stated in the Investment Policy the City will diversify investments when purchasing agency securities or commercial paper to avoid a concentration in one agency or company.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City has tri-party agreements with both depositories and a third-party financial institution (Federal Reserve Bank) that holds pledged collateral in a separate custody account for the benefit of the City. All City deposits are fully collateralized by these pledged securities.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City contracts with an outside financial institution as custodian for all investment transactions and all investment transaction are made on a delivery versus payment method with the outside custodian. The securities are held in the City's name in a separate account. Access to this account is limited to the approved Investment Officers.

A summary of investment securities of the City at September 30, 2012 and the corresponding weighted average maturity is shown in Table 1 below:

	Fair Value			Weighted Average Maturity (Years)
	Unrestricted Assets	Restricted Assets	Total	
Investment Securities				
U.S. Government Sponsored Agencies	\$ 114,209,059	\$ -	\$ 114,209,059	1.07
Municipal Bond securities	1,001,990	-	1,001,990	1.89
Total investment securities	115,211,049	-	115,211,049	1.08
No-load U.S. Treasury -only mutual funds	28,931,739	36,721,999	65,653,738	-
Total investments	144,142,788	36,721,999	180,864,787	0.69
Add: Time deposits with original maturities over three months	21,169,196	-	21,169,196	0.73
Total investments	165,311,984	36,721,999	202,033,983	0.69
Deduct: Cash equivalents	(28,931,739)	(36,721,999)	(65,653,738)	-
Net investments for financial reporting	<u>\$ 136,380,245</u>	<u>\$ -</u>	<u>\$ 136,380,245</u>	1.03

Table 1 – Investment Securities and Corresponding Weighted Average Maturity

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012**

NOTE 4 - TAXES

Property taxes attach as an enforceable lien on property as of January 1, are levied on October 1 of the same year, and unpaid taxes become delinquent after the following January 31.

The City Charter provides for a maximum tax levy of \$1.80 per \$100 of assessed valuation, of which any in excess of \$1.30 is limited to debt service for waterworks bonds, and of which up to \$0.05 is pledged for Airport Maintenance to the extent Airport revenues may not be available.

The combined tax rate of the 2011 tax roll for the 2011/12 fiscal year was \$0.32009 per \$100 of assessed valuation, resulting in a tax levy in the amount of \$32,159,248 on taxable value of \$10,257,946,329.

Property taxes receivable at September 30, 2012 are reflected in Table 2 below:

<u>Year of Levy</u>	
2012	\$ 405,725
2011	205,812
2010	155,987
2009	110,846
2008	74,193
2007	59,079
2006	51,166
2005	41,901
2004	43,513
2003	79,386
2002	37,941
2001	34,058
2000	19,677
Prior	<u>57,018</u>
Total taxes receivable	1,376,302
Less: Allowance for estimated uncollectible portion	<u>889,457</u>
Net taxes receivable	486,845
Less: Provisions for collections deferred over 60 days	<u>409,369</u>
Amount available (reserved in accordance with City ordinances)	<u>\$ 77,476</u>

Table 2 -- Taxes Receivable at September 30, 2012

Beginning July 1, 1996, Potter and Randall Counties assumed responsibility of tax collections for various taxing entities within their borders, including the City of Amarillo. The cost of this service is included in the General Fund. The Potter-Randall Appraisal District performs the appraisal function.

The total City sales tax rate is 2%, which includes a 1/2-cent sales tax collected by the AEDC limited to development purposes.

NOTE 5 - RESTRICTED ASSETS, LIABILITIES AND RESERVES

As required by bond indentures, Capital Projects, the Water Sewer System and the Airport maintain separate accounts for revenue bond debt service/retirement which are reported as noncurrent assets and related liabilities, and restricted net assets, as reflected in Table 3:

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 5 - RESTRICTED ASSETS, LIABILITIES AND RESERVES (CONTINUED)

	<u>Restricted Assets</u>	<u>Related Liabilities</u>	<u>Restricted Net Assets</u>
Capital Projects			
Bond proceed account	\$ 3,671,462	\$ 3,671,462	\$ —
Total bond debt service/retirement	\$ 3,671,462	\$ 3,671,462	\$ —
Water Sewer System			
Bond escrow and proceed accounts	\$ 27,721,217	\$ 27,721,217	\$ —
Revenue bond interest and redemption	3,381,140	—	3,381,140
Revenue bond reserve	1,948,180	—	1,948,180
Total bond debt service/retirement	\$ 33,050,537	\$ 27,721,217	\$ 5,329,320
Airport			
PFC funds	\$ 373,430	\$ —	\$ 373,430
Total bond debt service/retirement	\$ 373,430	\$ —	\$ 373,430

Table 3 – Restricted Funds/Reserved Retained Earnings

The Revenue bond reserve account reflects the amount required in the revenue bond covenants.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 was as follows:

	<u>Balances October 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances September 30, 2012</u>
Capital assets used by governmental activities, at cost				
Capital assets, not being depreciated				
Land	\$ 8,641,254	\$ —	\$ —	\$ 8,641,254
Contributed ROW easments	572,220	2,572,766	—	3,144,986
Capital projects in process	17,261,017	19,897,408	12,617,940	24,540,485
Total capital assets, not being depreciated	26,474,491	22,470,174	12,617,940	36,326,725
Capital assets, being depreciated				
Infrastructure	230,546,473	8,397,391	928,627	238,015,237
Building and other improvements	242,077,879	4,024,631	1,125,419	244,977,091
Equipment and vehicles	81,663,215	5,846,763	4,736,194	82,773,784
Library collections	7,671,423	506,895	389,133	7,789,185
Total capital assets, being depreciated	561,958,990	18,775,680	7,179,373	573,555,297
Less accumulated depreciation for:				
Infrastructure	96,603,387	4,662,818	507,624	100,758,581
Buildings and other improvements	87,769,644	9,412,255	1,118,248	96,063,651
Equipment and vehicles	54,439,278	6,813,823	3,934,434	57,318,667
Library collections	3,095,104	458,247	389,133	3,164,218
Total accumulated depreciation	241,907,413	21,347,143	5,949,439	257,305,117
Total capital assets, being depreciated, net	320,051,577	(2,571,463)	1,229,934	316,250,180
Net capital assets used by governmental activities	346,526,068	19,898,711	13,847,874	352,576,905
Capital assets used by business-type activities, at cost:				
Enterprise funds				
Water and sewer utility plant	612,530,375	91,367,062	8,807,110	695,090,327
Drainage utility assets	—	102,935	—	102,935
Airport assets	152,320,480	4,538,093	1,288,762	155,569,811
Total cost	764,850,855	96,008,090	10,095,872	850,763,073
Less accumulated depreciation for				
Water and sewer utility plant	163,814,038	13,110,658	87,649	176,837,047
Airport assets	68,839,715	4,587,212	854,196	72,572,731
Total accumulated depreciation	232,653,753	17,697,870	941,845	249,409,778
Net capital assets used by business-type activities	532,197,102	78,310,220	9,154,027	601,353,295
Government-wide net capital assets	\$ 878,723,170	\$ 98,208,931	\$ 23,001,901	\$ 953,930,200

Table 4 – Capital Asset Activity

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 6 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General government	\$ 114,687
Staff services	1,323,323
Police protection	563,133
Fire protection	1,034,013
Other public safety and health	935,375
Streets, traffic and engineering	5,973,273
Culture and recreation	5,005,223
Solid waste services	625,330
Transit services	<u>650,442</u>
Total governmental fund departments	16,224,799
Internal service fund depreciation allocable to governmental activities based on predominant usage	<u>5,122,344</u>
Total governmental activities	<u>\$ 21,347,143</u>
Business-type activities	
Water and sewer system	\$ 13,110,658
Airport	<u>4,587,212</u>
Total business-type activities	<u>\$ 17,697,870</u>

Water and Sewer System Capital Assets

The City of Amarillo is one of 11 cities that can receive surface water from a reservoir created by a dam on the Canadian River, which river arises from the headwaters of the Sangre de Cristo mountains in New Mexico and crosses the Panhandle of Texas before merging into the Red River in eastern Oklahoma. The reservoir and related aqueduct system are operated by the Canadian River Water Municipal Water Authority (CRMWA), a subdivision of the State of Texas. The reservoir has experienced a serious decline in available water due to the drought conditions in the Texas Panhandle over the past three years. Currently, the City of Amarillo is not allocating water from this source. The related infrastructure recorded on the City's books for CRMWA assets at September 30, 2012 is \$50.3 million. The related amortized cost of these assets is \$ 19.05 million.

The City owns \$ 56,700,214 of underground water rights in Roberts, Ochiltree, Hutchison, Potter, Randall, Carson, Hartley and Dallam counties with the majority in Roberts and Hutchison counties. Much of the water rights held in Potter, Randall and Carson counties have been developed and are currently being utilized. The City owns undeveloped water rights in Hartley and Dallam counties in the northwestern portion of the Texas Panhandle. Due to the acquisition of the superior Roberts County and Ochiltree County rights and existing water rights in Potter, Randall and Carson counties, the City does not have plans to develop the water rights in Hartley and Dallam counties at this time. The City sold a portion of the Hartley County water rights during fiscal year 2011. Proceeds from this sale were \$7,243,227. Proceeds from the sale are being held in a separate interest-bearing account and are being held for future purchases of water rights. In fiscal year 2011/12, \$991,758 of these funds were used to assist in purchasing water rights, leaving a balance of \$6,251,293 for future purchases. The City purchased \$17,206,287 of additional water rights in fiscal year 2011/12. These rights consisted of 34,609.52 acres of water rights in Ochiltree, Roberts and Lipscomb counties. These water rights were purchased from bond proceeds and amounts being held for purchase from Hartley and Dallam county water right sales.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Water and Sewer System Capital Assets (Continued)

In accordance with financial accounting standards, the City capitalized interest costs applicable to its outstanding water and sewer bonds as construction in progress in its Water and Sewer System Fund, as follows:

Interest expense before capitalization	\$ 7,617,574
Interest expenses capitalized	\$ 603,538

The interest expense not meeting the capitalization criteria represents the \$4,252,077 of CRMWA charges associated with that entity's bonded indebtedness and \$2,761,959 of Water and Sewer Revenue Bond interest not subject to the capitalization requirements. The City prepaid the bond interest payment due October 1, 2012 of \$931,566.

Airport Capital Assets

Airport capital assets include runways, buildings, and related improvements constructed by the Federal government for use as an Air Force Base on land contributed by the City, which was returned to the City in 1967 and 1970 upon closing of the Base. Upon return of such assets to the City, the land was recorded on the books of the Airport at \$1,521,510, its original cost to the City, and improvements were recorded at \$14,356,430, representing construction cost less a provision for depreciation to date returned.

Certain lands and improvements not utilized by the City for airport purposes are leased to various commercial enterprises and to approved economic development program applicants both directly and through the AEDC.

The Airport substantially completed the new terminal facility at fiscal year-end September 30, 2011, while some renovations were still ongoing at year-end. The Airport capitalized \$45,450,327 of construction cost at year-end.

The City capitalized interest costs in the amount of \$503,595 applicable to its outstanding airport bonds as construction in progress in the Airport Fund. Interest and amortization expense before capitalization was \$503,595.

NOTE 7 - LEASES

The City leases digital video red light camera equipment from American Traffic Solutions, Inc. under a cancelable operating lease. Total costs for the lease were \$329,805 for the year ended September 30, 2012.

NOTE 8 - RETIREMENT BENEFITS

The City participates in funding two retirement plans. The Texas Municipal Retirement System is an agent, multiple-employer, public-employee retirement system which is a nontraditional, joint-contributory, hybrid defined benefit plan. The Firemen's Relief and Retirement Plan is a single-employer, contributory defined benefit plan. Substantially all employees of the City are eligible to participate in one of these two plans.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 8 - RETIREMENT BENEFITS (CONTINUED)

The City's total payroll for the fiscal year ended September 30, 2012 was \$88,900,800 and the portion covered by the two plans was as follows:

Texas Municipal Retirement System (TMRS)	\$ 70,516,310
Firemen's Relief and Retirement System (FRRF)	<u>15,723,096</u>
Total covered payroll	<u>\$ 86,239,406</u>

Including current employees, annuitants and terminated employees entitled to future benefits, the City had 3,262 members of TMRS and 426 members of FRRF as of the dates of the latest actuarial evaluations.

In addition to the two retirement plans funded by the City, employees may participate in a deferred compensation plan. Details of the various plans are as follows:

Retirement Plans

Texas Municipal Retirement System (TMRS)

Plan Description

The City provides pension benefits for all of its eligible employees who are not firefighters through a nontraditional, joint-contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent, multiple-employer, public-employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from the TMRS website at www.TMRS.com.

TMRS was created by the State of Texas and is administered in accordance with the Texas Municipal Retirement System Act by six trustees appointed by the Governor of the State of Texas. The City joined the System in 1948 to supplement Social Security. The Plan accounts for its affairs to its members and provides actuarial information on the basis of the calendar year. Each of the municipalities has an annual individual actuarial valuation performed. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>	<u>Changes effective January 1, 2013</u>
Employee Deposit rate	7%	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	10	10	5
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20	60/5, 0/20
Updated Service Credit	100%, Transfers	0%	100%
Annuity Increase (to retirees)	0% of CPI	0% of CPI	0% of CPI

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. Upon joining the Plan, the City granted its employees monetary credits of a theoretical amount equal to two times what would have been contributed by the employee,

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 8 - RETIREMENT BENEFITS (CONTINUED)

Texas Municipal Retirement System (TMRS) (Continued)

with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (currently 200% for City of Amarillo employees) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit. The updated service credit is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest, if the current employee contribution rate and the City's matching percent had always been in existence, and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity. In conjunction with the 2010-11 budget process, the City dropped the repeating Cost of Living Adjustment (COLA) and repeating Updated Service Credit (USC) benefits. However, the City approved the repeating Updated Service Credit during the 2012/13 budget process and added five-year vesting. Both of these benefits will be effective January 1, 2013.

Members can retire at age 60 and above with 10 or more years of service or at any age with 20 years or more of service. The plan also provides death and disability benefits. A member is vested after 10 years, but he must leave his accumulated contributions in the plan. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Effective January 1, 2013, members can retire at age 60 and above with five or more years of service or at any age with 20 years or more of service and a member will be vested after five years of service.

Contributions

The contribution rate for the employees is 7%, while the City's matching percent is currently 2 to 1, both as adopted by the City Commission.

Under the state law governing TMRS, the City's contribution rate is annually determined by the System's actuary using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost-contribution rate and the prior-service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually. The prior-service, contribution rate amortizes the unfunded actuarial liability over the applicable period for the City of the plan's amortization period (23.2 years for the City as of the 12/31/2011 actuarial study).

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 are as follows:

Annual Required Contribution (ARC)	\$ 9,846,106
Interest on Net Pension Obligation	536,901
Adjustment to the ARC	<u>(461,521)</u>
Annual Pension Cost (APC)	9,921,486
Contributions Made	<u>(9,887,329)</u>
Increase in net pension obligation	34,157
Net Pension Obligation at 09/30/2011	<u>5,272,187</u>
Net Pension Obligation at 09/30/2012	<u>\$ 5,306,344</u>

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 8 - RETIREMENT BENEFITS (CONTINUED)

Retirement Plans (Continued)

The City's total payroll in fiscal year 2012, exclusive of firefighters, was \$72,744,009 and the City's contributions were based on a covered payroll of \$70,516,310. Both the City and the covered employees make contributions monthly. The City's contribution was \$9,887,329. The employees' contributions of 7% of payroll were \$4,936,214.

Funding Status and Future Changes in Actuarial and Amortization Methods

The financing objective of each TMRS plan is to provide retirement, death, and disability benefits for a city's employees financed by a contribution rate which will remain approximately level as a percent of the city's payroll from year to year. To test how well the financing objective is being achieved, annual actuarial valuations are made, which valuations adjust each city's contributions for differences in the past year between the actuarial assumptions and the actual experience.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contributions Made	Percentage of APC Contributed	Net Pension Obligation
9/30/12	\$ 9,921,486	\$ 9,887,329	99.7%	\$ 5,306,344
9/30/11	9,250,388	10,585,466	114.4%	5,272,187
9/30/10	15,488,174	11,641,233	75.2%	6,607,265

The required contribution rates for fiscal year ending September 30, 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation Date	12/31/2009	12/31/2010 - Prior to Restructuring	12/31/2010 - Restructured	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28.1 years; closed period	25.9 years; closed period	24.5 years; closed period	23.2 years; closed period
Amortization Period for New Gains/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market

Actuarial Assumptions:

Investment Rate of Return	7.50%	7.50%	7.00%	7.00%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.00%	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	0.00%	0.00%	0.00%

**CITY OF AMARILLO, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 Year Ended September 30, 2012**

NOTE 8 - RETIREMENT BENEFITS (CONTINUED)

Retirement Plans (Continued)

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

Firemen's Relief and Retirement Fund

Plan Description

The City of Amarillo contributes to the Amarillo Firemen's Relief and Retirement Fund (FRRF), which is a single-employer, contributory defined benefit plan maintained for members of the City of Amarillo Fire Department. The benefit and contribution provisions of this plan are established under the authority of the Texas Local Fire Fighters Retirement Act (TLFFRA). The Board of Trustees of the Fund consists of three firefighters and two citizens elected by the members, together with the Mayor or the Mayor's designated representative and the Director of Finance of the City. Within parameters established by TLFFRA, the plan may be amended upon approval by the Board and a vote of the membership.

All persons who are under 36 years of age upon entering service as a firefighter must become members of the plan. The plan generally provides for a lifetime pension expressed as a percentage of average pay, available at age 50 after 20 years of participation. Early retirement and deferred retirement options are also available. The actuarial valuation at January 1, 2012 incorporated all changes in plan benefits effective through that date. The standard retirement benefit is 3.45% of average monthly salary multiplied by years of service, payable in the form of a joint and 2/3-spouse annuity, but various other forms of annuities may be selected. Disability benefits are also paid, the amount of which varies depending upon age, years of service and whether the disability is duty-related. Dependent children may also receive death benefits. A firefighter may elect to receive the return of his/her own contributions upon termination of employment.

The tabulation below summarizes membership of the fund at January 1, 2012, the effective date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	183
Current employees:	
Actives below assumed retirement age	229
Actives at or above assumed retirement age	14
Total	426

Funding Policy and Contribution

Contributions are made to the FRRF by each member and by the City. While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by a qualified actuary. The actuary certifies that the contribution commitments of the firefighters and the City provide an adequate financing arrangement. The entry age actuarial cost method is used to determine the plan's normal cost as a percentage of payroll. This method does not identify or separately amortize unfunded actuarial liabilities. The excess of the total contribution rate over the normal cost rate is used to amortize the plan's unfunded actuarial accrued liability, if any.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 8 - RETIREMENT BENEFITS (CONTINUED)

Firemen's Relief and Retirement Fund (Continued)

The firefighters' total payroll in fiscal year 2012 was \$16,156,791 and the City's contributions were based on a covered payroll of \$15,723,096. The firefighters made required contributions of \$1,733,976, \$1,761,713, and \$1,643,416 for the fiscal years ending 2012, 2011, and 2010, respectively.

Funding Status

The most recent actuarial valuation was performed as of January 1, 2012. Valuations are performed biennially. The actuarial accrued liability is developed by subtracting the present value of future normal costs from the present value of total future benefits. Amounts are discounted for interest and for the probability that they will ultimately be paid. Probabilities taken into account include death, disability and termination. The unfunded actuarial liability represents the difference between (a) the present value of future benefits and (b) the sum of the present value of future normal costs and fund assets.

The actuarial method and assumptions used in the actuarial valuation of the plan are the same as those used to develop the actuarial present value under GASB Statement No. 25, 27 and 50. The actuarial cost method used in the valuation is the entry age normal actuarial cost method.

Actuarial assumptions used in determining the accrued pension liability included the contribution rates of 17.83% by the City and 11% by employees, a 3.25% rate of inflation, compensation increases for individual members of 5.5% per year, compounded annually, increases in total payroll of 5.5%, compounded annually, retirement age of active firefighters of 54 and 20 years of service, and starting age for benefits of terminated members to average age 50. The assumed rate of return on the actuarial value of assets was 8.25%, compounded annually, based on a study of the historical yield of the trust fund, as well as an estimate of future rates of return, given the nature and mix of current and expected plan investments. Neither the plan nor the actuarial valuation includes a cost of living increase.

The amortization of the unfunded actuarial accrued liability was determined as a level percentage of projected payroll. As of January 1, 2012 the amortization period of the unfunded actuarial accrued liability is 102.1 years. The amortization period is an open amortization period. Guidelines published by the Texas State Pension Review Board specify that the amortization period should never exceed 40 years, with a 25 to 30-year period being preferable. The amortization period as of January 1, 2012 of 102.1 years is greater than the Pension Review Board Guidelines. During October 2012 the firefighters voted in a 2% employee contribution increase from 11% to 13% to address the increased amortization period. The estimated amortization period after the increase is 50.2 years. The annual pension cost, unfunded actuarial liability, and net pension obligation which are calculated under a 30-year amortization period are as follows:

Annual Required Contribution (ARC)	\$ 3,393,145
Interest on Net Pension Obligation	(25,961)
Adjustment to the ARC	<u>16,088</u>
Annual Pension Cost (APC)	3,383,272
Contributions Made	<u>(2,810,617)</u>
Change in net pension obligation	572,655
Net Pension Obligation at 9/30/2011	<u>(314,684)</u>
Net Pension Obligation at 9/30/2012	<u>\$ 257,971</u>

The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the fair value of assets over a five-year period. At January 1, 2012, the actuarial value of plan assets was \$120,396,531 and the fair market value was \$115,866,425.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 8 - RETIREMENT BENEFITS (CONTINUED)

Firemen's Relief and Retirement Fund (Continued)

The investment return assumption and the projected salary increase use the same assumptions with respect to inflation.

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Actual</u> <u>Contributions Made</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
09/30/2012	\$ 3,383,272	\$ 2,810,617	83.1%	\$ 257,971
09/30/2011	2,957,348	2,855,574	96.6%	(314,684)
09/30/2010	2,589,313	2,601,843	100.5%	(416,458)

Summary Unfunded Actuarial Accrued Liability – All Plans

The City's unfunded obligation for both the TMRS and FRRF plans is summarized in Table 5 below:

	<u>TMRS</u> <u>12/31/2011</u>	<u>FRRF</u> <u>1/1/2012</u>	<u>Totals</u>
Actuarial accrued liability	\$ 330,594,097	\$ 153,978,252	\$ 484,572,349
Net assets available for benefits asset valuation based on cost or adjustment cost	(310,626,860)	-	(310,626,860)
Net asset available for benefits asset valuation based on smoothed market	-	(120,396,531)	(120,396,531)
Unfunded (overfunded) actuarial accrued liability	<u>\$ 19,967,237</u>	<u>\$ 33,581,721</u>	<u>\$ 53,548,958</u>

	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value</u> <u>of Assets</u> <u>(a)</u>	<u>Actuarial Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>[(b-a)/c]</u>
TMRS	12/31/11	\$310,626,860	\$ 330,594,097	\$ 19,967,237	94.0%	\$ 68,569,807	29.1%
FRRF	01/01/12	120,396,531	153,978,252	33,581,721	78.2%	15,058,726	223.0%

Table 5 – Unfunded (Overfunded) Actuarial Accrued Liability

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Trend Information

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable. This information, presented in accordance with the standards of GASB Statement No. 25 and 27 as amended by GASB Statement No. 50, may be found in the Required Supplementary Information section of this report on page 103 (TMRS plan) and page 104 (FRRF plan).

Additional Information

All administrative costs of the TMRS plan are borne by that system. City management does not participate in investment decisions, and there are no related party transactions. 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

**CITY OF AMARILLO, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 Year Ended September 30, 2012**

NOTE 8 - RETIREMENT BENEFITS (CONTINUED)

Additional Information (Continued)

obtained by writing to TMRS, P.O. Box 149513, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS/ website at www.TMRS.com.

Salaries for City personnel who help administer the Amarillo Firemen's Relief and Retirement Fund (AFRRF) are borne by the City's General Fund. The Fund incurs the costs of the annual actuarial and audit fees. The Fund has not held securities issued by the City. The Fund issues an audited stand-alone annual financial report. This report, and further details concerning the plan, is available by contacting the Board of Trustees, Firemen's Relief and Retirement Fund, City of Amarillo, P.O. Box 1971, Amarillo, Texas 79105.

Deferred Compensation Plan

In addition to the TMRS and FRRF plans, the City offers its full-time employees a choice of deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. The plans, available to all City employees, permit them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination of employment, retirement, death or unforeseeable emergency. The employee liability for the related Federal income taxes is deferred until the funds are paid to the participating employee or beneficiary under the terms of the agreement.

The laws governing deferred compensation plans require plan assets to be held by a trust for the exclusive benefit of plan participants and their beneficiaries. Because the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

NOTE 9 - POSTEMPLOYMENT BENEFITS

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year beginning after December 15, 2006. The City does provide postemployment health benefits to retirees within a single-employer plan. In addition, the City currently pays on a pay-as-you-go basis. In prior years, each respective fund has liquidated their respective liability on a pay-as-you-go basis.

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirement of GASB Statement No. 45 during the year ended September 30, 2009, the City recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior year will be phased in over 30 years, commencing with the 2008 liability.

Annual Other Postemployment Benefit Cost (OPEB)

For the fiscal year ended September 30, 2012, the City's annual OPEB cost (expense) is \$21,982,334. Considering the annual expense less pay-as-you-go cost of \$4,367,187 for retirees, the result was an increase in the net OPEB obligation of \$17,615,147 for the year ended September 30, 2012.

Benefit Obligation and Normal Cost

Actuarial present value of benefits	<u>\$ 407,711,186</u>
Unfunded actuarial accrued liability	
Actuarial accrued liability	\$ 267,069,036
Actuarial value of assets	---
Unfunded actuarial accrued liability	<u>\$ 267,069,036</u>
Present value of future normal costs	<u>\$ 140,642,150</u>

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 9 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual Other Postemployment Benefit Cost (OPEB) (Continued)

Annual required contribution	
Normal cost	\$ 10,995,493
Amortization of UAAL	11,120,824
Interest on above amounts to end of year	<u>884,653</u>
Annual required contribution	<u>\$ 23,000,970</u>

Net OPEB Obligation

Annual required contribution	\$ 21,980,372
Interest on net OPEB obligation	2,278,147
Adjustment to annual required contribution	<u>(2,276,185)</u>
Annual OPEB cost	\$ 21,982,334
Employer contributions with interest	<u>(4,367,187)</u>
Increase in net OPEB obligation	17,615,147
Net OPEB obligation, beginning of year	<u>56,953,683</u>
Net OPEB obligation, end of year	<u>\$ 74,568,830</u>

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/12	\$ 21,982,334	\$ 4,367,187	20%	\$ 74,568,830
9/30/11	17,366,128	3,807,472	22%	56,953,683
9/30/10	16,622,608	3,158,651	19%	43,395,027

Funding Status

The current unfunded actuarial accrued liability equals the actuarial accrued liability as the City currently does not fund the plan in excess of the pay-as-you-go amount. Actuarial values of the program involve estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/1/12	\$ -	\$ 267,069,036	\$ 267,069,036	0.0%	\$ 94,400,488	282.9%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 9 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The unfunded actuarial accrued liability is being amortized over 30 years. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City hired an actuary to estimate the liability of the City's current retiree health program. The date of this study was October 1, 2011. The actuarial liability was based on a 4.0% discount rate, pay-as-you-go-funding. Projected Unit Credit level percent of pay actuarial cost method, 30-year closed amortization of the UAAL, increasing at 3.00% per year (payroll growth rate). The healthcare cost trend rates are assumed to decrease in future years ranging from a high of 9.00% for 2013 to 5.00% beginning 2021. The actuarial liability for the retiree health program for both active and retired members is \$267,069,036. The annual required contribution to fund this actuarial liability is \$23,000,970.

Financial Statements

The Plan does not publish separate financial statements. Further information regarding the Plan may be obtained from the Finance Director, City of Amarillo.

NOTE 10 - COMMITMENTS

The City has several ongoing commitments. One of the more significant commitments is the City's commitment to the Canadian River Municipal Water Authority (CRMWA). The City is obligated to pay its pro rata share of operating costs of the Canadian River Municipal Dam and Aqueduct System along with the City's portion of the CRMWA debt. These costs are included in the Water and Sewer system. In the event of the acquisition and financing of additional water rights, the City would be responsible for contract payments to CRMWA for its proportionate share of the debt service on the bonds issued.

Due to the increasing decline of Lake Meredith, CRMWA began acquiring additional water rights in Gray, Hutchinson, Roberts, and Wheeler Counties beginning in 2004. In the process of acquiring water rights, CRMWA is now one of the largest water rights owners in Texas.

The City leases facilities adjoining to the City's Civic Center from the Amarillo-Potter Events Venue District (the Venue District). Under the terms of the lease the City is obligated to pay the greater of \$10 per month or any shortfall in the District's required monthly deposit to the debt service account. The City has not had to pay more than \$120 in lease payments since the inception of the District in 1998.

Moreover, the Venue District's tax revenues currently can cover debt service payments approximately two times. Therefore, the City does not anticipate paying more than \$120 in lease payments in 2012-13. However, the City has appropriated \$1,110,841 of its available Fund Balance in the City's 2012-13 budget for its potential commitment to the Venue District although City Management does not believe that any payment beyond \$120 will be necessary.

Most of the City's commitments are in capital projects. Many of these projects take more than a year to design, bid, and construct; therefore, the appropriation and commitment do not end at year-end. At September 30, 2012, the City had commitments with respect to completion of various capital projects, as

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 10 - COMMITMENTS (CONTINUED)

reflected in Table 6. For this purpose, commitments are defined as the difference between the appropriation for the project and amounts paid or recognized as liabilities at year-end; additional funding from outside sources are shown as a reduction to the amounts reported as committed. Sufficient resources were either on hand in the City's accounts or authorized and available to complete all committed projects.

	Project Authorizations	Expected Outside Funding Sources	Outside Funding Received	Complete at September 30, 2012	City's Remaining Committed
Governmental activities					
Street improvements	\$ 5,068,750	\$ 2,769,886	\$ 200,000	\$ 2,390,057	\$ 108,807
General construction	50,745,143	44,027,705	22,089,160	16,372,901	12,433,697
Solid Waste improvements	13,130,574			3,458,799	9,671,775
Golf course improvement	75,200			44,905	30,295
Civic Center improvements	2,935,880	112,528	7,630	1,098,217	1,732,765
Total - governmental fund activities	<u>71,955,547</u>	<u>46,910,119</u>	<u>22,296,790</u>	<u>23,364,879</u>	<u>23,977,339</u>
Internal service fund projects					
Information services	2,563,730	162,723	162,723	1,136,948	1,426,782
Municipal garage	523,590			460,708	62,882
Total - all governmental-type activities	<u>75,042,867</u>	<u>47,072,842</u>	<u>22,459,513</u>	<u>24,962,535</u>	<u>25,467,003</u>
Business-type activities					
Water and sewer system improvements	75,674,222	4,271,472	1,388,784	36,349,477	36,442,057
Airport	58,647,035	27,371,778	24,218,834	53,440,338	2,053,753
Total - all business-type activities	<u>134,321,257</u>	<u>31,643,250</u>	<u>25,607,618</u>	<u>89,789,815</u>	<u>38,495,810</u>
Total - all city project	<u>\$ 209,364,124</u>	<u>\$ 78,716,092</u>	<u>\$ 48,067,131</u>	<u>\$ 114,752,350</u>	<u>\$ 63,962,813</u>

Table 6 - Unfinished Construction Projects

Funding assistance is being requested in connection with the development of a new well field located in Potter County northeast of the City. The total estimated cost of this project is \$92 million. During April 2009 the City issued \$38,885,000 in the form of Combination Tax and Revenue Certificates of Obligation through the Texas Water Development Board's Water Infrastructure Fund Loan program at a favorable interest rate of two percentage points below market or 2.10%. The additional \$47.4 million needed for the project was also funded through the Texas Water Development Board's Water Infrastructure Fund Loan program at even better rates. The City issued \$47.4 million in the form of Combination Tax and Revenue Certificates of Obligations 2009B at 1.97%. Also in November 2009, the City received funding from the Texas Water Development Board as part of the America Recovery and Reinvestment Act (ARRA) for funding improvements to the City's Water Treatment Plant. The City has issued the 2009C Combination Tax and Revenue Certificates of Obligation in the amount of \$18,075,000 at 0% interest. These bonds are being issued in multiple settlements as the City continues the project. As of September 30, 2012, \$17,015,000 of this amount has been received and is recorded as a bond payable.

The City has established funding and commitments for a new Airport Terminal Building. A portion of the project is included in the above amounts in the Airport Fund. The total cost of the project is expected to be approximately \$52.4 million. Funding for the project will be derived from \$17.2 million in bond proceeds and re-offering premium from the 2009A Combination Tax Revenue Certificates of Obligations, \$21.1 million in FAA entitlement grants, \$3.4 million in a grant from Transportation Security Administration (TSA), and \$10.7 million from airport reserves. After the construction is complete, repayment of the outstanding bond debt will be paid from the continuing passenger facilities charges as well as a portion of future AIP entitlement grants.

The City currently has six Public Improvement Districts (PIDs). Five of the six PIDs are located in residential areas of the City and the last PID is located in a business park. These PIDs were established to provide and maintain enhanced amenities beyond what the City would normally approve in a standard development. Most of these amenities take the form of linear parks with walkways, additional land-

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 10 - COMMITMENTS (CONTINUED)

scaping, special features such as bridges and clock towers and special lighting. Since the residents adjacent to these amenities benefit more than the general public, the residents adjacent to the enhanced areas pay special assessments each year for these enhanced amenities.

The PIDs are responsible for the maintenance and ongoing upkeep of these enhanced facilities along with the original cost of the improvements. The City has issued Certificates of Obligations to pay for improvements at the Greenways Public Improvement District. The first issue was for \$600,000 in 2001; the second issue was for \$620,000 in 2003, and a third issue was for \$600,000 in 2008. The special assessments paid by the residents are used to pay for the maintenance and upkeep of the special amenities and to service the debt on the Certificates of Obligation. At the end of fiscal year 2012, there was approximately \$531,000 due the developer of the Greenways for unreimbursed improvements.

The City is obligated to issue additional debt and pay the developer when there are sufficient property owners to support the debt service payments. All of the enhanced amenities at the Greenways were originally estimated to be approximately \$2.5 million and estimated expenditures for the 2013 fiscal year are \$149,500.

The Colonies Public Improvement District also has unreimbursed costs to the developer for enhanced amenities. The City issued Certificates of Obligations to reimburse the developer for these enhancements. The bonds were issued during 2006 in the amount of \$585,000 and \$1,500,000 during 2008. The special assessments paid by the residents will be used to pay the debt service associated with this issue. Through September 30, 2012 there was approximately \$1,365,000 in unreimbursed cost to the developer. The City is obligated to issue debt when there are sufficient property owners to support the debt to pay the developer along with the ongoing maintenance and upkeep of the amenities. All of the enhanced amenities at the Colonies were originally estimated to be approximately \$4.6 million and estimated expenditures for the 2013 fiscal year are approximately \$1 million. The other PIDs are fully developed and there is not an amount to be paid to the developer.

The City has committed \$276,298 in the 2012/13 Budget to Downtown Amarillo Inc. (DAI) and \$135,000 to Center City for downtown redevelopment. Both work closely with the City, citizens and the downtown developer to promote and improve the downtown area.

The City previously entered into a development agreement, which was assigned to the Amarillo Local Government Corporation (the Corporation) in 2011. The Corporation's charge is to work with the developer on three downtown initiatives: a convention hotel, a parking garage and a multi-purpose event venue that will also serve as a minor league ball park. The City will own all of the facilities. The City anticipates that they will need to issue approximately \$39.9 million in hotel tax revenue bonds in 2013 to finance the parking garage and multi-purpose event venue. This issuance may be split into two pieces based on the construction sequence of the projects as they are developed. The City budgeted capital funds for relocation of utilities in the 2011/12. At year-end this project was in process.

Unfortunately, the hotel tax revenue is already allocated. Currently, 3.5% of the 7% hotel tax revenues are used to offset the operating loss at the Civic Center Complex, which includes the Globe News Center. Also, about 3% of the hotel tax is allocated to the Chamber of Commerce's Convention and Visitor's Counsel to promote tourism and conventions in the City. The half percent is used to subsidize events at the Civic Center Complex. Generally, the 3.5% for the Civic Center Complex is more than enough to offset the loss and the balance is transferred to the Civic Center Improvement fund for future capital needs. Likewise, the City generally does not use all the funds allocated to subsidize events at the Civic Center Complex and those excess funds are also transferred to the Civic Center Improvement fund. All three of the projects will be outsourced in a lease agreement with the developer, and the developer will be responsible for the maintenance and operation of the facilities at no cost to the City.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 10 - COMMITMENTS (CONTINUED)

To free up additional hotel tax revenues, the City increased Civic Center Complex rents by 20% in the 2011/12 fiscal year and intends to increase rents another 20% in the 2012/13 budget. The City has also added a 10% add-on fee to ticketed events at the Civic Center Complex. Since most events were under contract in 2012/13, the City will not see the full impact of this increase until 2013. Once the parking garage is built, the City anticipates about \$150,000 annually in special events parking and a lease from the hotel of \$360,000 annually for parking spaces. The Venue District has also approved a \$100,000 increase in the operating agreement for their portion of the Civic Center, which will also free up additional hotel tax.

For the Civic Center, the net result of issuing the hotel tax revenue bonds will be fewer funds for future capital. However, the Chamber's Convention and Tourism allocation was used mainly for operating the program. The Chamber has retained significant unspent hotel revenues and will use those funds to offset their reduction in future hotel tax revenue. The hotel taxes will ultimately have to grow to make up for the short fall to the Chamber. Fortunately, 2011/12 was the City's best year yet for hotel tax.

NOTE 11 - LONG-TERM OBLIGATIONS

Tax Supported Debt

On February 3, 2011 the City issued the 2011A and 2011B Certificates of Obligation series. The 2011A series was issued in the amount of \$3,750,000 to fund the reconstruction of one of the City's municipal golf courses. The debt service for this issue will be funded by revenue generated from the City golf courses. These bonds were issued at 4.91%. The maturities range thru 2037 with annual principal payments from \$85,000 to \$245,000. The 2011B series was issued in the amount of \$2,210,000 to fund streetscape improvements in the City's downtown central business district. The streetscape project is part of our "Downtown Strategic Action Plan" for our Tax Increment Reinvestment Zone (TIRZ) #1. Accordingly, the debt service for this issue will be funded by the TIRZ #1 revenue. These bonds were issued at 4.93%. The maturities range thru 2032 with annual principal payments from \$70,000 to \$170,000.

On April 15, 2010 the City issued \$1,392,000 Recovery Zone Build America Bonds, Series 2010. These bonds were issued at 5.81% with a 45% interest subsidy from the United States Treasury. The maturities range thru 2030 with an average interest coupon of 3.196% (net of the subsidy). The proceeds are to fund the City's portion of the construction of a bridge at Grand and 3rd Street, as well as street and drainage improvements. The annual principal maturities range from \$59,000 to \$88,000.

On September 3, 2009 the City issued the Series 2009 General Obligation Refunding Bonds in the amount of \$4,825,000. These bonds refunded the 2001 General Obligation Bonds, with the exception of the August 15, 2010 principal payment of \$285,000, which was paid by the City. The refunding met the requirements of an in-substance defeasance and the applicable bonds were removed from the City's books of account. The refunding was undertaken to reduce total debt service payments over the next 13 years by approximately \$287,000, and resulted in an economic gain of approximately \$231,000. Interest on the 2009 bonds is payable in semi-annual installments at rates ranging from 2.00% to 5.00%, and the serial bonds mature annually to August 15, 2022 in amounts ranging from \$345,000 to \$485,000. The City has reserved the right to redeem the bonds with maturities on or after August 15, 2019 on August 15, 2018 or any date thereafter.

The City issued \$24,575,000 Combination Tax and Revenue Certificates of Obligation bonds dated September 25, 2007. The issuance of these bonds has greatly helped the City to respond to the substantial growth pressures existing in Fire, Police, Public Health, Street, and the Parks and Recreation Departments

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

Tax Supported Debt (Continued)

to meet public facility and infrastructure needs. Interest is payable in semi-annual installments which began November 15, 2008, at rates ranging from 4.00% to 5.25%, and the serial bonds mature annually to May 15, 2027 in amounts ranging from \$1,020,000 to \$2,000,000. The City has reserved the right to redeem the bonds with maturities on or after May 15, 2018 on May 15, 2017 or any date thereafter. The bonds are insured by the MBIA Insurance Corporation.

On Feb. 18, 2009, MBIA Inc. announced a restructuring plan that created new, separate legal entities within the MBIA group. In this transaction, National Finance Guarantee Corporation (National), formerly known as MBIA Insurance Corporation of Illinois, became a sister company of other MBIA entities that maintain non-U.S. public finance risks. National became the U.S. public finance insurer within the MBIA group, and it assumed the U.S. public finance book of business that was previously part of MBIA on a reinsurance-cut-through basis. MBIA's other legal entities retained the global structured finance and international infrastructure business. This restructuring had the goal of separating the more volatile structured finance book of business from the lower-risk/lower-volatility U.S. public finance book. On December 19, 2011, Moody's Investor Service downgraded the financial strength of National to Baa2 from Baa1. This rating action has no effect on the City's underlying rating, nor did it affect the original terms of the bonds. The City's General Obligation debt enjoys AAA by Standard and Poor's and Aa1 by Moody's.

Special Assessment Debt

On December 20, 2001, the City issued \$600,000 of Combination Tax and Revenue Certificates of Obligation for the purpose of financing the construction of park facilities in the Greenways Public Improvement District of the City. Debt service is to be funded out of special assessments on properties within the District. Under the terms of Certificates of Obligation, if the City did not levy the special assessment or if the revenue from the special assessments was not sufficient to pay the debt service on the Certificates of Obligations, the City would be obligated to levy a tax to make the debt service payments. Interest is payable in semi-annual installments at 4.45%, and the certificates are subject to mandatory redemption in annual amounts ranging from \$45,000 to \$55,000. Final maturity is August 15, 2016, and the City has reserved the right to redeem the remaining outstanding certificates on or after August 15, 2010.

On November 26, 2003, the City issued \$620,000 of Combination Tax and Revenue Certificates of Obligation for the purpose of financing the construction of additional park facilities in the Greenways Public Improvement District of the City. Debt service is to be funded out of special assessments on properties within the District. Interest is payable in semi-annual installments at 3.70%, and the certificates are subject to mandatory redemption in annual amounts ranging from \$30,000 to \$45,000. Final maturity is August 15, 2023.

On May 24, 2006, the City issued \$585,000 of Combination Tax and Revenue Certificates of Obligation for the purpose of financing enhancements of the park facilities in the Colonies Public Improvement District. Debt Service is to be funded out of special assessments on properties within the District. Principal and interest are payable monthly at a rate of 4.75%, and the certificates are subject to mandatory redemption in annual amounts ranging from \$18,920 to \$43,909. The final maturity is February 15, 2026.

On July 17, 2008, the City issued \$600,000 (2008A) and \$1,500,000 (2008B) of Combination Tax and Revenue Certificates of Obligation for the purpose of financing enhancements of the park facilities in the Greenways Public Improvement District and the Colonies Public Improvement District, respectively. Debt Service is to be funded out of special assessments on properties within each District. For the 2008A

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

Special Assessment Debt (Continued)

issue principal and interest are payable monthly at a rate of 4.28%, and the certificates are subject to mandatory redemption in annual amounts ranging from \$25,000 to \$45,000. The final maturity is February 15, 2028. For the 2008B issue principal and interest are payable monthly at a rate of 4.08%, and the certificates are subject to mandatory redemption in annual amounts ranging from \$60,000 to \$110,000. The final maturity is February 15, 2028.

Summary of changes in the governmental activities debt for the year ended September 30, 2012 is as follows:

	Tax Supported Debt	Special Assessment Debt and Other Revenue Sources	Total Government Activities Debt
Principal balances outstanding, October 1, 2011	\$ 28,418,000	\$ 9,008,918	\$ 37,426,918
New bond issue	-	-	-
Principal maturities	(1,378,000)	(328,708)	(1,706,708)
Balances September 30, 2012	27,040,000	8,680,210	35,720,210
Balance of unamortized issuance cost	(23,168)	(42,416)	(65,584)
Balance of unamortized discount/premium	202,750	-	202,750
Net balances, September 30, 2012	<u>\$ 27,219,582</u>	<u>\$ 8,637,794</u>	<u>\$ 35,857,376</u>

Water and Sewer Bonds

On December 28, 2006, the City issued Waterworks and Sewer System Revenue Refunding Bonds, Series 2006A of \$9,370,000 par value to refund the 1996 Waterworks and Sewer System Revenue Refunding. The advance refunding met the requirements of an in-substance defeasance and the applicable bonds were removed from the City's books of account. The refunding was undertaken to reduce total debt service payments by approximately \$105,000 and resulted in an economic gain of approximately \$67,000. The 2006A bonds mature annually through 2027 in principal amounts ranging from \$1,010,000 to \$1,350,000, and the interest rates on the outstanding securities range from 4.25 % to 4.38%. In order to keep debt service payments level the City's principal payments will begin in the year 2020.

On September 7, 2005 the City issued the Waterworks and Sewer Revenue Refunding Bonds in the amount of \$13,650,000 maturing through 2019, to advance refund a portion of the 1999 Waterworks and Sewer Revenue Bond issue. The refunding was undertaken to reduce total debt service payments over the next twelve years by approximately \$917,000 and resulted in an economic gain of approximately \$769,000. The refunded bonds were removed from the City's books. The outstanding remaining principal for the 1999 issue was paid off on April 1, 2007. The outstanding 2005 bonds mature annually through 2019 with principal amounts ranging from \$1,070,000 to \$1,415,000 and provide for interest rates ranging from 4.00% to 5.00%.

In 2003 the City issued Waterworks and Sewer System Revenue Bonds in the amount of \$9,180,000 for the purpose of funding capital projects. On August 1, 2011 the City issued General Obligation Refunding Bonds, Series 2011 of \$5,605,000 par value to refund \$5,680,000 of the 2003 Waterworks and Sewer System Revenue Bonds. The advance refunding met the requirement of an in-substance defeasance and the applicable bonds were removed from the City's books of account. The refunding was undertaken to reduce the total debt service payments over the next twelve years by \$840,080 and resulted in an economic gain of \$716,618 with a net present value benefit of \$337,772. \$410,000 of the outstanding remaining principal of the 2003 issue was paid off in 2012. The outstanding Series 2011 bonds mature

**CITY OF AMARILLO, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 Year Ended September 30, 2012**

NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

Water and Sewer Bonds (Continued)

annually thru 2023 with principal amounts ranging from \$450,000 to \$575,000 and provide for interest rates ranging from 2.00% to 3.125%.

On December 28, 2006, the City issued \$9,120,000 Waterworks and Sewer System Revenue bonds, Series 2006 for the improvement and expansion of the City's waterworks and sewer system. In order to keep the debt service payments level, the principal payments will begin in 2013 and mature annually through 2032 in principal amounts ranging from \$305,000 to \$655,000. The interest rates on the bonds will range from 4.00% to 4.50%.

On April 1, 2009, the City issued \$38,885,000 Combination Tax and Revenue Certificates of Obligation bonds, Series 2009 to help fund the Potter County well field project. The outstanding bonds mature annually through 2028 in principal amounts ranging from \$2,005,000 to \$2,555,000 and provide for interest rates ranging from .148% to 3.018%.

On December 29, 2009, the City issued the Combination Tax and Revenue Certificates of Obligation Series 2009B in the amount of \$47,400,000. The Series 2009B bonds mature annually through 2029 in principal amounts ranging from \$1,955,000 to \$3,400,000 and provide for interest rates ranging from .21% to 2.587%. The City also issued Combination Tax and Revenue Certificates of Obligation Series 2009C in the amount of \$18,075,000. The Series 2009C bonds mature annually through 2031 with annual principal payment of \$905,000 and provide for a 0% interest rate. As of September 30, 2012, \$16,135,000 of these bonds have been settled and are reflected on the City's debt schedule. We intend to close on the balance of this debt issuance during the 2012/13 fiscal year.

On August 1, 2011 the City issued the Waterworks and Sewer System New Series Revenue Bonds, New Series 2011 in the amount of \$16,300,000. The Series bonds mature annually through 2031 in principal amounts ranging from \$600,000 to \$1,150,000 and provide for interest rates ranging from 2.00% to 4.125%. The proceeds were used to fund the purchase of Ochiltree County water rights.

A summary of changes in Water and Sewer System bonded debt for the year ended September 30, 2012, is as follows:

Principal balances outstanding, October 1, 2011	\$ 148,200,000
New bond issue	1,595,000
Principal maturities	<u>(7,210,000)</u>
Balances, September 30, 2012	142,585,000
Balance of unamortized refunding and issuance costs	<u>(1,465,019)</u>
Net balances, September 30, 2012	<u>\$ 141,119,981</u>

The net revenues of the Water and Sewer System are pledged to secure this debt. In accordance with bond covenants, the following special funds or accounts must be maintained:

- A revenue fund, to which all gross revenues are to be credited immediately upon receipt.
- An interest and redemption fund, to be funded by transfers from pledged revenues in approximately equal monthly installments, sufficient to pay the next succeeding interest and principal payments. The 2013 obligation is \$10,522,174. At September 30, 2012, the amount available in this account was \$3,381,140.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

Water and Sewer Bonds (Continued)

- A reserve fund, to be funded monthly by transfers from pledged revenues in the amount equal to 1/60th of the average annual principal and interest requirements of the bonds until the fair value of the reserve fund is equal to the average annual debt service requirements of the then outstanding bonds. At September 30, 2012, the combined requirement amounted to \$1,948,179 and the amount available in this account was \$1,948,179.

The interest/redemption and reserve funds required by the bond covenants are reported in the financial statements as noncurrent assets and liabilities. The various revenue bond covenants require that the City carry insurance against risks, accidents or casualties to the extent usually carried by corporations operating like properties.

The City is subject to arbitrage provisions under the Internal Revenue Code, which requires that excess earnings on invested proceeds from tax-exempt bond sales over interest expense paid to bond holders be remitted to the Internal Revenue Service. The City did not have an arbitrage liability at September 30, 2012. The City has maintained its tax-exempt status during 2012.

The City has the right to issue additional Waterworks and Sewer Revenue Bonds, subordinate to these issues. Moreover, the City can issue additional parity debt so long as the net Water and Sewer System revenues exceed the debt service on the prior bonds together with any additional borrowings by 1.25 times.

During November 2012 the City received notice from the Texas Water Development Board that the City's application for a \$1.3 million mainstream loan thru the Drinking Water State Revolving Fund program is being recommended for funding. This program allows the City to issue bonds at a 125 basis point discount below that of the market.

Water Authority Obligations

In 1968 the City, together with 10 other cities, entered into a contract with the Canadian River Municipal Water Authority (CRMWA) to reimburse it for the cost of constructing a dam and aqueduct system in exchange for the water to be provided from the reservoir. The dam is located approximately 35 miles northeast of the City.

In 1998 a portion of CRMWA's remaining obligation to the U.S. Bureau of Reclamation in connection with the construction indebtedness was retired in exchange for a transfer of CRMWA's surface lands to the National Park Service. In 1999 CRMWA issued revenue bonds maturing in the years 2000 to 2018 in order to retire the balance of the U.S. obligation. In 2010 CRMWA issued refunding bonds maturing in 2018 in order to retire the 1999 issue. The City's share of the principal amounts range from \$461,478 to \$941,547 and provide for interest rates ranging from 3.00% to 3.50%. The bonds are secured by a lien on contract revenues, consisting of the member cities' project agreement payments. At September 30, 2012, the City's proportionate share of this indebtedness was \$3,449,756 and its share of the unamortized discount obtained for early retirement of the Bureau of Reclamation debt was \$1,952,717.

In 1999 CRMWA issued revenue bonds maturing in the years 2000 to 2010 to fund a salinity control project with respect to the surface water basin. These bonds matured during the 2010 fiscal year.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

Water Authority Obligations (Continued)

In May 1996, member cities of CRMWA agreed to participate in a project to develop underground water rights to supplement CRMWA's available surface water, and CRMWA then issued revenue bonds to fund phase 1 of the project, which consisted of purchasing groundwater rights in the northeastern portion of the Texas Panhandle. In the fiscal year ended September 30, 2000, the 1996 bonds were defeased by a portion of a new issue of revenue bonds (Series 1999) in the face amount of \$52,825,000. During April 2005, the member cities of CRMWA agreed to participate in two CRMWA debt issues. The first issue was the 2005 Contract Revenue Refund Series and was used to refund a portion of the Series 1999 issue. During 2010 this issue was refunded with bonds maturing in 2020. The City's share of the annual principal amount range from \$213,418 to \$521,567 providing for interest rates of 3.00% to 3.50%. At September 30, 2012, the City's portion of the outstanding remaining principal for the 2010 issue is \$2,552,031 and the City's portion of the 2005 Refunding bonds is \$12,492,567.

In addition to defeasing the 1996 issuance, the proceeds of the new issue were used to fund the drilling of wells and installation of pipelines from the well fields to the existing CRMWA aqueduct system. While two of the eleven member cities elected to pay for their proportionate shares of these costs from their own resources, the City elected to participate in CRMWA's bond issuance. The City also participated in the 2005 Contract Revenue Series issued in the amount of \$48,125,000. The City's portion of this bond issue is \$19,467,586 at September 30, 2012. The participating member cities desired to have level debt service payments. In order to keep the CRMWA debt service payments level, the City will only pay interest for the first ten years on the 2005 CRMWA contract revenue bonds. Thereafter, the other obligations will be paid off and the City will begin paying principal and interest on the 2005 CRMWA contract revenue bonds. On January 22, 2013, CRMWA will refund the 2005 CRMWA Contract Revenue Series. The refunding will reduce total debt service payments over the next thirteen years by \$5,063,754 with Amarillo's share at \$2,443,576. The net present value of this fund is \$4,259,006 with Amarillo's share at \$2,044,083. In total, the payments to CRMWA will remain constant throughout the term of the various bond issues.

During 2006, the member cities of CRMWA agreed to participate in the 2006 CRMWA debt issue. The Contract Revenue Bonds, Series 2006 were issued in the amount of \$49,075,000. The City's proportionate share of this indebtedness is \$16,412,256 at September 30, 2012.

During November 2009, CRMWA issued debt in the amount \$21,105,000. The City participated in this issue and the City's proportionate share of this indebtedness was \$8,573,062. The City's portion of the annual principal payments range from \$268,606 to \$951,547 with interest rates of 3.00% to 5.00%. The City's proportionate share of this indebtedness is \$7,735,762 at September 30, 2012. Bonds are secured by a lien on the participating member cities' project payments.

During December 2011, CRMWA issued debt in the amount \$81,630,000 to fund the purchase of additional water rights in the Ogallala Aquifer. The City participated in this issue and the City's proportionate share of the bond issue was \$33,536,053. The bonds were issued at a premium and the City's proportionate share was \$3,091,199 with bond issuance cost of \$473,755. The City's portion of the annual principal payments range from \$649,625 to \$2,567,688 with interest rates of 4.00% to 5.00%. At September 30, 2012, the City's proportionate share of the outstanding indebtedness was \$32,704,123. Bonds are secured by a lien on the participating member cities' project payments.

The City increased Water and Sewer rates by 6% beginning October 1, 2011 and by 5% effective October 1, 2012 to help pay for the purchase of the Ochiltree County water rights and the City's portion of the CRMWA debt.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

Summary Information - Long-Term Bonds and Contracts

A summary of changes in the City's CRMWA debt for the year ended September 30, 2012, is reflected in the following table:

Principal outstanding, October 1, 2011	\$ 65,664,394
New bond issue	33,536,053
Principal maturities	<u>(4,386,366)</u>
Principal outstanding, September 30, 2012	94,814,081
Proportionate share of related reserves, unamortized issuance cost, and gain on refunding	(4,091,136)
Unamortized redemption discount/premium	<u>8,079,464</u>
Net balances, September 30, 2012	<u>\$ 98,802,409</u>

Airport Bonds

On September 3, 2009, the City issued \$16,140,000 Combination Tax and Revenue Certificates of Obligation Series 2009A bonds to help fund the terminal building project. The outstanding bonds mature annually through 2020 in principal amounts ranging from \$1,330,000 to \$1,830,000 and provide for interest rates ranging from 3.00% to 5.00%.

Principal outstanding, October 1, 2011	\$ 13,745,000
Principal maturities	<u>(1,280,000)</u>
Principal outstanding, September 30, 2012	12,465,000
Proportionate share of related unamortized issuance cost	(154,010)
Unamortized redemption premium	<u>977,799</u>
Net balances, September 30, 2012	<u>\$ 13,288,789</u>

Bond issues outstanding at September 30, 2012 are summarized in Table 7 below.

	Interest Rates	Final Maturity Date	Principal Amount Outstanding	Annual Principal Installments
City of Amarillo indebtedness				
General Obligation debt				
Payable from tax revenues				
General Obligation Bonds, series 2009	2.00 - 5.00%	2022	4,130,000	345,000 -- 485,000
Combination tax/revenue certificates of obligation, series 2007	4.00 - 5.25%	2027	21,620,000	1,020,000 -- 2,000,000
Recovery Zone Build America Bonds, Series 2010	5.81%	2030	1,290,000	59,000 -- 88,000
Payable from special assessments				
Combination tax/revenue certificates of obligation, series 2001	4.45%	2016	200,000	45,000 -- 55,000
Combination tax/revenue certificates of obligation, series 2003	3.70%	2023	405,000	30,000 -- 45,000
Combination tax/revenue certificates of obligation, series 2006	4.75%	2026	455,210	18,920 -- 43,909
Combination tax/revenue certificates of obligation, series 2008A	4.28%	2028	520,000	25,000 -- 45,000
Combination tax/revenue certificates of obligation, series 2008B	4.08%	2028	1,295,000	60,000 -- 110,000
Payable from other sources				
Combination tax/revenue certificates of obligation, series 2011A	3.50 - 5.25%	2037	3,665,000	85,000 -- 245,000
Combination tax/revenue certificates of obligation, series 2011B	3.50 - 6.00%	2032	2,140,000	70,000 -- 170,000

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

Summary Information - Long-Term Bonds and Contracts (Continued)

	Interest Rates	Final Maturity Date	Principal Amount Outstanding	Annual Principal Installments	
Waterworks and Sewer Bonds					
2003 revenue issuance	3.38%	2012	-		
2005 revenue issuance	4.00 - 5.00%	2019	8,620,000	1,070,000	-
2006 revenue issuance	4.00 - 4.50%	2032	9,120,000	305,000	-
2006A revenue issuance	4.25 - 4.375%	2027	9,370,000	1,010,000	-
2011 revenue issuance	2.00 - 4.125%	2031	15,455,000	600,000	-
Combination tax/revenue certificates of obligation, series 2009	.148 - 3.018%	2028	34,875,000	2,005,000	-
Combination tax/revenue certificates of obligation, series 2009B	.021 - 2.587%	2029	43,490,000	1,955,000	-
Combination tax/revenue certificates of obligation, series 2009C	0.00%	2031	16,135,000		905,000
General Obligation bonds series 2011	2.00 - 3.125%	2023	5,520,000	450,000	-
Airport Bonds					
Combination tax/revenue certificates of obligation, series 2009A	3.00 - 5.00%	2020	<u>12,465,000</u>	1,330,000	-
Total City of Amarillo issuances			<u>190,770,210</u>		
Canadian River Water Authority indebtedness					
2005 refunding issuance	4.00 - 5.00%	2020	12,492,567	601,054	-
2005 revenue issuance	4.00 - 5.25%	2025	19,467,586	370,012	-
2006 revenue issuance	5.00%	2027	16,412,256	517,896	-
2009 revenue issuance	3.00 - 5.00%	2029	7,735,762	268,606	-
2010 refunding issuance (Conjunctive Use Groundwater)	3.00 - 3.50%	2020	2,552,031	213,418	-
2010 refunding issuance (BUREC)	3.00 - 3.50%	2018	3,449,756	461,478	-
2011 revenue issuance	4.00 - 5.00%	2031	<u>32,704,123</u>	649,625	-
Total City share of Water Authority indebtedness			<u>94,814,081</u>		
Total bond issues outstanding			<u>\$ 285,584,291</u>		

Table 7 - Description of Individual Bond Issues Outstanding

The annual requirements to amortize all bonds outstanding, including interest, are shown in Table 8 below.

For the Year Ended September 30,	Tax-Supported Debt		Special Assessment and Other Supported Debt		Water & Sewer Debt		Water Authority Debt		Airport Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2013	\$ 1,424,000	\$ 1,283,672	\$ 339,860	\$ 387,917	\$ 7,290,000	\$ 3,232,174	\$ 4,866,248	\$ 4,504,857	\$ 1,330,000	\$ 542,675	\$ 15,250,108
2014	1,485,000	1,223,887	336,067	374,479	7,360,000	3,155,412	5,095,525	4,285,939	1,380,000	495,125	15,676,592	9,534,842
2015	1,541,000	1,163,293	362,331	360,483	7,460,000	2,061,747	5,303,524	4,049,245	1,440,000	433,650	16,106,633	9,068,418
2016	1,607,000	1,098,945	383,659	346,150	7,570,000	2,952,984	5,533,913	3,802,391	1,510,000	362,025	16,604,572	8,562,495
2017	1,684,000	1,023,614	340,051	330,979	7,680,000	2,830,322	5,835,911	3,543,327	1,580,000	294,775	17,117,962	8,019,017
2018-2022	9,608,000	3,906,793	1,923,602	1,444,312	40,960,000	11,779,838	31,713,052	13,488,583	5,225,000	390,687	89,429,654	31,010,215
2023-2027	9,434,000	1,552,420	2,094,640	1,014,133	45,120,000	6,588,789	27,224,445	5,537,288	-	-	83,873,085	14,692,621
2028-2032	237,000	16,582	1,770,000	526,926	19,145,000	1,200,516	9,243,663	859,533	-	-	30,415,663	2,603,557
2033-2037	-	-	1,110,000	151,725	-	-	-	-	-	-	1,110,000	151,725
	<u>\$ 27,040,000</u>	<u>\$ 11,269,206</u>	<u>\$ 8,680,210</u>	<u>\$ 4,937,104</u>	<u>\$ 142,585,000</u>	<u>\$ 34,801,773</u>	<u>\$ 94,814,081</u>	<u>\$ 40,071,163</u>	<u>\$ 12,465,000</u>	<u>\$ 2,514,937</u>	<u>\$ 285,584,291</u>	<u>\$ 93,594,183</u>

Table 8 - Annual Debt Service Requirements, Including Interest

On December 12, 2012 the City closed on two debt issues. The first debt issue is \$6,260,000 in Combination Tax and Drainage Utility Revenue Certificates of Obligations (COs). The 2012A issue is mainly for drainage improvements on Farmers Avenue. In addition to the tax pledge, the Drainage Utility COs have an unlimited net pledge of the Drainage Utility System of 1.25 times net revenue. The City intends to fund the debt entirely from the Drainage Utility and not levy a property tax for the COs. Thus, the debt is structured similar to the Water & Sewer revenue debt. The second issue in 2012 is to purchase rolling

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012**

NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

Summary Information - Long-Term Bonds and Contracts (Continued)

stock for the City's municipal garage. Rolling stock replacement was delayed during the recent economic downturn. The 2012B issue has a five-year maturity and the proceeds will be used to purchase rolling stock with at least a five-year life. The 2012B issue is for \$2,790,000 in Combination Tax and Sanitation Revenue Certificates of Obligations. The COs have a \$1,000 limit pledge of Sanitation Revenues and a property tax pledge. The City intends to pay the COs from Municipal Garage Rental Revenues and not levy a tax for the debt. The 2012A issuance has a 20-year maturity and has a true interest cost of 1.763%. The 2012B has a five-year maturity and has a true interest cost of 0.686%.

Provision for Compensated Absences

The City provides for its full-time employees annual leave of two, three, four or five weeks, depending upon years of service with the City. Up to 65 days of annual leave may be carried over to future years.

Uniformed police officers and firefighters are allowed 15 days of sick leave per year. Civilian, full-time employees are also allowed 12 days' sick leave per year. Employees whose date of hire is before December 29, 1988, may accumulate up to 90 days of sick leave to be paid in a lump sum upon termination of employment. Employees hired after December 29, 1988, must have ten years or more of service before benefits vest. Employees who are eligible to retire may convert accumulated sick leave benefits in excess of the eligible lump-sum termination amounts into an Individual Health Retirement account. Employees hired after September 30, 2007 may accumulate up to 60 days of sick leave and 30 days of annual leave, which will be eligible to be paid in a lump sum upon termination.

The obligation of the City with respect to vested benefits at September 30, 2012 under the annual leave policy was \$10,103,658, compensated time policy was \$933,675, and under the sick leave policy was \$8,921,075.

These obligations were recognized in the financial statements as summarized in the following tabulation:

	Governmental Funds	Proprietary Funds
Balances at October 1, 2011	\$ 17,585,707	\$ 1,645,625
Terminations paid	(1,355,559)	(228,559)
Leave accrued	<u>2,060,113</u>	<u>235,706</u>
Balances at September 30, 2012	<u>\$ 18,290,261</u>	<u>\$ 1,652,772</u>

Of the above obligations, \$1,446,493 in the Government Funds are estimated to be current and \$225,883 in the Proprietary Funds. In prior years, the General Fund has liquidated the compensated absences liability related to governmental funds.

In 1997 the City established a debt service fund to provide for the portion of the liability applicable to the General Fund and certain special revenue funds. The net assets in the fund at September 30, 2012 were \$11,469,330; \$717,135 of the obligation is funded in separate internal service funds and is accrued as a liability of these funds.

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012**

NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

Provision for Landfill Closure and Postclosure Care Costs

The City owns a 662-acre rural site, which it operates for solid waste disposal purposes. Based on an amended permit issued by the Texas Commission on Environmental Quality dated August 22, 2007, the site has an estimated total capacity of 43,098,100 tons. It is estimated that 16% of the revised capacity was filled at September 30, 2012 and that the landfill has a projected remaining life of approximately 167 years at the current rate of usage. State and federal laws and regulations require the City to place a final cover on the site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The City's design plans divide the landfill site into 12 cells. Five cells, representing 258 acres with a total capacity of 17,541,300 tons or approximately 41% of the total site capacity, are currently open. It is estimated that at September 30, 2012, these five cells were approximately 39% full. The construction as well as the cost of wells, which have been installed for monitoring the underlying water table for any impact on it of ongoing landfill activities, were funded by waste collection and disposal revenues of the City's General Fund, and are included in capital assets of the governmental activities.

Governmental accounting standards require that, for periods beginning after June 15, 1993, governmental entities recognize an accrued liability for the estimated cost of equipment, facilities, and services for closure, and postclosure care expected to result in disbursements near or after the date that the facility stops accepting solid waste. The amount of the liability is based on what it would cost to have all such closure and postclosure care performed in the current year, and is assigned to periods based on cumulative landfill use. The City engaged an independent engineer who estimated the cost of final cover at \$8,145,871 for a 100-acre, two-cell segment. The estimated cost of monitoring the entire 662 acres during the statutory 30-year period is an additional \$1,780,200. Both computations were made in accordance with regulations of the Environmental Protection Agency, which require that the estimates be based on the current cost of hiring third parties to perform the services. The actual cost of these functions, when performed in future years, may differ because of inflation, changes in technology, changes in environmental regulations, or performance of certain of the functions by City personnel and equipment. Considering the change in the Consumer Price Index (CPI) and the addition of the Transfer station, closure costs would be about \$10 million and post-closure costs would be about \$3 million for a total of \$13 million in today's dollars.

Based on the cumulative usage of 6,848,000 tons at September 30, 2012, together with the estimated 43,098,100-ton capacity of the landfill, the accrued liability consists of the following elements:

Provision for final cover costs	\$ 1,620,146
Cost of postclosure care and monitoring	<u>486,356</u>
Total estimated accrued liability	<u>\$ 2,106,502</u>

Under laws and regulations administered by the Texas Natural Resource Conservation Commission, owners and operators are required to provide financial assurances that the funds needed for the closure of landfills will be available when needed. The City has elected to meet this responsibility by demonstrating its compliance with the "local government financial test," which promulgates criteria regarding financial strength, public notice, and record-keeping and reporting. The City fulfilled the financial strength test by demonstrating a current Standard & Poors rating of AAA, together with a ratio of total annual revenues to the gross estimated cost of environmental obligations in excess of 100/43, together with meeting certain general conditions. It fulfills the public notice component by disclosure in this footnote, and fulfills the record-keeping and reporting component by submission of reports to the Texas Commission on Environmental Quality.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS (CONTINUED)

Long-term liabilities activity for the year ended September 30, 2012 was as follows:

	Balance Sept. 30, 2011	Amortization/ Accretion	Additions	Reductions	Balance Sept. 30, 2012	Due within One year
Bonds payable						
Governmental activities						
General obligation bonds	\$ 4,470,000	\$ -	\$ -	\$ (340,000)	\$ 4,130,000	\$ 345,000
Recovery Zone Build America bonds	1,348,000	-	-	(58,000)	1,290,000	59,000
Tax-supported certificates of obligation	22,600,000	-	-	(980,000)	21,620,000	1,020,000
Unamortized debt issuance	(68,505)	2,921	-	-	(65,584)	-
Unamortized gain on refunding	(183,090)	13,167	-	-	(169,923)	-
Unamortized offering premium	393,435	(20,762)	-	-	372,673	-
Special assessment and other debt	9,008,918	-	-	(328,708)	8,680,210	339,860
Total governmental activities	37,568,758	(4,674)	-	(1,706,708)	35,857,376	1,763,860
Business-type activities						
Water & sewer bonds	146,642,250	92,731	1,595,000	(7,210,000)	141,119,981	7,290,000
Water authority obligations	67,293,952	(258,674)	36,153,497	(4,386,366)	98,802,409	4,866,248
Airport bonds	14,653,382	(84,593)	-	(1,280,000)	13,288,789	1,330,000
Total business-type activities	228,589,584	(250,536)	37,748,497	(12,876,366)	253,211,179	13,486,248
Total	266,158,342	(255,210)	37,748,497	(14,583,074)	289,068,555	15,250,108
Other liabilities						
Governmental activities						
Compensated absences	17,585,707	-	2,060,113	(1,355,559)	18,290,261	1,446,493
Self-insurance liability	16,599,132	-	-	(899,530)	15,699,602	5,934,870
Provision for landfill and postclosure care costs	1,996,893	-	109,609	-	2,106,502	-
Postemployment benefits	56,953,683	-	24,258,519	(6,643,372)	74,568,830	-
Net pension obligation	4,517,136	-	10,174,695	(9,887,329)	4,804,502	-
Total governmental activities	97,652,551	-	36,602,936	(18,785,790)	115,469,697	7,381,363
Business-type activities						
Compensated absences	1,645,625	-	235,706	(228,559)	1,652,772	225,883
Other accrued expenses	3,150,000	-	-	(40,804)	3,109,196	-
Net pension obligation	755,051	-	4,762	-	759,813	-
Total business-type activities	5,550,676	-	240,468	(269,363)	5,521,781	225,883
Total	103,203,227	-	36,843,404	(19,055,153)	120,991,478	7,607,246
Total long-term liabilities	\$ 369,361,569	\$ (255,210)	\$ 74,591,901	\$ (33,638,227)	\$ 410,060,033	\$ 22,857,354

For the governmental activities, compensated absences, postemployment benefits and net pension obligation are generally liquidated by the General Fund.

NOTE 12 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following tabulation reflects the composition of interfund balances at September 30, 2012.

<u>Receivable Fund</u>		<u>Payable Funds</u>	
General Fund	\$ 1,534,198	Internal Service	\$ 738
		Capital Projects	126,059
		Proprietary Funds	136,000
		Nonmajor Govt. Funds	1,271,401
	<u>\$ 1,534,198</u>		<u>\$ 1,534,198</u>
Nonmajor Govt. Funds	\$ 24,351	General Fund	\$ 672
		Capital Projects	1,270
		Nonmajor Govt. Funds	22,409
	<u>\$ 24,351</u>		<u>\$ 24,351</u>
Internal Service Funds	\$ 162,685	Internal Service	\$ 162,450
		Nonmajor Govt. Funds	235
	<u>\$ 162,685</u>		<u>\$ 162,685</u>

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 12 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

All transactions between funds represent "due to/from other funds" caused by cash from one fund paying for expenditures or expenses of another. The City did not incur transactions between funds that would represent lending/borrowing arrangements outstanding at the end of the fiscal year.

The following tabulations summarize interfund cash transfers made during the year:

<u>Transfers Out Fund</u>		<u>Transfers In Fund</u>	
General Fund	\$ 9,080,216	Capital Projects	\$ 8,935,938
		Nonmajor Govt. Units	52,793
		Internal Service	91,485
	<u>\$ 9,080,216</u>		<u>\$ 9,080,216</u>
Capital Projects	\$ 796,944	General Fund	\$ 70,281
		Nonmajor Govt. Units	252,439
		Internal Service	124,224
		Capital Projects	350,000
	<u>\$ 796,944</u>		<u>\$ 796,944</u>
Nonmajor Govt. Funds	\$ 456,329	Capital Projects	\$ 142,757
		Nonmajor Govt. Units	313,572
	<u>\$ 456,329</u>		<u>\$ 456,329</u>
Proprietary Funds	\$ 387,328	Internal Service	\$ 384,857
		Capital Projects	2,471
	<u>\$ 387,328</u>		<u>\$ 387,328</u>
Internal Service	\$ 20,400	Internal Service	\$ 20,400
	<u>\$ 20,400</u>		<u>\$ 20,400</u>

In general, transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in a fund to provide operating advances to other funds in accordance with budgetary authorizations. The due to/from balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

NOTE 13 - WATER SUPPLY CONTRACT

The City's water is supplied by a series of underground wells, together with water that is purchased from CRMWA.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 13 - WATER SUPPLY CONTRACT (CONTINUED)

CRMWA is a water district that was created in 1953 by the Texas legislature for the purpose of supplying water from the Canadian River to eleven cities that wished to participate in its activities. A board of nineteen individual board members, two of whom are selected by the City, governs the affairs of the District.

CRMWA was originally created for the purpose of operating a dam, which had been constructed on the Canadian River approximately 35 miles northeast of Amarillo, the related water reservoir known as Lake Meredith, and an aqueduct system for the purpose of transporting the surface water to the member cities. The construction was performed under the direction of the U.S. Bureau of Reclamation. Prior to construction, each of the member cities was allotted a portion of the water rights together with a proportionate share of the cost of the dam based on its contractual share of the water and a share of the aqueduct costs based on its water allocation and distance from the reservoir.

In 1996 CRMWA initiated a project to purchase and develop underground water rights in the northeastern portion of the Texas Panhandle to supplement CRMWA's available surface water. Water is transported from the well fields to be mixed with the lake water before entering the aqueduct system. Water deliveries of the well water to the member cities began in December 2001.

Each city is assessed for operating costs, which are accounted for by the City as an operating expense. Each member may sell part or all of its rights under the contract to other members of the aqueduct system.

The last audited financial statements of CRMWA, as of September 30, 2012 and for its fiscal year then ended, reflect the following:

Assets	
Cash and cash equivalents	\$ 14,389,615
Due from member cities and other receivable	10,272,943
Debt Service Funds	
Restricted cash and cash equivalents	22,740,989
Due from cities	202,464,586
Bond issuance costs, net of amortization	2,365,132
Property, plant and equipment, net of accumulated depreciation	334,613,023
Liabilities and Deferred Revenues	
Current liabilities	14,677,385
Noncurrent liabilities	<u>219,434,045</u>
Net Assets	<u>\$ 352,734,858</u>
Revenues	
User assessments for operations	\$ 12,675,143
Other	
Expenditures	
Operating expenses	(14,841,350)
Other Financing Sources (Uses)	
Net contributions from member cities	82,630,000
Nonoperating revenues (expenses)	957,592
Transfer	<u>—</u>
Net Increase (Decrease) in Net Assets	<u>\$ 81,421,385</u>

**CITY OF AMARILLO, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 Year Ended September 30, 2012**

NOTE 13 - WATER SUPPLY CONTRACT (CONTINUED)

CRMWA's debt consists of the approximately \$7.5 million related to bonds issued to refund the construction obligation to the Bureau of Reclamation and \$211.2 million related to the underground water project. The CRMWA's annual debt services requirements, including interest, range from \$6.5 million to \$21.4 million with final repayment in 2031. Because certain member cities elected to fund their proportionate shares of these costs on a separate basis, and the City's contractual share of the available lake water is 37.058% and 40.621% of well water. The City's share of this debt is approximately \$94.8 million. The City's contractual water rights and its proportionate shares of CRMWA's various debt obligations are accounted for as assets and liabilities of its Water and Sewer System.

Because the cities that are members of the aqueduct system have the right to elect members of the governing Board, this arrangement has one of the attributes of a joint venture. However, the City has not reported this contract as a joint venture for the following reasons:

- CRMWA was created by the State of Texas and is a subdivision thereof, as opposed to having been created by the members of CRMWA.
- The City has no vested rights in the assets of CRMWA, nor responsibility for its liabilities other than its proportionate share of the contractual construction obligations.
- The affairs of CRMWA are accounted for on a "financial flow" measurement focus, which is not consistent with the measurement focus required for the water and sewer enterprise fund.

NOTE 14 - HARRINGTON LIBRARY CONSORTIUM

The City is a member, as well as the fiscal agent, of a library consortium comprised of itself together with the Amarillo Junior College District and Amarillo Independent School District. The Consortium's purpose is to maintain a computer-based, online automated system to enhance the delivery of library information services to the citizens of the Panhandle of Texas. It provides a bibliographic database, an online catalog system, intralibrary and interlibrary circulation systems, and similar services to citizens through their local libraries. The Consortium is governed by a six-member council comprised of the chief administrator of the library services for each member, the chairmen of two of its committees and a representative of the Harrington User Group.

The original funding for the Consortium was a grant from a local charitable organization, the Harrington Foundation. Continuing operations are financed through user fees from the members and from subscribing libraries in the region. During the year ended September 30, 2012, the Consortium served approximately 100 libraries in addition to its members. The condensed financial statements of the Consortium at September 30, 2012 and for the year then ended are summarized in the table below.

Balance Sheet

Capital assets, net of depreciation	\$ 35,710
Cash and other assets, net	912,980
Current liabilities	<u>(33,809)</u>
Net assets	<u>\$ 914,881</u>

Revenues

Operating revenues	\$ 499,982
Nonoperating revenues	<u>415</u>
Total revenues	500,397

Expenses

Operating expenses	<u>460,385</u>
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Change in net assets

\$ 40,012

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 15 - CONTINGENCIES AND RISK MANAGEMENT

Self-Insurance and Risk Management

The City's insurance coverage consists of self-insured programs supplemented by certain commercial insurance policies maintained with various carriers. The City's insurance and self-insurance programs are administered by a risk-management committee comprised of selected City management personnel. Each type of potential claim is discussed below.

The City of Amarillo has a blanket all risk property insurance policy. While the sum of the scheduled values is the policy limit, the blanket feature allows this limit to be used for one occurrence. Thus, if a property's scheduled value was not sufficient to cover a loss, the entire blanket would be used to cover the loss. The policy also treats rolling stock and vehicles as contents when on premises. The schedule of values and the coverage have been increasing over the last three years as property is added to the schedule, and replacement values have increased with increases in construction costs. Settlements of insurance have not exceeded coverage in the past three years.

Health and Accident: The City self-insures medical benefits for employees, retirees, and their covered dependents. The City purchases stop-loss coverage for specific claims over \$750,000. The specific coverage stops at \$5 million.

Property: Property insurance is maintained with commercial carriers, with a self-insured retention per occurrence of \$250,000. Total blanket coverage for all buildings and contents including terrorism coverage is \$700,094,141. The property insurance policy also includes \$100 million in flood and earthquake coverage and has a Terrorism endorsement.

The City has an endorsement to its property insurance coverage for Boiler and Machinery (explosion and damage). Insurance is maintained with commercial carriers to the extent of \$50,000,000 potential liability. The City has incurred no losses with respect to this risk.

Automobile Liability and Physical Damage: The City has elected to fully self-insure these risks.

Workers' Compensation: City employees are entitled to statutory workers' compensation benefits. The City has a per accident self-insurance retention of \$1 million per occurrence with statutory limits. The Excess Workers' Compensation and Employers' Liability Indemnity Policy was purchased to cover a major accident. Historically, the City has had one claim that exceeded \$1 million self-insurance retention.

General Liability: The City has elected to self-insure public official, professional, and general liability contingencies to the full extent of its statutory limits. Additionally, no insurance is carried for crime or burglary losses or employee dishonesty, except for the minimal bonds required by law.

Police Officer Liability: The City has purchased Police Officer Liability Insurance with a \$100 deductible per occurrence and annual aggregate coverage of \$16 million. This new coverage would be sufficient to cover our largest claim. The City's largest claim has been a \$5 million Police Liability Claim.

Unemployment Benefits: The City fully self-insures unemployment benefits, reimbursing the Texas Workforce Commission for claims on the basis of quarterly reports.

Two internal service funds are used to account for the transactions associated with the various risks.

Employee Insurance Fund: All full-time employees are provided with health insurance and \$10,000 life insurance in the City's basic benefit package. Full-time employees can add dependents for health and life coverage. Retirees are also allowed to retain their health insurance, including dependent coverage after retirement along with the basic \$10,000 life insurance benefit. While the City pays for the majority of the health insurance benefit, the employee is also required to participate in the cost of the program.

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012**

NOTE 15 - CONTINGENCIES AND RISK MANAGEMENT (CONTINUED)

Self-Insurance and Risk Management (Continued)

Additional group life insurance is also available, but solely at the employee's expense. The City has a third-party carrier for the life insurance benefit. The City currently has specific stop loss coverage with a \$750,000 annual deductible, but is essentially self-insured for employee and retiree health coverage.

The Employee Insurance Fund is used to account for the collection of employer and employee contributions, and for payments of claims and insurance premiums. The City covers most of the cost of employee only coverage and contributes to spouse and family coverage. Retirees contribute based on their service with the City and retiree rates are also subsidized by the City. Liabilities are presented at the estimated amounts of incurred losses outstanding, without discounting.

Employees have up to one year after services are rendered in which to present their claims for reimbursement. The estimated current liability at September 30, 2012 related to incurred but not reported (IBNR) claims was \$2,630,876. The IBNR estimate was computed by management based on historical patterns and reference to previous actuarial estimates. An actuarial study of the IBNR claims of the employee insurance fund was done as of September 30, 2012. Management's estimate of the liability by the City was within recommended liability and funding ranges of that study. A provision is also made for estimated future costs of known loss events. This provision at September 30, 2012, was \$1,688,899 and was calculated by management based on historical costs associated with similar health conditions. The postemployment liability at September 30, 2012 was \$74,568,830. The postemployment health benefit adjustment was \$17,615,147, which includes the annual required contribution of \$21,980,372 plus interest of \$2,278,147, less an adjustment to the annual required contribution of \$2,276,185 and less the pay-as-you-go cost of \$4,367,187.

After providing for incurred losses, the Employee Insurance Trust had net assets of \$(66,483,873) at September 30, 2012. Included in the net asset calculation is the adjustment discussed in the previous paragraph for postemployment health benefits as required by Governmental Accounting Standards No. 45. This adjustment is \$17,615,147 for the 2011/12 fiscal year.

The following tabulation reflects changes in the estimated aggregate liabilities for incurred losses of the Employee Insurance Fund:

	<u>2012</u>	<u>2011</u>
Estimated liabilities at beginning of year	\$ 61,899,932	\$ 49,190,356
Postemployment health benefits annual required contribution	21,982,334	17,366,128
Postemployment health benefits pay-as-you-go cost	(4,367,187)	(3,807,472)
Claims during year and changes in estimates	16,446,326	14,059,450
Payments during year	<u>(17,072,800)</u>	<u>(14,908,530)</u>
Estimated liabilities at end of year	<u>\$ 78,888,605</u>	<u>\$ 61,899,932</u>

Risk Management Fund

The transactions related to risk areas other than employee health are accounted for in the Risk Management Fund, which is funded through assessments to City departments at rates developed by reference to the actuarial studies of the self-insurance fund together with estimates of the charges by private insurers for similar coverages. Risks considered included general and airport liability, boiler and machinery, police, auto, and excess liability; workers compensation; unemployment; crime/fidelity/burglary; property insurance deductibles and various other risk groups.

Actuarial studies of the Fund are made at least biennially. The actuary's methodology includes review of the City's historical experience with respect to each type of risk, together with insurance industry patterns and any amendments to the state workers' compensation laws.

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012**

NOTE 15 - CONTINGENCIES AND RISK MANAGEMENT (CONTINUED)

Risk Management Fund (Continued)

An actuarial study of the self-insurance liability was done as of September 30, 2012. Management's estimate of the liability by the City was within recommended funding ranges of that study. Management estimated the liability for incurred losses at September 30, 2012 to be \$11,379,827.

The City is self-insured for most exposures. The most significant risk assigned to third-party carriers is the property insurance coverage in excess of the \$250,000 retention. The City also carries Excess Workers' Compensation and Employers' Liability Indemnity insurance with self-insurance retention of \$1 million.

The following tabulation reflects changes in the estimated aggregate liabilities for incurred claims of the Risk Management Fund:

	<u>2012</u>	<u>2011</u>
Estimated liability at beginning of year	\$ 11,652,883	\$ 9,483,817
Claims during year and changes in estimates	2,460,293	4,326,562
Payments during year	<u>(2,733,349)</u>	<u>(2,157,496)</u>
Estimated liability at end of year	<u>\$ 11,379,827</u>	<u>\$ 11,652,883</u>

Litigation

The City has been named as defendant in a number of other lawsuits or complaints arising out of the ordinary course of conducting its operations. While several of these claims ask for the full amount allowed by state statute, it has been the City's experience that such actions, if pursued, result in losses of amounts substantially less than the claimed amounts. These complaints are similar to complaints resolved in prior years, which settlements comprise the City's historical experience that formed the basis for the actuarial determination of the estimated liability for presented and unrepresented claims payable at September 30, 2012.

Pollution Remediation Obligation

In 2003 the City of Amarillo was notified that it is a Potentially Responsible Party (PRP) due to it contributing waste oil some years earlier to the Double Eagle Refinery superfund site in Oklahoma City, Oklahoma. By August 2004 the City of Amarillo, along with a coalition of approximately 43 other PRPs, had reached a negotiated settlement in principal with the United States Department of Justice (DOJ) and State of Oklahoma for the respective liability of each PRP. That settlement amount was \$4.60 per gallon. Finally, in November 2007, after protracted negotiations, the DOJ and coalition counsel reached agreement on precise wording of the settlement documents, and Amarillo tendered its payment of \$124,609. After a protracted period of court proceedings and regulatory delays, a consent decree was signed by the federal court on December 6, 2010, confirming the originally negotiated settlement as to Amarillo.

Upon completion of the Hollywood Road Wastewater Treatment in the 1960s, the City of Amarillo began to discharge treated effluent into an on-site playa lake. This practice was in full conformance with all environmental regulations, was conducted under a lawfully issued State of Texas environmental discharge permit, and was subject to regular monitoring and reporting standards. Over time, a sub-surface plume of water developed under the playa lake and has since slowly migrated outward. This plume is comprised of water that contains a chloride level that is higher than the native groundwater in the area.

**CITY OF AMARILLO, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 Year Ended September 30, 2012**

NOTE 15 - CONTINGENCIES AND RISK MANAGEMENT (CONTINUED)

Pollution Remediation Obligation

The City ceased pumping treated effluent into the playa and the chloride content of the plume, both originally and currently, is below the federal and state limits for potable water. In fact, the water in the plume is of equal or better quality than that in the City's potable water system, which is rated "Superior" by the Texas Commission on Environmental Quality.

As the plume migrated outward, it has seeped into some domestic water wells near the facility. Due to this, the City has historically conducted a voluntary monitoring program of the nearby domestic wells and continues to do so at this time. If this monitoring detects chloride content in a well that is higher than the native groundwater, the City then either re-works the existing well, replaces it with a new well constructed to current standards, or provides a reverse osmosis treatment system based on the homeowner's preference.

Management believes that GASB 49 does not apply in this instance since there has been no actual pollution by any legal definition of the term. However, the City intends to continue the practice of monitoring the plume, providing replacement wells and treatment systems and pursuing options for remediation in the future. The City has recorded a liability of \$3.4 million to continue the voluntary monitoring and well replacement program throughout this fiscal year. The estimated amount could change in the future as the City evaluates various alternatives.

NOTE 16 - CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued industrial revenue bonds to provide financial assistance in private-sector entities for the acquisition and construction of commercial and health facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayments of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

While the outstanding principal amount could not be determined, the original issues were as follows:

<u>Issues</u>	<u>Number of issues</u>	<u>Original issue amounts</u>
Amarillo Health Facilities Corporation	2	\$ 123,155,000
Amarillo Housing Finance Corporation	1	<u>10,000,000</u>
		<u>\$ 133,155,000</u>

NOTE 17 - AMARILLO HOSPITAL DISTRICT

Significant Accounting Policies

Financial Reporting Entity

The financial reporting entity represents a political subdivision of the State of Texas and a component unit of the City. Its fiscal year coincides with that of the City.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 17 - AMARILLO HOSPITAL DISTRICT (CONTINUED)

Significant Accounting Policies (Continued)

On May 7, 1996, the Amarillo Hospital District (District) sold its hospital facilities to a private hospital management company for approximately \$121,000,000 and discontinued assessing ad valorem taxes for hospital purposes. With the exception of continuing the operations of a pediatric-specialty, nonprofit entity until 2000, the functions of the District since the sale of the hospital facilities have consisted primarily of investing the sales proceeds for future hospital purposes and funding indigent care costs. The employee pension plan is held for payment of future benefits as former employees meet applicable retirement requirements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District follows the provision of Governmental Accounting Standards Board Statement No. 34. While it is no longer engaged in hospital operations, it continues to use the accounting principles applicable to enterprise funds.

The District follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investment Pools*, which provides that investments generally are reported at fair value, and changes in fair value are recognized as revenue.

Additionally, the District follows GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as amended by GAS No. 50, *Pension Disclosures*. Accordingly, its pension expense is recognized on the accrual basis.

The District has self-insured claims arising from professional malpractice.

Agreements with Respect to Hospital Sale

On May 7, 1996, the District sold its physical plant, patient receivables, and other operating assets to a for-profit, hospital-management company which assumed all of its hospital operations, as well as responsibility for healthcare services to indigent and needy persons within the District. The total sales proceeds were approximately \$121 million.

In return, the District will make indigent care payments to the buyer, payable in quarterly installments, for the next 25 years. The payments were \$8,000,000 per year through May 1999. Thereafter, through May 2006, payments varied between \$6,000,000 to \$8,000,000 per year, adjusted for inflation. Subsequent to May 2006, the payments per year will generally be equal to the lesser of the payments per year made in 2005 or 2006. For the years ended September 30, 2012 and 2011, the District recognized approximately \$5,241,388 and \$5,551,694, respectively, in indigent care expenses relating to the agreement.

The District currently collaborates with Northwest Texas Healthcare System to ensure both parties best allocate their resources for the provision of care to the low income and needy residents in their community. As part of this collaboration, Northwest has proposed that the District fund payments to Northwest under the Medicaid upper payment limit program ("Medicaid UPL"). On November 9, 2006, the District temporarily suspended the "Indigent Care Agreement," dated May 7, 1996 for the period from November 9, 2006 through November 8, 2008 and replaced it with the an almost identical agreement called the Health Care Services Agreement. (HCA). The District remitted approximately \$12,712,000 on November 20, 2006 to fund the Medicaid UPL program. On October 1, 2007, the parties entered into a Second Suspension Agreement, amended in June 2008, where the indigent care agreement was suspended through August 8, 2010 and the District provided \$10,617,911 to the Medicaid UPL program. The agreement was amended a third time in October 2008 suspending the indigent care agreement to August 2011 and \$5,526,945 in Medicaid UPL funding was made on December 1, 2009. The agreement was amended a fourth time in June 2009 suspending the indigent care agreement to November 8, 2012. The

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 17 - AMARILLO HOSPITAL DISTRICT (CONTINUED)

Agreements with Respect to Hospital Sale (Continued)

District made payments of \$2,695,249 in June 2009 and \$3,896,364 in September 2009 for Medicaid UPL funding. In January 2010, the agreement was amended to extend the suspension of the indigent care agreement through August 8, 2013 with a payment of \$4,007,690 in Medicaid UPL funding. Likewise, the agreement was amended to extend the suspension of the indigent care agreement through November 8, 2013 with a payment of \$1,330,871 in Medicaid UPL funding in July 2010 and again in November 2010. The November 2010 extends the agreement through February 8, 2014 at a cost of \$1,337,596.

In April 2011, the suspension agreement was amended to extend the suspension of the indigent care agreement through May 8, 2014 with a payment of \$1,359,466 in Medicaid UPL funding. Likewise, the agreement was amended to extend the suspension of the indigent care agreement through August 8, 2014 with a payment of \$1,360,959 in Medicaid UPL funding in July 2011.

In October 2011, the suspension agreement was extended through November 8, 2014 at a cost of \$1,337,382. With the suspension of the "Indigent Care Agreement," the District was no longer obligated to make indigent care payments. Currently, the "Indigent Care Agreement" and corresponding payments have been suspended through November 2014. The District has provided \$46.2 million in funding to the Medicaid program versus \$55.5 million in indigent care payments that would have been due under the contract.

Deposits and Investments

The District's funds are required to be invested in accordance with the Public Funds Investment Act. Bank deposits are collateralized by FDIC insurance or by pledged collateral. Governmental accounting standards require the categorization of investments to give an indication of the level of risk assumed. Based on the applicable criteria, a summary of the District's investment securities at September 30, 2012 are as follows:

	Fair Value			Weighted Average Maturity (Years) (excluding securities lending)
	Unrestricted Assets	Restricted Assets	Total	
Investment Securities				
U.S. Treasury obligations	\$ 6,872,889	\$ -	\$ 6,872,889	8.52
U.S. Government and government-sponsored agencies	180,995,744	-	180,995,744	14.89
Municipal bonds	15,486,357	-	15,486,357	8.62
Total investment securities	203,354,990	-	203,354,990	10.12
No-load U.S. Treasury-only mutual funds	3,782,084	-	3,782,084	-
Total investments	207,137,074	-	207,137,074	9.94
Deduct: Cash equivalents	(3,782,084)	-	(3,782,084)	-
Net investments for financial reporting	\$ 203,354,990	\$ -	\$ 203,354,990	10.12

Property Taxes

The District is co-extensive with the City, and the assessed valuations that have formed the basis for its tax roll have been the same as that of the City. The assessment of ad valorem taxes ceased in 1996 with the sale of the facilities. Ad valorem tax revenue of \$5,944 for the year ended September 30, 2012 represents collections of delinquent taxes.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 17 - AMARILLO HOSPITAL DISTRICT (CONTINUED)

Tobacco Settlement

During 1998 the State of Texas settled litigation against certain tobacco manufacturers, which entitles political subdivisions with legal responsibility for providing indigent healthcare services to a portion of the settlement proceeds. As a result of the settlement, in 1998 the District received a distribution of approximately \$2.9 million based on a per capita calculation (1990 federal census). Subsequent distributions have been made based on each subdivision's total unreimbursed indigent healthcare expenditures for the calendar year immediately preceding the year of distribution. As the various calculations are not determinable by the District, these revenues are not accrued. In 2012 and 2011 the District received approximately \$279,000 and \$240,000, respectively, in tobacco settlement funds.

Employee Retirement Benefits

Substantially all full-time employees of the District had been eligible for participation in the pension plan, which is a single-employer, noncontributory plan. Upon the sale of the Hospital in 1996, the employee pension plan was "frozen."

An actuarial valuation performed as of October 1, 2011 reflected an actuarial accrued liability of \$29,993,879 and net assets available for benefits, at "smoothed" market, of approximately \$17,656,087, resulting in an unfunded liability of \$12,337,792. Significant actuarial assumptions used in the valuations include a rate of return on investments of 8%. Compensation increases do not apply due to the plan being frozen. For the year ended September 30, 2012, the District made a contribution of \$2,000,000 to the plan.

Participants vested 100% upon completion of five years of service and vested participants are entitled to benefits upon retirement or upon termination of employment after 20 years of service. Upon sale of the Hospital, as described above, substantially all employees of the District were offered employment with the buyer or, with respect to certain public health functions, the Health Department of the City, both of which alternatives are considered to be a continuation of employment for purposes of defining retirement or termination. At October 1, 2011, the plan had 205 participants classified as "active" under this provision, although the plan was "frozen" as it relates to District participants, as well as 390 retirees and 243 terminated employees entitled to, but not receiving benefits.

It is anticipated that the plan's assets will be held intact to fund retirement benefits as determined under this plan when the vested participants separate from service with the successor employers. The District is responsible for the pension plan and intends to make annual contributions at least equal to the actuarially determined contribution requirements to the plan.

Commitments and Contingencies

Although the District sold the Hospital on May 7, 1996, it retained the responsibility for certain claims as of the date of sale. The District self-insures substantially all of the important risks.

In accordance with the limited liability provisions of the Texas Tort Claims Act, the District may be liable for settlement of malpractice claims up to a limit of \$100,000 per person. Claims have been made alleging malpractice arising out of the ordinary course of business, and such litigation is in various stages of progress. The District self-insures for claims arising from professional malpractice.

It is the opinion of management that estimated self-insurance costs, including known claims and reserves for incurred but not reported claims, are adequate to provide for potential claims.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 17 - AMARILLO HOSPITAL DISTRICT (CONTINUED)

Commitments and Contingencies (Continued)

As of September 1, 2009, the District is no longer the contractor for the Poison Center in Amarillo. The District had subcontracted with Texas Tech University (Texas Tech) to manage the Poison Center in Amarillo. As of September 1, 2009, the State is contracting directly with Texas Tech. The Poison Center is entirely grant funded and the District remitted the payments from the granting agency to Texas Tech.

The District has contracts with Northwest Texas Healthcare System (Northwest) and Northwest's affiliate, Amarillo Clinical Services, Inc. (ACS), relating to pediatric, dental and tobacco prevention services. Under the contract with ACS, ACS will provide pediatric physician healthcare services under the terms of an arrangement with Texas Tech. Under the contract with Northwest, Northwest will provide non-hospital healthcare services, including dental care services and tobacco prevention and control services. For the years ended September 30, 2012 and 2011, the District paid approximately \$1,479,000 and \$1,474,000, respectively, for pediatric subspecialty care, indigent dental care, and our smoking cessation and prevention program called Tobacco Free Amarillo. The decrease in the expenditure is because the District dropped the dental services portion of the contract in 2010-11 due to budgetary reasons.

At September 30, 2012, the District has committed to fund pediatric services, dental services and tobacco prevention services for approximately \$1,479,000.

Financial Statements

The District's financial offices were closed upon the sale of the hospital, and its Board selected the City of Amarillo as its fiscal agent. Accordingly, the separately issued financial statements for this entity and for its pension trust may be obtained by contacting the Director of Finance, City of Amarillo, P.O. Box 1971, Amarillo, Texas 79105

NOTE 18 - AMARILLO ECONOMIC DEVELOPMENT CORPORATION

Significant Accounting Policies

Operations

Amarillo Economic Development Corporation (AEDC) was created by the City in 1990 under provisions of the Development Corporation Act of the State of Texas. Its operations are financed by the proceeds of a 1/2-percent economic-development, sales tax. It is governed by a five-member Board of Directors appointed by the City Commission. The City serves as fiscal agent for AEDC, providing such services as accounting, investment, and management information services.

Because of the City's excellent mid-continent location and its year-around flying weather, together with the availability of the land and improvements of a former U.S. Air Force Strategic Air Command base, many of the early projects of AEDC have focused on the City's International Airport. As one of its first economic development projects, AEDC issued sales tax revenue bonds to fund the construction of a hangar on ground leased from the City's Airport. The hangar is capable of accommodating a Boeing 747 airplane and is being leased to a qualifying private enterprise. Additional other leases have been entered into involving existing hangars, nearby buildings and construction of facilities.

Other projects have taken the form of grants or interest waivers on loans to industrial enterprises based on meeting targeted, job-creation levels, as well as grants and contracts supporting research and promotional activities.

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012**

NOTE 18 - AMARILLO ECONOMIC DEVELOPMENT CORPORATION (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Preparation

The AEDC's fiscal year coincides with that of the City. AEDC follows the provisions of Governmental Accounting Standards Board Statement No. 34. Accordingly, it presents government-wide financial statements using accounting principles similar to those used by commercial enterprises.

Investments are valued at fair market value. Grants are generally recorded as expenses and liabilities at the time of the awards. Grants subject to significant performance criteria are recorded when the funds are disbursed or the criteria satisfied, whichever is earlier.

The maximum potential job creation credits available against loan interest are recognized as development expense in the period in which the loans are made. Development notes receivable are reported at their stated principal amounts, reduced by the estimated effect of the potential interest waivers as well as by an allowance for uncollectible amounts. Direct financing leases are reported at the lower of the Corporation's investment in the property or the present value of the future minimum lease payments to be received plus the estimated residual value of the leased property. Income from finance leases is credited to income based on a constant periodic rate of return on the net investment in the lease.

Property and equipment are recorded at cost, and donated property is recorded at fair value at date of receipt. Property and equipment consists primarily of hangars and related improvements located at the City's airport, as to which the estimated useful lives are 30 years. Depreciation is provided on the straight-line method. Assets restricted by interest and sinking fund indenture agreements are segregated, and are presented as restricted assets.

Deposits and Investments

The AEDC's cash and investments are managed by the City, which accounts for its liquid assets and its receipts and disbursements as one of its agency funds. The AEDC's uninvested cash is held in the City's depository in the City's name as agent for AEDC. All such cash is insured by the Federal Deposit Insurance Corporation and other insurers.

The AEDC's investments are administered by City management under terms of an investment policy and strategy that has been updated to conform to the latest amendments to the Texas Public Funds Investment Act.

A summary of the AEDC's investment securities at September 30, 2012 is as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Investments		
U.S. Treasury	\$ 10,677,029	—
Money market mutual funds	<u>8,750,000</u>	<u>0.44</u>
Total investments at fair value	19,427,029	0.44
Deduct: Classified as cash equivalents for financial reporting	<u>(10,677,029)</u>	<u>—</u>
Net investments	<u>\$ 8,750,000</u>	<u>0.44</u>

**CITY OF AMARILLO, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 Year Ended September 30, 2012**

NOTE 18 - AMARILLO ECONOMIC DEVELOPMENT CORPORATION (CONTINUED)

Economic Development Loans

As one type of economic development project, the AEDC has made a number of loans to industrial enterprises under arrangements that waive up to 100% of the stated interest on such loans if job creation targets are met. These maximum allowances are recognized as development expenses in the period in which the loans are made. In addition to interest waivers, a provision has been made for uncollectible loans, including amounts related to the individual credits based on managements' analysis, as well as a provision for unidentified risks.

An analysis of loans and the related valuations allowances at September 30, 2012 are as follows:

Principal balances	\$ 7,484,105
Allowance for uncollectible accounts	<u> —</u>
Loans, net of allowances	<u>\$ 7,484,105</u>

Interest accrued and receivable on loans is \$1,280,022 at September 30, 2012.

Direct Financing Leases

In August 1998, Bell Helicopter, the world's leading producer of helicopters, announced its selection of Amarillo as the site for its new tiltrotor helicopter plant, based partly on incentives offered by AEDC. The incentive package includes manufacturing facilities financed by AEDC sales-tax-backed bonds up to a total amount of \$34 million, as well as industrial revenue bonds up to a total amount of \$8 million, plus cash of up to \$5 million for site acquisition and employee training and relocation. Bell's obligations under a lease agreement are sufficient to service the construction debt, but if job creation goals are met, the resulting incentive credits could fully discharge Bell's payment obligations. As of September 30, 2012, AEDC had increased the total funding capacity under the location incentive agreement to approximately \$120 million.

In the 1999 fiscal year, approximately 65 acres of land adjacent to the City's airport were acquired for Phase I of this project, and construction of a hangar and an aircraft assembly building was begun. The first building was completed in May 1999, and the second building was completed in March 2000. The rental term for this phase of the project is 20 years, coinciding with the term of sales tax revenue bonds in face amount of \$23,430,000 sold in order to fund the construction. The rental amount is to be the levelized debt service on the bonds. The resulting annual rentals, in the amount of \$2,163,503, were waived during the first year and, as noted above, subsequent annual rentals could be fully waived if job creation goals are met. At the end of the 20-year lease term, Bell Helicopter has the option to purchase the buildings and underlying land for \$1. At September 30, 2012, AEDC's net investment in this lease was \$11,360,551.

In fiscal year 2005, an expansion to the aircraft assembly building was completed for a total cost of \$10,570,000. The rental term for this project is 20 years, beginning on the date the lease commenced. The resulting monthly rentals, in the amount of \$44,042 could be fully waived if job creation goals are met. At September 30, 2012, AEDC's net investment, less discount for jobs credits, in this lease was \$4,534,527.

The expansion to the Hangar was completed for a total cost of \$14,234,368. The lease for this project commenced on January 1, 2006. The rental for this project is 20 years, beginning on the date the lease commenced. The resulting annual rentals, in the amount of \$711,718, could be fully waived if job creator goals are met. At September 30, 2012, AEDC's net investment in this lease, less discount for jobs credits, was \$6,587,364.

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012**

NOTE 18 - AMARILLO ECONOMIC DEVELOPMENT CORPORATION (CONTINUED)

Direct Financing Leases (Continued)

Phase IV of the project was completed for a total cost of \$15,028,921. The lease for this project commenced on January 1, 2006. The rental term for this project is 20 years, beginning on the date the lease commenced. The resulting annual rentals, in the amount of \$751,446, could be fully waived if job creator goals are met. At September 30, 2012, AEDC's net investment in this lease, less discount for jobs credits, was \$6,889,795.

In fiscal year 2009, Phase VI was completed for a total cost of \$22,242,454. The lease for this project commences on January 1, 2010. The rental term for this project is 20 years, beginning on the date the lease commences. The resulting annual rentals in the amount of \$1,884,509 could be waived if job creation goals are met. At September 30, 2012, AEDC's net investment in this lease, less discount for job credits, was \$21,640,044.

In fiscal year 2011, a project was completed for a total cost of \$31,749,325. The lease for this project commences on June 14, 2011. The rental term for this project is 20 years, beginning on the date the lease commenced. The resulting annual rentals in the amount of \$799,314 could be fully waived if job creation goals are met. At September 30, 2012, AEDC's net investment in this lease, less discount for job credits, was \$30,772,360.

Additionally, in fiscal year 2006, AEDC acquired another 98.6 acres of adjacent land for future expansion, at a total cost of \$782,540. In accordance with the terms of the incentive package, this land together with any improvements thereon will be subject to a purchase option at a nominal amount after redemption of any bonds issued for related construction.

The AEDC has three other direct financing leases, with a total carrying value of \$7,554,494 as of September 30, 2012. Future noncancelable commitments of the tenants under these arrangements are as follows:

<u>Year ending September 30</u>	<u>Bell Helicopter</u>	<u>Other</u>
2013	\$ 8,850,890	\$ 795,267
2014	8,850,890	795,267
2015	8,850,890	795,267
2016	8,850,890	671,272
2017	8,850,890	660,000
Future years	<u>82,061,526</u>	<u>7,648,905</u>
	<u>\$ 126,315,976</u>	<u>\$ 11,365,978</u>

As described above, the Bell Helicopter lease is subject to jobs creation credits that may result in a full waiver of the lease payments.

Operating Lease Activities

The AEDC has entered into a number of arrangements in which it leases hangars and similar properties at the City's airport and, with appropriate improvements and modifications, subleases the properties to qualifying manufacturing or industrial enterprises at scheduled amounts sufficient to amortize the AEDC's costs over the lease terms. However, the scheduled payments are subject to incentive discounts and waivers based on job creation criteria. During the year ended September 30, 2012, AEDC received rentals in the amount of \$10,885 and paid \$10,885 to the Amarillo International Airport to lease certain of its properties for this purpose.

The AEDC entered into a lease agreement with the City to lease warehouse property on the northwest side of Amarillo. They sublease the property to a manufacturing company at scheduled amounts

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012**

NOTE 18 - AMARILLO ECONOMIC DEVELOPMENT CORPORATION (CONTINUED)

Operating Lease Activities (Continued)

sufficient to amortize AEDC's costs over the lease term. During the year ended September 30, 2012, AEDC received rentals in the amount of \$248,049 and paid \$113,222 to the City for lease of this property.

Capital Assets

As part of its economic development program, the AEDC has constructed a number of improvements on property leased from the City's airport for the purpose of subleasing to qualifying enterprises. Additionally, it holds equipment needed for administrative purposes. At September 30, 2012, the AEDC's property, plant, and equipment were as follows:

Buildings and improvements	\$ 19,548,931
Equipment	104,928
Construction in progress	2,267,200
Accumulated depreciation	<u>(6,998,658)</u>
Total capital assets	<u>\$ 14,922,401</u>

Employee Retirement Benefits

The AEDC maintains a money purchase pension plan for its employees, which is designed to meet the requirements of Internal Revenue Code Section 401(a), and has adopted a current contribution rate of 10% of salaries. As the AEDC's policy is to fund credits as they accrue, there is no unfunded pension obligation. A local banking institution serves as trustee. The cost of this plan for the year ended September 30, 2012 was \$78,592.

Long-Term Debt

In December 1998 the AEDC issued its taxable sales tax revenue bonds in the amount of \$23,430,000 for purposes of financing facilities being constructed for Bell Helicopter Textron. In December 2007, AEDC issued \$48,915,000 Amarillo Economic Development Corporation Taxable Sales Tax Revenue Refunding and Improvement Bonds Series 2007. These bonds were issued to refund the bonds issued in 1998 and to finance construction of an assembly space for Bell Helicopter Textron and a processing facility for Pacific Cheese and to pay costs associated with the issuance of bonds.

The 2007 bonds mature serially through 2027 and call for interest rates on the bonds currently outstanding ranging from 4.35% through 6.25%. Scheduled principal payments are as follows: 2013, \$2,625,000; 2014, \$2,755,000; 2015, \$2,895,000; 2016, \$3,040,000; 2017, \$3,200,000; and thereafter \$22,145,000. The principal outstanding at September 30, 2012 was \$36,660,000.

In December 2009 the AEDC issued its taxable sales tax revenue bonds in the amount of \$38,830,000 for purposes of financing facilities being constructed for Bell Helicopter Textron and Zarges Aluminum Systems (Zarges). After issuance costs and funding a reserve fund, approximately \$31 million of the bond proceeds were used for Bell and approximately \$5 million were used for the Zarges project.

The 2009 bonds mature serially through 2030 and call for interest rates on the bonds currently outstanding ranging from 2.482% through 6.529%. Scheduled principal payments are as follows: 2013, \$1,245,000; 2014, \$1,290,000; 2015, \$1,340,000; 2016, \$1,410,000; 2017, \$1,480,000; and thereafter \$29,685,000. The principal outstanding at September 30, 2012 was \$36,450,000.

AEDC's bonds are rated "A1" by Moody's Investors Service, Inc. and "AA-" by Standard & Poor's Ratings Services.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 18 - AMARILLO ECONOMIC DEVELOPMENT CORPORATION (CONTINUED)

Commitments

At September 30, 2012, AEDC had construction-in-progress commitments in the amount of approximately \$1,900,000.

At September 30, 2012, AEDC had other outstanding commitments, not included above, to make grants or extend credit to qualifying enterprises, generally effective for a five-year period, in the amount of approximately \$12.4 million. Subsequent to year-end, AEDC incurred approximately \$1.3 million in additional commitments to make grants or extend credit to qualifying enterprises.

AEDC is obligated to the City for leases of airport property and other property being subleased to various development and manufacturing enterprises.

Financial Statements

Separately issued financial statements for this entity may be obtained by contacting the AEDC at its offices, which are located at 801 South Fillmore, Suite 205, Amarillo, Texas 79101.

NOTE 19 - AMARILLO-POTTER EVENTS VENUE DISTRICT

Significant Accounting Policies

The Venue District is a governmental entity created by enabling resolutions of the City and Potter County (the County) in September 1997. In January 1998 the voters of the City and the County approved the proposed project, which consists of constructing a livestock arena at the county fair grounds to be used for livestock shows, sporting events, agricultural expositions and other civic or charitable events, together with expansion of the City's Civic Center to provide additional exhibit hall space and meeting rooms.

The construction of the livestock arena has been financed by citizen contributions, together with bonds serviced by a 2% hotel occupancy tax and a 5% tax on short-term auto rentals, both of which taxes were approved by the voters on January 17, 1998. The City has agreed to pay lease rentals, if necessary, to cover any shortfall in the tax revenues available for the debt service, and this agreement is collateralized by the City's 7% hotel occupancy tax.

The Venue District is governed by a seven-member Board of Directors, four of whom are appointed by the Mayor of the City and three of whom are appointed by the County Judge of the County. The budget is subject to approval by both the City Commission and the County Commissioner's Court. The City serves as fiscal agent for the Venue District, performing various administrative services under a contract providing that it will be reimbursed for its cost of providing the services.

The Venue District is considered to be a component unit of the City's financial reporting entity because of its oversight responsibility with respect to management, as well as its financial accountability with respect to debt service.

Measurement Focus, Basis of Accounting, and Financial Statement Preparation

The Venue District's fiscal year coincides with that of the City. It follows the provisions of Governmental Accounting Standards Board Statement No. 34. Accordingly, it presents government-wide financial statements using accounting principles similar to those used by commercial enterprises.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 19 - AMARILLO-POTTER EVENTS VENUE DISTRICT (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Preparation (Continued)

Taxes collected by hotels and rental agencies are due to the Venue District by the tenth of the month following collection. Such taxes are recognized as revenues when collected by the remitters.

Depreciation is provided for on the straight-line method over the estimated useful lives of the facilities. The primary depreciable asset of the Venue District at September 30, 2012 was a livestock arena, and its estimated useful life is 40 years.

Physical Facilities

A livestock arena and special events center (the Center) has been constructed on fairground property owned by the County and has a total capacity of 10,000 persons. The total construction cost of the facility was approximately \$12.8 million. When completed as of June 1, 2000, the Center was leased on a rent-free basis to the local nonprofit fair association.

In January 2002 construction began on a 65,000 square foot addition to the City's Civic Center, together with additional paved parking. The total construction cost of this facility was \$9.6 million. Cost in excess of the funds provided by the Venue District's bonds and available revenues are to be paid by the City with proceeds of its hotel-motel taxes earmarked for this expansion.

Financing

In December 1998 the Venue District issued sales tax and lease revenue bonds in the face amount of \$10 million, secured by a pledge of the Venue District's tax revenues, as well as by a lease agreement from the City secured by its hotel occupancy taxes, to be applicable if there is a shortfall in the Venue District's revenues available for debt service. In November 2000 the Venue District issued additional bonds in the face amount of \$6,750,000. On November 10, 2005, the Venue District issued \$6,425,000 in Special Tax and Lease Revenue Refunding Bonds for a refunding of \$6,340,000 of outstanding Special Tax and Lease Revenue Bonds, Series 2000. The refunding was undertaken to reduce total debt service payments over the next 30 years by approximately \$423,000 and resulted in an economic gain of approximately \$430,000. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the Venue District's financial statements. The principal amount outstanding at September 30, 2012 on the 2005 bond issue was \$5,750,000.

In July 2009, the Venue District issued \$8,130,000 in Special Tax and Lease Revenue Refunding Bonds for a refunding of outstanding Special Tax and Lease Revenue Bonds, Series 1998. The refunding was undertaken to reduce total debt service payments over the next 20 years by approximately \$652,000 and resulted in an economic gain of approximately \$435,000. The debt has been considered defeased and, therefore, removed as a liability from the Venue District's financial statements for reporting purposes. The principal amount outstanding at September 30, 2012 on the bond issues was \$7,410,000.

Commitments

The Venue District has entered into a management agreement with the nonprofit fair association to operate the livestock arena and the City for the operation of the portion of the project connected to the City's facility. In this connection, the Venue District is paying both the nonprofit fair association and the City a management fee. The management fees are subject to annual appropriation of the Board. In the 2012/13 budget, the Venue District increased its management fee for operating the Amarillo National Center from \$24,000 per month to \$25,354 per month and the management fee to the City of Amarillo remains unchanged at \$398,000 annually. The total management fees paid during the fiscal year ended September 30, 2012 were \$686,004. The Venue District has committed approximately \$702,000 in management fees in fiscal year 2013.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 19 - AMARILLO-POTTER EVENTS VENUE DISTRICT (CONTINUED)

Commitments (Continued)

The Venue District's Board approved a motion to fund a project in the amount of \$100,081 to install six roof top exhaust fans to the Vance Reed Livestock Center.

The Amarillo Convention & Visitor Council through its partnership with American Quarter Horse Association (AQHA) is contributing to the success of the AQHA Adequan Select World Show in 2012 and beyond. The District has committed approximately \$50,000 toward fairground rental, \$62,000 to AQHA, and \$10,000 toward ongoing economic impact research each year the event is held in Amarillo, Texas.

Financial Statements

Separately issued financial statements for this entity may be obtained by contacting the Director of Finance, City of Amarillo, P.O. Box 1971, Amarillo, Texas 79105.

NOTE 20 - AMARILLO HOUSING FINANCE CORPORATION

In 1996 AHFC issued bonds in the amount of \$15,700,000 under authority of the Texas Housing Finance Corporation Act, and entered into a trustee investment arrangement in which the proceeds are to be invested in GNMA and FHLMC certificates secured by the mortgage loans originated under a lending program prescribed by the Act. On February 1, 1999 the AHFC refunded \$5,500,000 and called \$3,260,000 of this issue. The remaining bonds are payable solely from the Trust Estate, and are not general obligations of either the AHFC or the City. A similar issuance was made in a prior year in the amount of \$8,700,000.

On February 28, 2000 the AHFC issued \$15,000,000 under authority of the Texas' Housing Finance Corporation Act, and entered into a trustee investment arrangement in which proceeds are invested in GNMA and FNMA certificates. In 2003 the AHFC issued \$10,000,000 under authority of the Texas' Housing Finance Corporation Act, and entered into a trustee investment arrangement in which proceeds are invested in GNMA and FNMA certificates.

In December 2007, the Housing Finance Corporation converted its \$5.6 million mortgage bond allocation to \$4 million in Mortgage Credit Certificates (MCC). MCCs allow first-time homebuyers to take a tax credit of up to \$2,000 a year on their income tax return for a portion of the mortgage interest paid during the year and the taxpayer is still allowed to deduct the balance of the mortgage interest as an itemized deduction. Also, MCCs work in any interest-rate environment. The program ended in December 2009. In total, we utilized \$2,730,817 of the \$4 million in MCCs available.

Financial Statements

This organization does not publish separate financial statements, but its non-trusteed cash balance, used for miscellaneous operating expenses. Further information regarding this entity may be obtained from the Director of Finance, City of Amarillo.

NOTE 21 - TAX INCREMENT ZONE #1

The Taxing Increment Reinvestment Zone Number One (TIRZ) was created in FY 2007 pursuant to the Texas Tax Increment Financing Act, Tax Code, Chapter 311. The purpose of the zone is to promote the development of or redevelopment of certain contiguous geographic areas in the City.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 21 - TAX INCREMENT ZONE #1 (CONTINUED)

The TIRZ has agreed to support the Potter County Courthouse renovation project with a debt issuance of \$1,234,605. The TIRZ participation agreement with Potter County was amended November 16, 2010 and the funding obligation for the Courthouse was to be \$745,426. On June 16, 2011, the TIRZ Board amended the agreement to add \$198,000 to the agreement. The TIRZ has agreed to do landscaping and streetscaping around the new Courthouse. The City of Amarillo issued approximately \$2.2 million in Certificates of Obligation in February 2011 using an unlimited pledge of TIRZ revenue for the Courthouse project and other streetscape improvements in downtown Amarillo.

The TIRZ has agreed to rebate 90% of the taxes of the participating taxing entities paid by the owners for 20 years on the value of the improvements of the Fisk Building not to exceed 20 years or \$1,657,716 and the Double R Lofts not to exceed 20 years or \$778,686. The Fisk Building opened as a new Courtyard by Marriott hotel in December 2010 and was eligible for a rebate of \$51,921 in 2012.

The TIRZ has agreed to support a streetscape project for Polk Street United Methodist Church. The project will use the lump sum option not to exceed \$203,124 payable only when the project is completed as submitted to the TIRZ Board. \$112,063 has been distributed for this project as of September 30, 2012.

The TIRZ Board approved approximately \$2.7 million for the streetscape improvements for the Amarillo Convention Hotel, parking structure, and multi-purpose event venue.

The TIRZ agreed to support the streetscape project for the Vineyard Manor Apartments project not to exceed \$48,425, payable upon completion of the streetscape improvement.

Financial Statements

Separately issued financial statements may be obtained by contacting the Director of Finance, City of Amarillo, P.O. Box 1971, Amarillo, Texas 79105.

NOTE 22 - AMARILLO LOCAL GOVERNMENT CORPORATION

In March 2011, the Corporation was organized as a public nonprofit corporation for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental functions to promote the development of the geographic area of the City, including the vicinity of the downtown area, in furtherance of the promotions, development, encouragement and maintenance of employment, commerce, convention and meeting activity, tourism and economic development in the City. The Corporation was created under the provisions of Subchapter D of Chapter 431, Texas Transportation Code and the Texas Nonprofit Corporation Law, Chapter 22, Business Organizations Code.

ALGC is governed by a seven-member Board of Directors appointed by the City Commission of the City of Amarillo (the City). ALGC's annual operating budget, as well as projects undertaken by it, is subject to approval by the City Commission.

The City of Amarillo has leased land to the ALGC to build a convention hotel and parking garage. The ALGC entered into a lease and development agreement with Wallace Bajjali (WB) Development Partners, LP on May 8, 2012. Under the terms of the agreement, WB is to construct a full-service convention center hotel on land owned by the City of Amarillo. The hotel will have 270 to 300 rooms and approximately 21,000 square feet of configurable meeting space. The ALGC will own the hotel and lease the hotel for an eighty (80) year term to WB. WB will select the hotel operator subject to approval of ALGC. WB and the operator will receive all revenue from the hotel and will be responsible for all operating and maintenance costs. The ALGC, the City of Amarillo and TIRZ #1 have agreed not to incentivize another comparable property in the downtown area for 20 years.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE 22 - AMARILLO LOCAL GOVERNMENT CORPORATION (CONTINUED)

The ALGC has agreed to construct an 841-space parking garage adjacent to the hotel. The hotel will have 300 spaces in the garage. The cost of the structure is estimated to be approximately \$13.5 million. WB will make an advance payment of \$2.2 million to help with construction of the garage, and the hotel will pay \$360,000 per year for their 300 parking spaces. To complete the project, the City of Amarillo will have to issue approximately \$13 million in Hotel Occupancy Tax Revenue Bonds and pledge the Hotel Occupancy Tax Revenue.

Financial Statements

Separately issued financial statements may be obtained by contacting the Director of Finance, City of Amarillo, P.O. Box 1971, Amarillo, Texas 79105.

This information is an integral part of the accompanying basic financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Certain information that is not a part of the basic financial statements but, nevertheless, is considered to be an important part of a governmental entity's financial report, must be presented immediately after the notes to the basic financial statements. This information includes the following:

Budgetary comparison schedules for the General Fund and each major special revenue fund that has a legally adopted annual budget. Under this criteria, the budgetary comparison schedule of the General Fund is presented in this section.

Pension trend data: The funding progress of the City's portion of the Texas Municipal Retirement System, as well as the Firemen's Relief and Retirement Fund for City of Amarillo firefighters is included in this section.

Postemployment trend data: The funding progress of the City's portion of the postemployment benefit plan is included in this section.

CITY OF AMARILLO, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	Adjustments to Budgetary Basis		
REVENUES						
Ad valorem taxes	\$ 31,881,594	\$ 31,881,594	\$ 32,361,774	\$ -	\$ 32,361,774	\$ 480,180
Sales taxes	46,000,000	46,000,000	48,256,664	-	48,256,664	2,256,664
Mixed beverage taxes	600,520	600,520	533,575	-	533,575	(66,945)
Hotel occupancy taxes	4,742,591	4,742,591	5,002,181	-	5,002,181	259,590
Gross receipts bus. taxes	16,340,050	16,340,050	16,100,508	-	16,100,508	(239,542)
Licenses and permits	1,917,043	1,917,043	2,315,185	-	2,315,185	398,142
Interfund reimbursement	1,383,844	1,383,844	1,584,965	-	1,584,965	201,121
Intergovernmental revenue	3,467,497	3,467,497	3,388,112	-	3,388,112	(79,385)
Contributions from citizens	24,224	24,224	7,363	-	7,363	(16,861)
Charges for services	30,770,995	30,770,995	30,428,631	-	30,428,631	(342,364)
Fines and forfeitures	4,732,043	4,732,043	4,955,058	-	4,955,058	223,015
Investment earnings	528,423	528,423	391,254	-	391,254	(137,169)
Other rentals and commissions	406,094	406,094	395,662	-	395,662	(10,432)
Miscellaneous revenues	497,597	497,597	601,608	-	601,608	104,011
Total Revenues	143,292,515	143,292,515	146,322,540	-	146,322,540	3,030,025
EXPENDITURES						
Auditorium/Coliseum	3,075,214	3,086,470	2,857,382	7,554	2,864,936	221,534
Tourism	2,901,960	2,901,960	2,847,958	(818)	2,847,140	54,820
Fire protection	25,113,192	25,114,704	24,593,266	24,556	24,617,822	496,882
General government	3,749,639	3,762,365	3,315,641	2,307	3,317,948	444,417
Libraries	3,637,396	3,657,973	3,578,900	6,400	3,585,300	72,673
Other	9,460,130	9,496,518	8,964,926	3,145	8,968,071	528,447
Parks	6,472,689	6,485,849	6,488,897	(218)	6,488,679	(2,830)
Participant recreation	5,198,143	5,209,687	4,921,867	(22)	4,921,845	287,842
Police protection	36,435,345	36,435,309	37,119,261	64,860	37,184,121	(748,812)
Solid waste	11,296,353	11,325,487	11,063,271	7,073	11,070,344	255,143
Staff services	9,550,742	9,556,124	8,755,786	(22,004)	8,733,782	822,342
Information technology	2,703,720	2,703,720	2,703,716	-	2,703,716	4
Streets traffic and engineering	15,229,525	15,279,433	13,683,894	41,705	13,725,599	1,553,834
Transit	4,183,901	4,201,172	3,961,009	12,781	3,973,790	227,382
Total Expenditures	139,038,949	139,216,771	134,855,774	147,319	135,003,093	4,213,678
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,253,566	4,075,744	11,466,766	(147,319)	11,319,447	7,243,703
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	182,200	182,200	70,281	-	70,281	(111,919)
Transfers to other funds	(9,812,107)	(9,634,298)	(9,080,216)	-	(9,080,216)	554,082
Total Other Financing Sources (Uses)	(9,629,907)	(9,452,098)	(9,009,935)	-	(9,009,935)	442,163
Net Change in Fund Balances	(5,376,341)	(5,376,354)	2,456,831	(147,319)	2,309,512	7,685,866
FUND BALANCE, OCTOBER 1, 2011	34,021,872	33,952,369	43,807,734	279,521	44,087,255	10,134,886
FUND BALANCE, SEPTEMBER 30, 2012	\$ 28,645,531	\$ 28,576,015	\$ 46,264,565	\$ 132,202	\$ 46,396,767	\$ 17,820,752

Note 1 - The City prepares its annual budget on a basis (budget basis) which differs from a GAAP basis. The differences between budget and GAAP basis in the General Fund are that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP), unrealized investment gain (loss) is recognized for GAAP basis only and interfund loan transactions treated as transfers for budget basis.

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/11	\$ 310,626,860	\$ 330,594,097	\$ 19,967,237	94.0%	\$ 68,569,807	29.1%
12/31/10	294,844,927	320,290,615 ⁽¹⁾	25,445,688	92.1%	66,106,916	38.5%
12/31/10	152,320,989	215,708,440 ⁽²⁾	63,387,451	70.6%	66,106,916	95.9%
12/31/09	147,138,927	211,843,454 ⁽³⁾	64,704,527	69.5%	66,629,414	97.1%
12/31/08	142,555,601	265,302,716	122,747,115	53.7%	63,322,278	193.8%
12/31/07	137,368,480	252,373,671	115,005,191	54.4%	56,938,843	202.0%
12/31/06	140,836,400	210,725,728	69,889,328	66.8%	54,443,156	128.4%
12/31/05	139,414,655	203,697,593	64,282,938	68.4%	51,564,577	124.7%
12/31/04	135,002,341	195,215,275	60,212,934	69.2%	49,363,360	122.0%
12/31/03	133,081,626	189,340,431	56,258,805	70.3%	46,144,235	121.9%

Source: TMRS actuarial valuation

Note:

- (1) Actuarial valuation performed under the new fund structure
- (2) Actuarial valuation performed under the original fund structure
- (3) Valuation changed due to the City dropping the repeating Cost of Living Adjustment (COLA)

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/12	\$ 120,396,531	\$ 153,978,252	\$ 33,581,721	78.2%	\$ 15,058,726	223.0%
01/01/11			Not Calculated			
01/01/10	116,150,945	138,263,770	22,112,825	84.0%	14,340,679	154.2%
01/01/09			Not Calculated			
01/01/08	112,656,382	122,323,458	9,667,076	92.1%	12,568,747	76.9%
12/31/06			Not Calculated			
12/31/05	98,689,048	107,868,069	9,179,021	91.5%	11,583,479	79.2%
12/31/04			Not Calculated			
12/31/03	92,553,607	96,787,914	4,234,307	95.6%	10,401,659	40.7%
12/31/02			Not Calculated			
12/31/01	87,450,494	84,852,411	(2,598,083)	103.1%	10,200,923	-25.5%

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
OTHER POSTEMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/1/12	\$ -	\$ 267,069,036	\$ 267,069,036	0.0%	\$ 94,400,488	282.9%
10/1/11	-	250,000,875	250,000,875	0.0%	91,473,341	273.3%
10/1/10	-	203,259,604	203,259,604	0.0%	82,978,108	245.0%
10/1/09	-	190,216,284	190,216,284	0.0%	80,561,270	236.1%
10/1/08	-	203,630,675	203,630,675	0.0%	80,412,465	253.2%
10/1/07	-	188,899,159	188,899,159	0.0%	78,070,354	242.0%

⁽¹⁾ The 2010-2011 and 2011-2012 liabilities and annual costs are based on the same population as the 2009-2010 liabilities and annual costs.

See Independent Auditor's Report.

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. This category includes the following funds:

Grant funds: These funds are used to account for the receipt and expenditure of funds received under various federal and state assistance programs.

Public improvement districts: These funds are used to account for assessments levied against residential lots in various public improvement districts, the use of which is restricted for maintenance of beautification and recreational facilities.

Seizures funds: These funds are used, to account for crime seizure proceeds awarded to the City, the use of which is restricted to law enforcement purposes.

Other: These funds include:

Court Technology Fund: Fees collected by the Municipal Court under state laws which restrict the use of the proceeds to technological enhancements for the Court.

Court Security Fund: Fees collected by the Municipal Court under state laws which restrict the use of the proceeds to court security activities and cost for the Court.

LEOSE Training Program: Fees collected by the Municipal Court under state laws for the purpose of providing continuing education for law enforcement and fire officers.

Homeland Security Program: The homeland security programs provide the Emergency Management Department with professional services and equipment, which allows the City to be operationally equipped and trained to respond to emergencies through the purchase of equipment, training, and exercises with the goal of improving the preparedness of local responders.

Cable Capital Facilities Fund: Funds received and restricted for specific cable connectivity with Amarillo Independent School District.

Photo Enforcement: Fees collected from red-light traffic violations that are restricted by State law to be used only for traffic intersection improvements.

Public Library Bush Collection: Funds received and restricted for the purchase and maintenance of items in the William Henry Bush Collection.

Library Trust: Various funds received for the sole benefit of the Amarillo Public Library.

Flood Hazard: Fees collected for playa lake development.

Centennial Plaza Trust: Funds received for improvements at the Amarillo City Hall/Civic Center Complex.

Civic Amarillo: Funds accumulated and used by the Amarillo Civic Center for the in-house promotion of events.

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Other (Continued):

Zoo Trust: Funds received and restricted for operations and improvements at the Amarillo Zoo.

Center City Trust: Funds received and restricted for improvements to the Amarillo downtown area know as Center City.

Rick Husband Memorial: Donated funds for the purchase and placement of a statue in honor of Rick Husband.

Keep Amarillo Beautiful: Funds received for improvements to the Amarillo area.

Bonded Debt Service Fund

This fund currently accounts for ad valorem taxes assessed for purposes of servicing the serial debt obligations of the 2001 general obligation bonds issued for library purposes, as well as special assessments made for servicing certificates of obligation issued for the Public Improvement District.

Compensated Absences Fund

This fund accounts for the ultimate payment of termination obligations to the employees of the City.

Permanent Fund

Pavillard Endowment: This fund accounts for a contribution to the City's Library, which was to be held to provide a lifetime income to the grantor and, thereafter, to use the income therefrom for purchases of children's books.

**CITY OF AMARILLO, TEXAS
COMBINING BALANCE SHEET OF
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	<u>Special Revenue Funds</u>				
	<u>Housing and Urban Development Grants</u>	<u>Other Grant Funds</u>	<u>Public Improvement Districts</u>	<u>Seizures Funds</u>	<u>Other</u>
ASSETS					
Cash and cash equivalents	\$ 1,334,371	\$ 500,178	\$ 117,313	\$ 454,827	\$ 2,273,731
Investments, at fair values	-	-	-	-	999,845
Receivables, net of allowances for uncollectibles					
Property taxes	-	-	-	-	-
Accounts	100,448	207,941	-	-	(1,746)
Accrued Interest	-	-	-	-	33
Other accrued revenue	36,181	-	-	-	-
Due from other funds unrestricted	24,351	-	-	-	-
Due from other governments	338,560	769,487	-	-	204,972
Prepaid items	642,434	-	-	605	8,673
TOTAL ASSETS	\$ 2,476,345	\$ 1,477,606	\$ 117,313	\$ 455,432	\$ 3,485,508
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Vouchers payable	\$ 80,336	\$ 273,251	\$ 2,181	\$ -	\$ 29,704
Accounts payable	177,270	87,159	-	-	170,679
Accrued expenses	-	-	-	-	5,466
Deposits	-	-	-	-	1,268,954
Due to other funds - unrestricted	275,075	814,000	29,000	970	175,000
Due to other governments	17,092	-	-	22,110	-
Deferred revenues - other	105,790	-	-	-	-
Deferred revenues - property taxes	-	-	-	-	-
Total liabilities	<u>655,563</u>	<u>1,174,410</u>	<u>31,181</u>	<u>23,080</u>	<u>1,649,803</u>
FUND BALANCES					
Nonspendable					
Prepaid items	642,434	-	-	605	8,673
Uncollected taxes	-	-	-	-	-
Restricted for:					
Debt Service	-	-	-	-	-
Special purposes	1,146,705	303,196	86,132	431,747	1,827,032
Committed for:					
Compensated Absences	31,643	-	-	-	-
Total fund balances	<u>1,820,782</u>	<u>303,196</u>	<u>86,132</u>	<u>432,352</u>	<u>1,835,705</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,476,345	\$ 1,477,606	\$ 117,313	\$ 455,432	\$ 3,485,508

See Independent Auditor's Report.

<u>Bonded Debt Service Fund</u>	<u>Compensated Absences Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 377,899	\$ 2,194,078	\$ 17,652	\$ 7,270,049
-	9,262,163	-	10,262,008
11,334	-	-	11,334
-	-	-	306,643
-	13,089	-	13,122
-	-	-	36,181
-	-	-	24,351
-	-	-	1,313,019
-	-	-	651,712
<u>\$ 389,233</u>	<u>\$ 11,469,330</u>	<u>\$ 17,652</u>	<u>\$ 19,888,419</u>
\$ -	\$ -	\$ -	\$ 385,472
2,743	-	-	437,851
-	-	-	5,466
-	-	-	1,268,954
-	-	-	1,294,045
-	-	-	39,202
-	-	-	105,790
4,825	-	-	4,825
<u>7,568</u>	<u>-</u>	<u>-</u>	<u>3,541,605</u>
-	-	-	651,712
6,509	-	-	6,509
375,156	-	-	375,156
-	-	17,652	3,812,464
-	11,469,330	-	11,500,973
<u>381,665</u>	<u>11,469,330</u>	<u>17,652</u>	<u>16,346,814</u>
<u>\$ 389,233</u>	<u>\$ 11,469,330</u>	<u>\$ 17,652</u>	<u>\$ 19,888,419</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds				
	Housing and Urban Development Grants	Other Grant Funds	Public Improvement Districts	Seizures Funds	Other
REVENUES					
Ad valorem taxes - for debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	11,425,828	3,798,998	-	-	904,910
Citizen contributions	-	-	-	-	2,781
Construction participation	30,285	-	-	-	-
Other entity participations	-	808,345	-	-	-
Charges for services	26,493	31,709	780,334	-	546,571
Fines and forfeitures	-	-	-	375,190	830,133
Investment earnings	3,589	-	266	441	4,673
Miscellaneous	68,755	-	-	-	-
Total revenues	<u>11,554,950</u>	<u>4,639,052</u>	<u>780,600</u>	<u>375,631</u>	<u>2,289,068</u>
EXPENDITURES					
Police protection	-	295,233	-	111,024	-
Other public safety and health	-	3,716,791	-	-	1,108,508
Staff services	-	317,221	-	-	-
Auditorium - Coliseum	-	-	-	-	318,393
Library	-	268,659	-	-	5,812
Parks	-	-	561,065	-	50
Participation recreation	-	-	-	-	20,719
Urban redevelopment and housing	11,942,850	-	-	-	-
Capital outlay	-	77,220	12,600	339,133	545,004
Debt service principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Termination vacation and sick leave pay	-	-	-	-	-
Total expenditures	<u>11,942,850</u>	<u>4,675,124</u>	<u>573,665</u>	<u>450,157</u>	<u>1,998,486</u>
Excess (deficit) of revenues over (under) expenditures	(387,900)	(36,072)	206,935	(74,526)	290,582
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	13,807	52,646	-	-	146
Transfers to other funds	(13,807)	-	(299,764)	(15,413)	(127,345)
Net change in fund balances	<u>(387,900)</u>	<u>16,574</u>	<u>(92,829)</u>	<u>(89,939)</u>	<u>163,383</u>
FUND BALANCES, BEGINNING OF YEAR					
	2,208,682	286,622	178,961	522,291	294,984
PRIOR PERIOD ADJUSTMENT					
	-	-	-	-	1,377,338
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED					
	<u>2,208,682</u>	<u>286,622</u>	<u>178,961</u>	<u>522,291</u>	<u>1,672,322</u>
FUND BALANCES, END OF YEAR					
	<u>\$ 1,820,782</u>	<u>\$ 303,196</u>	<u>\$ 86,132</u>	<u>\$ 432,352</u>	<u>\$ 1,835,705</u>

See Independent Auditor's Report.

<u>Bonded Debt Service Fund</u>	<u>Compensated Absences Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 2,846,831	\$ -	\$ -	\$ 2,846,831
173,597	-	-	16,303,333
-	-	-	2,781
-	-	-	30,285
-	-	-	808,345
-	-	-	1,385,107
-	-	-	1,205,323
357	48,726	18	58,070
-	-	-	68,755
3,020,785	48,726	18	22,708,830
-	-	-	406,257
-	-	-	4,825,299
6,905	-	-	324,126
-	-	-	318,393
-	-	-	274,471
-	-	-	561,115
-	-	-	20,719
-	-	-	11,942,850
-	-	-	973,957
1,706,708	-	-	1,706,708
1,730,024	-	-	1,730,024
-	1,313,015	-	1,313,015
3,443,637	1,313,015	-	24,396,934
(422,852)	(1,264,289)	18	(1,688,104)
552,203	-	-	618,802
-	-	-	(456,329)
129,351	(1,264,289)	18	(1,525,631)
252,314	12,733,619	17,634	16,495,107
-	-	-	1,377,338
252,314	12,733,619	17,634	17,872,445
\$ 381,665	\$ 11,469,330	\$ 17,652	\$ 16,346,814

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
OTHER GRANT FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2012**

	Special Revenue Funds			Total Other Grant Funds
	Public Health Grants	Justice Grants	Miscellaneous Grants	
ASSETS				
Cash and cash equivalents	\$ 11,533	\$ 3,359	\$ 485,286	\$ 500,178
Receivables, net of allowances for uncollectibles				
Accounts	207,941	-	-	207,941
Due from other governments	499,881	104,641	164,965	769,487
TOTAL ASSETS	\$ 719,355	\$ 108,000	\$ 650,251	\$ 1,477,606
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Vouchers payable	\$ 35,643	\$ -	\$ 237,608	\$ 273,251
Accounts payable	78,712	-	8,447	87,159
Due to other funds - unrestricted	605,000	108,000	101,000	814,000
Total liabilities	719,355	108,000	347,055	1,174,410
FUND BALANCES				
Restricted:				
Special purposes	-	-	303,196	303,196
Total fund balances	-	-	303,196	303,196
TOTAL LIABILITIES AND FUND BALANCES	\$ 719,355	\$ 108,000	\$ 650,251	\$ 1,477,606

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
OTHER GRANT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Special Revenue Funds</u>			<u>Total Other Grants Funds</u>
	<u>Public Health Grants</u>	<u>Justice Funds</u>	<u>Miscellaneous Grants</u>	
REVENUES				
Intergovernmental revenues	\$ 2,516,349	\$ 319,807	\$ 962,842	\$ 3,798,998
Other entity participations	808,345	-	-	808,345
Charges for services	31,709	-	-	31,709
Total revenues	<u>3,356,403</u>	<u>319,807</u>	<u>962,842</u>	<u>4,639,052</u>
EXPENDITURES				
Other public safety and health	3,356,403	-	360,388	3,716,791
Libraries	-	-	268,659	268,659
Staff services	-	-	317,221	317,221
Police protection	-	295,233	-	295,233
Capital outlay	-	77,220	-	77,220
Total expenditures	<u>3,356,403</u>	<u>372,453</u>	<u>946,268</u>	<u>4,675,124</u>
Excess (deficit) of revenues over (under) expenditures	<u>-</u>	<u>(52,646)</u>	<u>16,574</u>	<u>(36,072)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	<u>-</u>	<u>52,646</u>	<u>-</u>	<u>52,646</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>16,574</u>	<u>16,574</u>
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>286,622</u>	<u>286,622</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,196</u>	<u>\$ 303,196</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
PUBLIC IMPROVEMENT DISTRICTS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2012**

	<u>Greenways at Hillside</u>	<u>Brennan Boulevard</u>	<u>The Colonies</u>	<u>Tutbury</u>	<u>Point West</u>	<u>Quail Creek</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 44,680	\$ 11,315	\$ 1,188	\$ 3,359	\$ 51,863	\$ 4,908	\$ 117,313
TOTAL ASSETS	<u>\$ 44,680</u>	<u>\$ 11,315</u>	<u>\$ 1,188</u>	<u>\$ 3,359</u>	<u>\$ 51,863</u>	<u>\$ 4,908</u>	<u>\$ 117,313</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Due to other funds - unrestricted	\$ -	\$ -	\$ 29,000	\$ -	\$ -	\$ -	\$ 29,000
Vouchers payable	795	-	-	551	835	-	2,181
Total liabilities	<u>795</u>	<u>-</u>	<u>29,000</u>	<u>551</u>	<u>835</u>	<u>-</u>	<u>31,181</u>
FUND BALANCES							
Restricted for:							
Special purposes	43,885	11,315	(27,812)	2,808	51,028	4,908	86,132
Total fund balances	<u>43,885</u>	<u>11,315</u>	<u>(27,812)</u>	<u>2,808</u>	<u>51,028</u>	<u>4,908</u>	<u>86,132</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 44,680</u>	<u>\$ 11,315</u>	<u>\$ 1,188</u>	<u>\$ 3,359</u>	<u>\$ 51,863</u>	<u>\$ 4,908</u>	<u>\$ 117,313</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
PUBLIC IMPROVEMENT DISTRICTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Greenways at Hillside</u>	<u>Brennan Boulevard</u>	<u>The Colonies</u>	<u>Tutbury</u>	<u>Point West</u>	<u>Quail Creek</u>	<u>Total</u>
REVENUES							
Charges for services	\$ 371,159	\$ 14,008	\$ 319,998	\$ 16,296	\$ 52,000	\$ 6,873	\$ 780,334
Investment earnings	148	17	84	11	-	6	266
Total revenues	<u>371,307</u>	<u>14,025</u>	<u>320,082</u>	<u>16,307</u>	<u>52,000</u>	<u>6,879</u>	<u>780,600</u>
EXPENDITURES							
Parks	269,891	15,133	223,633	14,885	31,453	6,070	561,065
Capital outlay	-	-	-	12,600	-	-	12,600
Total expenditures	<u>269,891</u>	<u>15,133</u>	<u>223,633</u>	<u>27,485</u>	<u>31,453</u>	<u>6,070</u>	<u>573,665</u>
Excess (deficiency) of revenues over (under) expenditures	<u>101,416</u>	<u>(1,108)</u>	<u>96,449</u>	<u>(11,178)</u>	<u>20,547</u>	<u>809</u>	<u>206,935</u>
OTHER FINANCING SOURCES							
Transfer to other funds	<u>(144,861)</u>	<u>-</u>	<u>(154,903)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(299,764)</u>
Net change in fund balances	(43,445)	(1,108)	(58,454)	(11,178)	20,547	809	(92,829)
FUND BALANCES, BEGINNING OF YEAR	<u>87,330</u>	<u>12,423</u>	<u>30,642</u>	<u>13,986</u>	<u>30,481</u>	<u>4,099</u>	<u>178,961</u>
FUND BALANCES, END OF YEAR	<u>\$ 43,885</u>	<u>\$ 11,315</u>	<u>\$ (27,812)</u>	<u>\$ 2,808</u>	<u>\$ 51,028</u>	<u>\$ 4,908</u>	<u>\$ 86,132</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
SEIZURE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2012**

	<u>Federal SWAT seized property</u>	<u>Local seized property</u>	<u>Texas Narcotics seized property</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 247,211	\$ 65,919	\$ 141,697	\$ 454,827
Prepaid items	-	-	605	605
TOTAL ASSETS	<u>\$ 247,211</u>	<u>\$ 65,919</u>	<u>\$ 142,302</u>	<u>\$ 455,432</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds - unrestricted	\$ 675	\$ 249	\$ 46	\$ 970
Due to other governments	-	1,891	20,219	22,110
Total liabilities	<u>675</u>	<u>2,140</u>	<u>20,265</u>	<u>23,080</u>
 FUND BALANCES				
Nonspendable				
Prepaid items	-	-	605	605
Restricted for:				
Special purposes	<u>246,536</u>	<u>63,779</u>	<u>121,432</u>	<u>431,747</u>
Total fund balances	<u>246,536</u>	<u>63,779</u>	<u>122,037</u>	<u>432,352</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 247,211</u>	<u>\$ 65,919</u>	<u>\$ 142,302</u>	<u>\$ 455,432</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
SEIZURE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Federal SWAT seized property</u>	<u>Local seized property</u>	<u>Texas Narcotics seized property</u>	<u>Total</u>
REVENUES				
Investment earnings	\$ 275	\$ 59	\$ 107	\$ 441
Seized property revenue	<u>253,786</u>	<u>121,404</u>	<u>-</u>	<u>375,190</u>
Total revenues	<u>254,061</u>	<u>121,463</u>	<u>107</u>	<u>375,631</u>
EXPENDITURES				
Police protection	33,308	77,716	-	111,024
Capital outlay	<u>105,255</u>	<u>233,878</u>	<u>-</u>	<u>339,133</u>
Total expenditures	<u>138,563</u>	<u>311,594</u>	<u>-</u>	<u>450,157</u>
Excess (deficiency) of revenues over (under) expenditures	<u>115,498</u>	<u>(190,131)</u>	<u>107</u>	<u>(74,526)</u>
OTHER FINANCING SOURCES (USES)				
Transfer to other fund	<u>(15,413)</u>	<u>-</u>	<u>-</u>	<u>(15,413)</u>
Total other financing sources and (uses)	<u>(15,413)</u>	<u>-</u>	<u>-</u>	<u>(15,413)</u>
Net change in fund balances	100,085	(190,131)	107	(89,939)
FUND BALANCES, BEGINNING OF YEAR				
	<u>146,451</u>	<u>253,910</u>	<u>121,930</u>	<u>522,291</u>
FUND BALANCES, END OF YEAR				
	<u>\$ 246,536</u>	<u>\$ 63,779</u>	<u>\$ 122,037</u>	<u>\$ 432,352</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
MISCELLANEOUS SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2012**

	<u>Court Technology</u>	<u>Court Security</u>	<u>LEOSE Training Program</u>	<u>Homeland Security</u>	<u>Cable Capital Facilities</u>	<u>Photo Enforcement</u>
ASSETS						
Cash and cash equivalents	\$ 77,064	\$ 115,272	\$ 55,208	\$ 2,174	\$ 19,673	\$ 328,695
Accounts receivable	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-
Investments, at fair values	-	-	-	-	-	-
Due from other governments	-	-	-	204,972	-	-
Prepaid items	-	-	-	8,673	-	-
TOTAL ASSETS	<u>\$ 77,064</u>	<u>\$ 115,272</u>	<u>\$ 55,208</u>	<u>\$ 215,819</u>	<u>\$ 19,673</u>	<u>\$ 328,695</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Vouchers payable	\$ 38	\$ -	\$ -	\$ -	\$ -	\$ 29,666
Accounts payable	-	3,532	-	4,359	-	162,788
Accrued expenses	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Due to other funds - unrestricted	-	-	-	175,000	-	-
Total liabilities	<u>38</u>	<u>3,532</u>	<u>-</u>	<u>179,359</u>	<u>-</u>	<u>192,454</u>
FUND BALANCES						
Nonspendable						
Prepaid items	-	-	-	8,673	-	-
Restricted:						
Special purposes	<u>77,026</u>	<u>111,740</u>	<u>55,208</u>	<u>27,787</u>	<u>19,673</u>	<u>136,241</u>
Total fund balances	<u>77,026</u>	<u>111,740</u>	<u>55,208</u>	<u>36,460</u>	<u>19,673</u>	<u>136,241</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 77,064</u>	<u>\$ 115,272</u>	<u>\$ 55,208</u>	<u>\$ 215,819</u>	<u>\$ 19,673</u>	<u>\$ 328,695</u>

See Independent Auditor's Report.

Public Library Bush Collection	Library Trust	Flood Hazard	Centennial Plaza Trust	Civic Amarillo	Zoo Trust	Center City Trust	Rick Husband Memorial	Keep America Beautiful	Total
\$ 48,717	\$ 74,040	\$ 1,225,946	\$ 12	\$ 282,073	\$ 28,944	\$ -	\$ 1,000	\$ 14,913	\$ 2,273,731
-	-	-	-	-	-	-	-	(1,746)	(1,746)
-	-	33	-	-	-	-	-	-	33
-	-	999,845	-	-	-	-	-	-	999,845
-	-	-	-	-	-	-	-	-	204,972
-	-	-	-	-	-	-	-	-	8,673
<u>\$ 48,717</u>	<u>\$ 74,040</u>	<u>\$ 2,225,824</u>	<u>\$ 12</u>	<u>\$ 282,073</u>	<u>\$ 28,944</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 13,167</u>	<u>\$ 3,485,508</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,704
-	-	-	-	-	-	-	-	-	170,679
-	-	-	-	5,466	-	-	-	-	5,466
-	-	1,268,954	-	-	-	-	-	-	1,268,954
-	-	-	-	-	-	-	-	-	175,000
-	-	1,268,954	-	5,466	-	-	-	-	1,649,803
-	-	-	-	-	-	-	-	-	8,673
48,717	74,040	956,870	12	276,607	28,944	-	1,000	13,167	1,827,032
48,717	74,040	956,870	12	276,607	28,944	-	1,000	13,167	1,835,705
<u>\$ 48,717</u>	<u>\$ 74,040</u>	<u>\$ 2,225,824</u>	<u>\$ 12</u>	<u>\$ 282,073</u>	<u>\$ 28,944</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 13,167</u>	<u>\$ 3,485,508</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
MISCELLANEOUS SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Court Technology</u>	<u>Court Security</u>	<u>LEOSE Training Program</u>	<u>Homeland Security</u>	<u>Cable Capital Facilities</u>	<u>Photo Enforcement</u>
REVENUES						
Intergovernmental revenues - operating	\$ -	\$ -	\$ -	\$ 904,910	\$ -	\$ -
Citizen contributions	-	-	-	-	-	-
Charges for services	142,803	-	-	-	-	-
Fines and forfeitures	-	114,047	-	-	-	716,086
Investment earnings	-	-	71	-	-	-
Total revenues	<u>142,803</u>	<u>114,047</u>	<u>71</u>	<u>904,910</u>	<u>-</u>	<u>716,086</u>
EXPENDITURES						
Other public safety and health	72,501	120,109	32,954	329,412	-	553,532
Auditorium - Coliseum	-	-	-	-	-	-
Library	-	-	-	-	-	-
Parks	-	-	-	-	-	-
Participant recreation	-	-	-	-	-	-
Capital outlay	-	-	-	540,206	-	-
Total expenditures	<u>72,501</u>	<u>120,109</u>	<u>32,954</u>	<u>869,618</u>	<u>-</u>	<u>553,532</u>
Excess (deficiency) of revenues over (under) expenditures	<u>70,302</u>	<u>(6,062)</u>	<u>(32,883)</u>	<u>35,292</u>	<u>-</u>	<u>162,554</u>
OTHER FINANCING SOURCES (USES)						
Transfers to other funds	-	-	-	-	-	(87,839)
Transfers from other funds	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,839)</u>
Net change in fund balances	<u>70,302</u>	<u>(6,062)</u>	<u>(32,883)</u>	<u>35,292</u>	<u>-</u>	<u>74,715</u>
FUND BALANCES, BEGINNING OF YEAR	6,724	117,802	88,091	1,168	19,673	61,526
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	<u>6,724</u>	<u>117,802</u>	<u>88,091</u>	<u>1,168</u>	<u>19,673</u>	<u>61,526</u>
FUND BALANCES, END OF YEAR	<u>\$ 77,026</u>	<u>\$ 111,740</u>	<u>\$ 55,208</u>	<u>\$ 36,460</u>	<u>\$ 19,673</u>	<u>\$ 136,241</u>

See Independent Auditor's Report.

Public Library Bush Collection	Library Trust	Flood Hazard	Centennial Plaza Trust	Civic Amarillo	Zoo Trust	Center City Trust	Rick Husband Memorial	Keep Amarillo Beautiful	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 904,910
-	1,487	-	-	-	1,294	-	-	-	2,781
-	-	-	-	364,439	39,329	-	-	-	546,571
-	-	-	-	-	-	-	-	-	830,133
5	78	4,248	-	241	21	-	-	9	4,673
5	1,565	4,248	-	364,680	40,644	-	-	9	2,289,068
-	-	-	-	-	-	-	-	-	1,108,508
-	-	-	-	318,393	-	-	-	-	318,393
-	5,812	-	-	-	-	-	-	-	5,812
-	-	-	-	-	-	-	-	50	50
-	-	-	-	-	20,719	-	-	-	20,719
-	-	-	-	-	4,798	-	-	-	545,004
-	5,812	-	-	318,393	25,517	-	-	50	1,998,486
5	(4,247)	4,248	-	46,287	15,127	-	-	(41)	290,582
-	-	-	-	(14,506)	(25,000)	-	-	-	(127,345)
-	-	-	-	-	-	146	-	-	146
-	-	-	-	(14,506)	(25,000)	146	-	-	(127,199)
5	(4,247)	4,248	-	31,781	(9,873)	146	-	(41)	163,383
-	-	-	-	-	-	-	-	-	294,984
48,712	78,287	952,622	12	244,826	38,817	(146)	1,000	13,208	1,377,338
48,712	78,287	952,622	12	244,826	38,817	(146)	1,000	13,208	1,672,322
<u>\$ 48,717</u>	<u>\$ 74,040</u>	<u>\$ 956,870</u>	<u>\$ 12</u>	<u>\$ 276,607</u>	<u>\$ 28,944</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 13,167</u>	<u>\$ 1,835,705</u>

See Independent Auditor's Report.

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CAPITAL PROJECTS FUND

General Construction – To account for traffic engineering and other miscellaneous construction funded primarily by the general revenues of the City. This fund also accounts for costs of construction of various improvements to the City's parks, which in recent years have been financed primarily by general revenues, and in some instances by intergovernmental grants. The General Construction Fund is also used to account for general revenues designated for replacement of existing buildings, improvements and equipment, and for similar projects.

Street Improvement – To account for the construction of streets and alleys which are financed primarily by property owner participation.

Street and Drainage Improvement Fund – To account for improvements being made to major thoroughfares and the storm sewer system of the City financed by general revenues, augmented in some instances by property owner participation.

Golf Course Improvement Fund – To account for the portion of green fees designated for improvements to the public golf courses.

Solid Waste Disposal Improvement Fund – To account for costs of improvements to the City's solid waste disposal facilities, which in recent years have been financed primarily by general revenues.

T-Anchor-Bivins Improvement Fund – To account for sales of City land, the proceeds of which are designated for future betterments to the historic Bivins home, which is owned and rented by the City to the Amarillo Chamber of Commerce and other community service organizations.

Civic Center Improvement Fund -- To account for improvements to Civic Center Convention Annex facilities, financed by motel tax receipts.

Animal Shelter Improvement Fund - To account for improvements to the Animal Shelter facilities.

Park Improvement Fund – To account for various Parks projects funded by the General Fund and other contributions and revenues.

CO Bond Construction 06/07 Fund – To account for construction costs from the proceeds of CO Bonds issued in June 2007.

CITY OF AMARILLO, TEXAS
 CAPITAL PROJECTS FUND
 SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCES
 SEPTEMBER 30, 2012

	<u>General Construction Fund</u>	<u>Street Assessments Fund</u>	<u>Street Improvement Fund</u>	<u>Golf Course Improvement Fund</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 8,362,691	\$ 720,283	\$ 58,598	\$ 334,658
Restricted cash and cash equivalents	-	-	-	-
Investments, at fair values	8,825,885	-	852,015	-
Due from other governments	8,440	-	-	-
Accounts receivable	(180)	-	-	-
Accrued interest receivable	27,736	-	620	-
Prepaid items	1,000	-	-	-
TOTAL ASSETS	<u>\$ 17,225,572</u>	<u>\$ 720,283</u>	<u>\$ 911,233</u>	<u>\$ 334,658</u>
 LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Vouchers payable	\$ 212,969	\$ -	\$ -	\$ -
Accounts payable	264,544	-	105,897	-
Accrued expenses	87,929	-	3,325	-
Due to other funds - unrestricted	1,329	-	-	-
Total liabilities	<u>566,771</u>	<u>-</u>	<u>109,222</u>	<u>-</u>
FUND BALANCES				
Nonspendable				
Prepaid items	1,000	-	-	-
Restricted for:				
Capital projects	-	-	-	-
Assigned for:				
Capital projects	<u>16,657,801</u>	<u>720,283</u>	<u>802,011</u>	<u>334,658</u>
Total fund balances	<u>16,658,801</u>	<u>720,283</u>	<u>802,011</u>	<u>334,658</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 17,225,572</u>	<u>\$ 720,283</u>	<u>\$ 911,233</u>	<u>\$ 334,658</u>

See Independent Auditor's Report.

<u>Solid Waste Disposal Improvement Fund</u>	<u>T-Anchor Bivins Improvement Fund</u>	<u>Convention Annex Improvement Fund</u>	<u>Animal Shelter Improvement Fund</u>	<u>Park Improvement Fund</u>	<u>CO Bond Const 06/07 Fund</u>	<u>Total</u>
\$ 3,178,395	\$ 279,180	\$ 2,970,700	\$ 3,207	\$ 701,796	\$ 577	\$ 16,610,085
-	-	-	-	-	3,671,462	3,671,462
7,185,706	-	1,251,425	-	-	-	18,115,031
-	-	-	-	-	-	8,440
-	-	-	-	-	-	(180)
12,164	-	1,263	-	-	-	41,783
-	-	-	-	-	-	1,000
<u>\$ 10,376,265</u>	<u>\$ 279,180</u>	<u>\$ 4,223,388</u>	<u>\$ 3,207</u>	<u>\$ 701,796</u>	<u>\$ 3,672,039</u>	<u>\$ 38,447,621</u>
\$ 4,841	\$ -	\$ 5,920	\$ -	\$ -	\$ (1,473)	\$ 222,257
8,834	-	21,462	-	-	43,798	444,535
-	-	-	-	-	-	91,254
-	-	-	-	-	126,000	127,329
<u>13,675</u>	<u>-</u>	<u>27,382</u>	<u>-</u>	<u>-</u>	<u>168,325</u>	<u>885,375</u>
-	-	-	-	-	-	1,000
-	-	-	-	-	3,671,462	3,671,462
<u>10,362,590</u>	<u>279,180</u>	<u>4,196,006</u>	<u>3,207</u>	<u>701,796</u>	<u>(167,748)</u>	<u>33,889,784</u>
<u>10,362,590</u>	<u>279,180</u>	<u>4,196,006</u>	<u>3,207</u>	<u>701,796</u>	<u>3,503,714</u>	<u>37,562,246</u>
<u>\$ 10,376,265</u>	<u>\$ 279,180</u>	<u>\$ 4,223,388</u>	<u>\$ 3,207</u>	<u>\$ 701,796</u>	<u>\$ 3,672,039</u>	<u>\$ 38,447,621</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 CAPITAL PROJECTS FUND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 YEAR ENDED SEPTEMBER 30, 2012

	<u>General Construction Fund</u>	<u>Street Assessments Fund</u>	<u>Street Improvement Fund</u>	<u>Golf Course Improvement Fund</u>
REVENUES				
Intergovernmental revenues	\$ 5,028,497	\$ -	\$ -	\$ -
Charges for services	-	-	-	171,736
Construction participations	513,006	4,141,762	-	-
Miscellaneous	-	-	-	-
Other rentals and commissions	(13,356)	-	-	-
Investment earnings	63,519	70	6,589	104
Total revenues	<u>5,591,666</u>	<u>4,141,832</u>	<u>6,589</u>	<u>171,840</u>
EXPENDITURES				
Parks	-	-	-	-
Capital outlay	10,706,687	4,141,762	2,233,335	4,683
Total expenditures	<u>10,706,687</u>	<u>4,141,762</u>	<u>2,233,335</u>	<u>4,683</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,115,021)</u>	<u>70</u>	<u>(2,226,746)</u>	<u>167,157</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(181,238)	-	(362,974)	(252,439)
Transfers from other funds	5,951,427	-	1,200,000	-
Total other financing sources and uses	<u>5,770,189</u>	<u>-</u>	<u>837,026</u>	<u>(252,439)</u>
Net change in fund balances	655,168	70	(1,389,720)	(85,282)
FUND BALANCES, BEGINNING OF YEAR	<u>16,003,633</u>	<u>720,213</u>	<u>2,191,731</u>	<u>419,940</u>
FUND BALANCES, END OF YEAR	<u>\$ 16,658,801</u>	<u>\$ 720,283</u>	<u>\$ 802,011</u>	<u>\$ 334,658</u>

See Independent Auditor's Report.

<u>Solid Waste Disposal Improvement Fund</u>	<u>T-Anchor Bivins Improvement Fund</u>	<u>Convention Annex Improvement Fund</u>	<u>Animal Shelter Improvement Fund</u>	<u>Park Improvement Fund</u>	<u>CO Bond Const 06/07 Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,028,497
-	-	-	-	-	-	171,736
-	-	-	-	-	-	4,654,768
-	-	-	-	1,200	-	1,200
-	-	-	-	-	-	(13,356)
<u>35,357</u>	<u>54</u>	<u>10,993</u>	<u>-</u>	<u>268</u>	<u>402</u>	<u>117,356</u>
<u>35,357</u>	<u>54</u>	<u>10,993</u>	<u>-</u>	<u>1,468</u>	<u>402</u>	<u>9,960,201</u>
-	-	-	-	458	-	458
<u>390,884</u>	<u>224</u>	<u>1,358,928</u>	<u>-</u>	<u>-</u>	<u>467,997</u>	<u>19,304,500</u>
<u>390,884</u>	<u>224</u>	<u>1,358,928</u>	<u>-</u>	<u>458</u>	<u>467,997</u>	<u>19,304,958</u>
<u>(355,527)</u>	<u>(170)</u>	<u>(1,347,935)</u>	<u>-</u>	<u>1,010</u>	<u>(467,595)</u>	<u>(9,344,757)</u>
-	-	-	-	(293)	-	(796,944)
<u>1,250,000</u>	<u>-</u>	<u>1,029,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,431,166</u>
<u>1,250,000</u>	<u>-</u>	<u>1,029,739</u>	<u>-</u>	<u>(293)</u>	<u>-</u>	<u>8,634,222</u>
894,473	(170)	(318,196)	-	717	(467,595)	(710,535)
<u>9,468,117</u>	<u>279,350</u>	<u>4,514,202</u>	<u>3,207</u>	<u>701,079</u>	<u>3,971,309</u>	<u>38,272,781</u>
<u>\$ 10,362,590</u>	<u>\$ 279,180</u>	<u>\$ 4,196,006</u>	<u>\$ 3,207</u>	<u>\$ 701,796</u>	<u>\$ 3,503,714</u>	<u>\$ 37,562,246</u>

See Independent Auditor's Report.

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INTERNAL SERVICE FUNDS

Municipal Garage Fund – To account for the revenues and cost of operations of a central motor pool which includes all City-owned vehicles except fire trucks and buses. Vehicles are rented to using departments at estimated cost of usage. The original equipment was contributed to the Municipal Garage upon its organization on October 1, 1973. Effective with the 1994/5 year, the City adopted a policy of financing additions, as well as replacements, out of the Garage's net earnings from user charges.

Information Services Fund – To account for the revenues and costs of operations of the City's data processing system. Charges to using departments are based on estimated cost of providing the service, including depreciation on equipment. This fund was established October 1, 1979, upon transfer of the necessary equipment from the general fixed assets of the City.

Risk Management Fund – To account for funds accumulated from operating transfers and from assessments of the various City departments for the purpose of self-insuring liability, workmen's compensation, unemployment claims, and miscellaneous other risks.

Employee Insurance Funds – To account for self-insured medical and dental benefits together with life insurance for employees, retirees and covered dependents. Additionally, employee contributions to the flexible benefits plan and related expenditures are accounted for within these funds.

CITY OF AMARILLO, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	<u>Municipal Garage</u>	<u>Information Services</u>	<u>Risk Management</u>	<u>Employee Insurance</u>	<u>Total</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 2,567,593	\$ 713,514	\$ 5,317,617	\$ 6,093,828	\$ 14,692,552
Investments at fair value	6,723,377	3,043,595	10,406,357	6,255,832	26,429,161
Receivables (net of allowances for uncollectibles)					
Accounts	28	606	246,730	495,499	742,863
Accrued interest	30,079	14,670	9,587	4,456	58,792
Due from other funds	235	-	-	162,450	162,685
Inventory of supplies at cost	384,809	-	-	-	384,809
Prepaid expenses	-	-	341,095	-	341,095
Total current assets	<u>9,706,121</u>	<u>3,772,385</u>	<u>16,321,386</u>	<u>13,012,065</u>	<u>42,811,957</u>
NONCURRENT ASSETS					
Capital assets					
Improvements	265,389	4,467,429	-	-	4,732,818
Accumulated depreciation	(126,144)	(2,718,382)	-	-	(2,844,526)
Equipment	304,548	3,920,253	53,196	10,115	4,288,112
Accumulated depreciation	(258,958)	(3,466,988)	(48,911)	(7,893)	(3,782,750)
Vehicles	51,651,543	-	-	-	51,651,543
Accumulated depreciation	(35,560,664)	-	-	-	(35,560,664)
Construction in progress	460,708	729,173	-	-	1,189,881
Total capital assets, net of accumulated depreciation	<u>16,736,422</u>	<u>2,931,485</u>	<u>4,285</u>	<u>2,222</u>	<u>19,674,414</u>
TOTAL ASSETS	<u>\$ 26,442,543</u>	<u>\$ 6,703,870</u>	<u>\$ 16,325,671</u>	<u>\$ 13,014,287</u>	<u>\$ 62,486,371</u>
LIABILITIES					
CURRENT LIABILITIES					
Vouchers payable	\$ 161,342	\$ 49,467	\$ 141,307	\$ 7,144	\$ 359,260
Accounts payable	23,082	-	755,097	342,720	1,120,899
Accrued expenses	67,451	72,477	-	24,931	164,859
Due to other funds	-	-	-	163,188	163,188
Estimated liability for incurred losses	-	-	3,303,994	2,630,876	5,934,870
Current portion of compensated absences	40,515	32,504	-	327	73,346
Total current liabilities	<u>292,390</u>	<u>154,448</u>	<u>4,200,398</u>	<u>3,169,186</u>	<u>7,816,422</u>
OTHER LIABILITIES					
Provision for compensated absences, net	180,952	415,251	-	47,586	643,789
Estimated liability for incurred losses, net of current portion	-	-	8,075,833	1,688,899	9,764,732
Postemployment benefit	-	-	-	74,568,830	74,568,830
Net pension obligation	121,696	135,480	-	23,659	280,835
Total other liabilities	<u>302,648</u>	<u>550,731</u>	<u>8,075,833</u>	<u>76,328,974</u>	<u>85,258,186</u>
TOTAL LIABILITIES	<u>\$ 595,038</u>	<u>\$ 705,179</u>	<u>\$ 12,276,231</u>	<u>\$ 79,498,160</u>	<u>\$ 93,074,608</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 16,736,422	\$ 2,931,485	\$ 4,285	\$ 2,222	\$ 19,674,414
Unreserved	9,111,083	3,067,206	4,045,155	(66,486,095)	(50,262,651)
TOTAL NET ASSETS	<u>\$ 25,847,505</u>	<u>\$ 5,998,691</u>	<u>\$ 4,049,440</u>	<u>\$ (66,483,873)</u>	<u>\$ (30,588,237)</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2012

	<u>Municipal Garage</u>	<u>Information Services</u>	<u>Risk Management</u>	<u>Employee Insurance</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$ -	\$ -	\$ 46,598	\$ 1,177,995	\$ 1,224,593
Internal charges	11,228,035	3,973,218	3,983,841	12,203,693	31,388,787
Employee contributions	-	-	-	4,883,820	4,883,820
Miscellaneous	-	3,098	-	543	3,641
Total operating revenues	<u>11,228,035</u>	<u>3,976,316</u>	<u>4,030,439</u>	<u>18,266,051</u>	<u>37,500,841</u>
OPERATING EXPENSES					
Salaries, wages, fringes	2,200,611	2,342,269	-	474,080	5,016,960
Supplies	1,545,832	284,310	448,827	108,212	2,387,181
Fuel and oil	3,875,439	-	-	-	3,875,439
Contractual services	94,071	684,825	685,047	64,350	1,528,293
Claims, net of settlements	-	-	2,460,293	16,446,326	18,906,619
Postemployment expense	-	-	-	17,615,147	17,615,147
Other charges	911,106	133,273	861,445	379,270	2,285,094
Depreciation	4,389,939	731,673	332	400	5,122,344
Total operating expenses	<u>13,016,998</u>	<u>4,176,350</u>	<u>4,455,944</u>	<u>35,087,785</u>	<u>56,737,077</u>
Operating income (loss)	<u>(1,788,963)</u>	<u>(200,034)</u>	<u>(425,505)</u>	<u>(16,821,734)</u>	<u>(19,236,236)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest earnings	43,332	20,370	69,628	45,539	178,869
Changes in value of investments	835	(3,601)	(6,012)	(1,322)	(10,100)
Gain (loss) on property sales	282,111	(35,431)	-	-	246,680
Miscellaneous revenues	13,111	-	-	-	13,111
Total nonoperating revenues (expenses)	<u>339,389</u>	<u>(18,662)</u>	<u>63,616</u>	<u>44,217</u>	<u>428,560</u>
Income (loss) before contributions and transfers	<u>(1,449,574)</u>	<u>(218,696)</u>	<u>(361,889)</u>	<u>(16,777,517)</u>	<u>(18,807,676)</u>
TRANSFERS					
TO MUNICIPALITY - CASH	-	(18,000)	-	(2,400)	(20,400)
FROM MUNICIPALITY - CASH	567,254	53,712	-	-	620,966
TRANSFERS TO/FROM MUNICI- PALITY - CAPITAL ASSETS					
Change in net assets	<u>(882,320)</u>	<u>(182,984)</u>	<u>(361,889)</u>	<u>(16,779,917)</u>	<u>(18,207,110)</u>
NET ASSETS AT BEGINNING OF YEAR					
	<u>26,729,825</u>	<u>6,181,675</u>	<u>4,411,329</u>	<u>(49,703,956)</u>	<u>(12,381,127)</u>
NET ASSETS AT END OF YEAR					
	<u>\$ 25,847,505</u>	<u>\$ 5,998,691</u>	<u>\$ 4,049,440</u>	<u>\$ (66,483,873)</u>	<u>\$ (30,588,237)</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2012

	Municipal Garage	Information Services	Risk Management	Employee Insurance	Totals
CASH FLOWS FROM					
OPERATING ACTIVITIES					
Cash received from other funds	\$ 11,228,035	\$ 3,975,710	\$ 3,802,644	\$ 18,160,447	\$ 37,166,836
Cash payments for goods and services	(7,279,680)	(1,169,444)	(1,218,764)	(853,979)	(10,521,867)
Cash payments to employees	(2,204,243)	(2,256,967)	-	(457,349)	(4,918,559)
Cash payments for claims and loss adjustments	-	-	(2,733,349)	(17,072,800)	(19,806,149)
Net cash provided (used) by operating activities	<u>1,744,112</u>	<u>549,299</u>	<u>(149,469)</u>	<u>(223,681)</u>	<u>1,920,261</u>
CASH FLOWS FROM NONCAPITAL					
FINANCING ACTIVITIES					
Transfers from other funds	567,254	53,712	-	-	620,966
Transfers to other funds	-	(18,000)	-	(2,400)	(20,400)
Amounts borrowed from or repaid by other funds	-	-	-	(29,974)	(29,974)
Amounts loaned to or repaid to other funds	(259)	-	-	-	(259)
Net cash provided (used) by noncapital financing activities	<u>566,995</u>	<u>35,712</u>	<u>-</u>	<u>(32,374)</u>	<u>570,333</u>
CASH FLOWS FROM CAPITAL					
FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(3,891,319)	(1,232,493)	-	-	(5,123,812)
Insurance proceeds	13,111	-	-	-	13,111
Proceeds from disposition of property, plant and equipment	369,149	434,910	-	-	804,059
Net cash provided (used) by capital financing activities	<u>(3,509,059)</u>	<u>(797,583)</u>	<u>-</u>	<u>-</u>	<u>(4,306,642)</u>
CASH FLOWS FROM INVESTING					
ACTIVITIES					
Proceeds from sales and maturities of investment securities	4,750,000	1,000,000	13,250,000	6,625,000	25,625,000
Purchase of investment securities	(5,451,834)	(1,545,910)	(13,384,232)	(4,753,061)	(25,135,037)
Interest and gains (losses) on investments	89,614	30,572	106,914	71,602	298,702
Net cash provided (used) by investing activities	<u>(612,220)</u>	<u>(515,338)</u>	<u>(27,318)</u>	<u>1,943,541</u>	<u>788,665</u>
Net increase (decrease) in cash and cash equivalents	(1,810,172)	(727,910)	(176,787)	1,687,486	(1,027,383)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	<u>4,377,765</u>	<u>1,441,424</u>	<u>5,494,404</u>	<u>4,406,342</u>	<u>15,719,935</u>
CASH AND CASH EQUIVALENTS, AT END OF YEAR	<u>\$ 2,567,593</u>	<u>\$ 713,514</u>	<u>\$ 5,317,617</u>	<u>\$ 6,093,828</u>	<u>\$ 14,692,552</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
INTERNAL SERVICE FUNDS
STATEMENT OF CASH FLOWS, CONTINUED
YEAR ENDED SEPTEMBER 30, 2012

	Municipal Garage	Information Services	Risk Management	Employee Insurance	Totals
RECONCILIATION OF OPERATING					
INCOME TO NET CASH PROVIDED (USED)					
BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (1,788,963)	\$ (200,034)	\$ (425,505)	\$ (16,821,734)	\$ (19,236,236)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	4,389,939	731,673	332	400	5,122,344
(Increase) decrease in accounts receivable	-	(606)	(227,795)	(105,604)	(334,005)
(Increase) decrease in inventories	(6,345)	-	-	-	(6,345)
(Increase) decrease in prepaid expenses	-	-	(58,135)	-	(58,135)
Increase (decrease) in vouchers payable	(862,458)	(67,036)	79,593	(28,296)	(878,197)
Increase (decrease) in accounts payable	15,571	-	755,097	(273,851)	496,817
Increase (decrease) in accrued expenses	6,887	21,408	-	7,275	35,570
Increase (decrease) in provision for compensated absences	(11,251)	63,060	-	9,292	61,101
Increase (decrease) in estimated claims liabilities	-	-	-	16,988,673	16,988,673
Increase (decrease) in net pension obligation	732	834	-	164	1,730
Increase (decrease) in IBNR accrual	-	-	(273,056)	-	(273,056)
Net cash provided (used) by operating activities	<u>\$ 1,744,112</u>	<u>\$ 549,299</u>	<u>\$ (149,469)</u>	<u>\$ (223,681)</u>	<u>\$ 1,920,261</u>
NONCASH INVESTING, CAPITAL AND					
FINANCING ACTIVITIES					
Decreases (increases) in fair values of investments	\$ 835	\$ (3,601)	\$ (6,012)	\$ (1,322)	\$ (10,100)

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GENERAL FUND

The General Fund accounts for all unrestricted resources except those required to be accounted for in another fund. The revenues and expenditures of the Transit System, Solid Waste Department and the Auditorium-Coliseum are accounted for in this fund.

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**CITY OF AMARILLO, TEXAS
GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 2012**

ASSETS

Cash and cash equivalents	\$ 3,312,730
Investments at fair value	39,661,593
Receivables (net of allowances for uncollectibles)	
Property taxes	475,511
Solid waste and other	1,345,421
Accrued interest	141,217
Other accrued revenue	1,378,977
Due from other funds	1,534,198
Due from other governments	4,411,310
Inventory of supplies	1,546,717
Prepaid items	7,742
TOTAL ASSETS	<u>\$ 53,815,416</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Vouchers payable	\$ 1,188,182
Accounts payable	2,070,187
Accrued expenses	2,936,667
Deposits	76,182
Due to other funds - unrestricted	672
Due to other governments	780,308
Deferred revenue property taxes	404,544
Deferred revenues other	94,109
Total liabilities	<u>7,550,851</u>

FUND BALANCE

Nonspendable:	
Inventory	1,546,717
Prepaid Items	7,742
Uncollected taxes	70,967
Committed for:	
Encumbrances	295,059
Unassigned	44,344,080
Total fund balance	<u>46,264,565</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 53,815,416</u>
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See Independent Auditor's Report.

**CITY OF AMARILLO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2012**

REVENUES	
Taxes	\$ 102,254,702
License and permits	2,315,185
Interfund revenues	1,584,965
Intergovernmental revenues	3,388,112
Contributions - citizens	7,363
Charges for services	30,428,631
Fines and forfeitures	4,955,058
Investment earnings	391,254
Other rentals and commissions	395,662
Miscellaneous	601,608
	<hr/>
Total revenues	146,322,540
	<hr/>
EXPENDITURES	
Current	
General government	3,314,666
Staff services	8,755,786
Public safety and health	
Police protection	37,036,816
Fire protection	24,583,803
Other	8,965,884
Streets, traffic and engineering	13,683,894
Culture and recreation	
Auditorium-colliseum	2,857,382
Libraries	3,578,900
Parks	6,477,760
Participant recreation	4,921,714
Solid waste	11,063,271
Transit system	3,957,318
Information technology	2,703,716
Tourism	2,847,958
Capital outlay	106,906
	<hr/>
Total expenditures	134,855,774
	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	11,466,766
OTHER FINANCING SOURCES (USES)	
Transfers from other funds	70,281
Transfers to other funds	(9,080,216)
	<hr/>
Net change in fund balance	2,456,831
	<hr/>
FUND BALANCE, BEGINNING OF YEAR	43,807,734
	<hr/>
FUND BALANCE, END OF YEAR	\$ 46,264,565
	<hr/> <hr/>

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**CITY OF AMARILLO, TEXAS
GENERAL FUND
COMPARATIVE SCHEDULE OF REVENUES
YEAR ENDED SEPTEMBER 30, 2012**

	Actual revenue	Budget	Variance with final budget positive (negative)
TAXES			
General property taxes			
Ad valorem tax collections	\$ 29,216,987	\$ 28,680,991	\$ 535,996
Penalty and interest on delinquent taxes	271,699	327,507	(55,808)
Water & sewer utility	2,873,088	2,873,096	(8)
General sales tax	48,256,664	46,000,000	2,256,664
Mixed beverage tax	533,575	600,520	(66,945)
Hotel occupancy tax	5,002,181	4,742,591	259,590
Gross receipts business taxes:			
Electric utility	7,855,862	7,317,542	538,320
Telephone utility	1,273,253	1,343,513	(70,260)
Gas utility	2,407,793	3,232,370	(824,577)
Cable television	1,804,757	1,681,460	123,297
Water & Sewer utility	2,758,843	2,765,165	(6,322)
Total taxes	<u>102,254,702</u>	<u>99,564,755</u>	<u>2,689,947</u>
LICENSES AND PERMITS			
Food and beverage establishments			
Liquor, beer and wine licenses	87,417	68,499	18,918
Restaurant permits	446,278	421,046	25,232
Food handler permits	31,835	30,176	1,659
Miscellaneous occupational			
Occupational and business	40,695	31,031	9,664
Transient bus licenses	875	781	94
Solicitation permits	3,775	2,833	942
Building and structures			
Building permits	1,108,259	950,756	157,503
Electrical permits	107,557	65,000	42,557
Plumbing and gas permits	291,670	188,809	102,861
Heating and air permits	78,114	52,000	26,114
Sewage disposal permits	72,210	69,662	2,548
Mobile home parks	46,500	36,450	10,050
Total licenses and permits	<u>2,315,185</u>	<u>1,917,043</u>	<u>398,142</u>
INTERFUND REVENUES			
Airport animal control	14,004	12,000	2,004
Communication services	781,811	807,532	(25,721)
Sales to other funds	676,882	444,996	231,886
Other interfund reimbursements	112,268	119,316	(7,048)
Total interfund revenue	<u>1,584,965</u>	<u>1,383,844</u>	<u>201,121</u>
INTERGOVERNMENTAL REVENUES			
General government			
Auditorium Operating Assistance	398,004	397,998	6
Public safety and health			
Emergency Management Participations	228,365	260,668	(32,303)
Other	12,300	2,000	10,300
State shared revenues	55,694	62,900	(7,206)
Transit			
Federal/state operating assistance	2,693,749	2,743,931	(50,182)
Total intergovernmental revenues	<u>3,388,112</u>	<u>3,467,497</u>	<u>(79,385)</u>
CONTRIBUTIONS FROM CITIZENS			
Donations unrestricted	7,363	24,224	(16,861)

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
GENERAL FUND
COMPARATIVE SCHEDULE OF REVENUES, CONTINUED
YEAR ENDED SEPTEMBER 30, 2012

	Actual revenue	Budget	Variance with final budget positive (negative)
CHARGES FOR SERVICES			
General government			
Zoning, planning application fees	39,864	45,280	(5,416)
Sale of city publications	881	635	246
Staff services			
Indirect cost reimbursement	1,360,133	1,313,503	46,630
Business type fund administrative fees			
Water & sewer administrative	1,260,096	1,260,090	6
Airport	222,057	222,057	-
Other administrative fees			
Weed mowing contract	204,940	367,848	(162,908)
Weed bad debt adjustment	(307,255)	(368,870)	61,615
Wrecker service contract	61,295	105,600	(44,305)
Fiscal agent fees	128,830	121,497	7,333
Public safety and health			
Police liaison officer	809,442	751,760	57,682
AECC participations	793,829	786,471	7,358
EMS Support	118,500	105,000	13,500
Warrant fees	632,273	552,840	79,433
Traffic accident reports	46,515	50,000	(3,485)
Airport fire service fee	1,503,888	1,503,887	1
Fire inspections	34,155	21,200	12,955
Animal shelter fees	99,024	139,291	(40,267)
Vital statistics fee	283,529	322,615	(39,086)
Miscellaneous health department fees	7,446	8,908	(1,462)
Culture & recreation			
Auditorium rentals	1,026,156	991,657	34,499
Auditorium concessions	309,187	311,010	(1,823)
Auditorium advertising	4,585	20,670	(16,085)
Auditorium Box Office	316,302	362,999	(46,697)
Library late fees	123,630	126,001	(2,371)
Library copy charges	25,832	18,999	6,833
Nonresident library fees	12,649	9,000	3,649
Baseball field rentals	67,907	62,311	5,596
Golf green fees	900,159	999,644	(99,485)
Golf membership fees	251,666	238,406	13,260
Golf other	362,616	471,481	(108,865)
Swimming pool fees	172,597	169,211	3,386
Tennis center fees	4,168	5,299	(1,131)
Zoo admission fees	172,910	192,500	(19,590)
Rifle range fees	109,501	72,000	37,501
Entry and tournament fees	402,195	465,694	(63,499)
Admission fees	-	3,500	(3,500)
Solid waste			
Collection & disposal fees	16,616,253	16,936,000	(319,747)
Landfill charges	1,541,988	1,450,000	91,988
Recyclable materials	122,116	57,000	65,116
Forfeited discounts	372,923	335,000	37,923
Transit			
Passenger revenue	150,124	114,002	36,122
Demand response	24,609	21,999	2,610
Miscellaneous transit revenue	39,116	27,000	12,116
Total charges for services	<u>30,428,631</u>	<u>30,770,995</u>	<u>(342,364)</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
GENERAL FUND
COMPARATIVE SCHEDULE OF REVENUES, CONTINUED
YEAR ENDED SEPTEMBER 30, 2012

	Actual revenue	Budget	Variance with final budget positive (negative)
FINES AND FORFEITURES			
Traffic fines	3,260,160	3,187,601	72,559
Misdemeanor fees	702,183	550,800	151,383
Parking fines	185,515	141,780	43,735
Court Fees	16,040	23,339	(7,299)
Other court revenue	118,182	150,584	(32,402)
Miscellaneous fines	177,952	171,001	6,951
State court costs	495,026	506,938	(11,912)
Total fines and forfeitures	<u>4,955,058</u>	<u>4,732,043</u>	<u>223,015</u>
INVESTMENT EARNINGS			
Interest earnings	391,254	528,423	(137,169)
Total investment earnings	<u>391,254</u>	<u>528,423</u>	<u>(137,169)</u>
OTHER RENTALS AND COMMISSIONS			
Amusement park commissions	108,675	108,947	(272)
Municipal building rents	223,574	214,755	8,819
Surface land rents	15,100	14,600	500
Miscellaneous concessions	48,313	67,792	(19,479)
Total rental/commissions	<u>395,662</u>	<u>406,094</u>	<u>(10,432)</u>
MISCELLANEOUS			
Use of money and property:			
Miscellaneous revenues	473,863	280,230	193,633
Discount card sales	2,949	4,661	(1,712)
Sales to outside utilities	59,058	50,000	9,058
PID reimbursements	33,073	103,734	(70,661)
Appraisal District refunds	26,018	24,175	1,843
Discounts earned	2,173	5,000	(2,827)
Sale of property and gains	15,705	29,797	(14,092)
Bad debt/exp recovery	(11,231)	-	(11,231)
Total miscellaneous	<u>601,608</u>	<u>497,597</u>	<u>104,011</u>
TOTAL REVENUES	<u>\$ 146,322,540</u>	<u>\$ 143,292,515</u>	<u>\$ 3,030,025</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT (GAAP BASIS)
YEAR ENDED SEPTEMBER 30, 2012**

	Salaries, wages and fringe benefits	Supplies	Contractual services
GENERAL GOVERNMENT			
Mayor and commission	\$ 2,172	\$ 8,942	\$ 37,244
City manager	806,187	12,531	67,150
City secretary	295,514	1,431	588
Municipal court	897,598	48,078	105,155
Judicial	449,308	3,062	3,960
Teen court	34,835	2,182	232
Planning and zoning	387,419	6,917	15,923
Total general government	<u>2,873,033</u>	<u>83,143</u>	<u>230,252</u>
STAFF SERVICES			
Financial administration			
Director of Finance	350,261	7,380	461,465
Accounting	820,091	27,155	173,363
Payroll	167,374	2,586	9,992
Benefits	276,523	-	-
Purchasing	403,831	16,047	30,250
Central stores	287,386	4,788	15,082
Information technology	-	-	-
Legal	819,067	43,429	7,872
Personnel			
Human Resources	340,923	139,061	126,801
Safety and training	294,297	7,983	19,635
Communications	367,058	24,944	487,787
Occupancy			
Custodial operations	802,180	413,942	24,615
Building maintenance	1,224,343	25,843	415,914
Total staff services	<u>6,153,334</u>	<u>713,158</u>	<u>1,772,776</u>
PUBLIC SAFETY AND HEALTH			
Police			
Police	29,319,693	1,225,673	2,027,976
Civilian personnel	2,138,924	-	1,717,910
Miscellaneous police programs	20,402	200	505
Total police protection	<u>31,479,019</u>	<u>1,225,873</u>	<u>3,746,391</u>
Fire protection			
Fire operations	20,864,391	50,319	43,723
Civilian personnel	1,090,667	14,208	6,692
Fire support	387,994	1,145,435	810,983
Total fire protection	<u>22,343,052</u>	<u>1,209,962</u>	<u>861,398</u>
Other			
Building safety	1,624,328	34,290	260,769
Animal control	1,293,261	112,191	137,567
Emergency services	234,201	25,572	28,956
AECC	3,781,552	15,255	285,600
Environmental health	672,626	10,750	66,455
Vital statistics	31,083	7,658	1,908
Total other	<u>7,637,051</u>	<u>205,716</u>	<u>781,255</u>
Total public safety and health	<u>61,459,122</u>	<u>2,641,551</u>	<u>5,389,044</u>

See Independent Auditor's Report.

Other charges	Total	Capital outlay	Total (GAAP) basis
\$ 38,271	\$ 86,629	\$ -	\$ 86,629
21,013	906,881	-	906,881
10,125	307,658	975	308,633
45,737	1,096,568	-	1,096,568
1,823	458,153	-	458,153
1,910	39,159	-	39,159
9,359	419,618	-	419,618
<u>128,238</u>	<u>3,314,666</u>	<u>975</u>	<u>3,315,641</u>
9,408	828,514	-	828,514
12,263	1,032,872	-	1,032,872
953	180,905	-	180,905
1,697	278,220	-	278,220
5,305	455,433	-	455,433
(22,791)	284,465	-	284,465
2,703,716	2,703,716	-	2,703,716
14,101	884,469	-	884,469
13,250	620,035	-	620,035
7,535	329,450	-	329,450
8,595	888,384	-	888,384
4,240	1,244,977	-	1,244,977
61,962	1,728,062	-	1,728,062
<u>2,820,234</u>	<u>11,459,502</u>	<u>-</u>	<u>11,459,502</u>
577,006	33,150,348	82,445	33,232,793
8,527	3,865,361	-	3,865,361
-	21,107	-	21,107
<u>585,533</u>	<u>37,036,816</u>	<u>82,445</u>	<u>37,119,261</u>
60,553	21,018,986	-	21,018,986
14,243	1,125,810	9,463	1,135,273
94,595	2,439,007	-	2,439,007
<u>169,391</u>	<u>24,583,803</u>	<u>9,463</u>	<u>24,593,266</u>
52,605	1,971,992	-	1,971,992
21,565	1,564,584	-	1,564,584
108,231	396,960	-	396,960
146,480	4,228,887	(958)	4,227,929
8,337	758,168	-	758,168
4,644	45,293	-	45,293
<u>341,862</u>	<u>8,965,884</u>	<u>(958)</u>	<u>8,964,926</u>
<u>1,096,786</u>	<u>70,586,503</u>	<u>90,950</u>	<u>70,677,453</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT (GAAP BASIS), CONTINUED
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Salaries, wages and fringe benefits</u>	<u>Supplies</u>	<u>Contractual services</u>
STREETS, TRAFFIC & ENGINEERING			
Street maintenance	3,620,194	219,173	4,667,624
Traffic engineering	470,087	1,731,367	104,705
Traffic field operations	766,506	21,063	468,781
Engineering	1,354,797	79,000	51,275
Total streets, traffic, engineering	<u>6,211,584</u>	<u>2,050,603</u>	<u>5,292,385</u>
CULTURE & RECREATION			
Auditorium - Coliseum			
Civic Center operations	927,414	582,218	93,448
Civic Center promotions	185,663	40,754	26,104
Box office operations	202,938	3,390	60,468
Civic Center sports	79,975	141,657	49,384
Globe News Center	124,266	124,545	17,694
Library operations	2,590,183	758,567	118,959
Parks			
Parks administration	408,551	31,699	18,175
Park maintenance	3,234,326	1,583,615	1,145,531
Participant recreation			
Ross Rogers Golf Course	707,450	825,930	416,722
Comanche Trail Golf Course	656,359	243,321	340,342
Zoo	240,472	85,191	25,883
Swimming pools	258,199	102,469	62,302
Tennis center	4,486	26,607	40,016
Parks and recreation programs	633,419	64,634	96,366
Total culture and recreation	<u>10,253,701</u>	<u>4,614,597</u>	<u>2,511,394</u>
SOLID WASTE			
Solid waste collection	4,531,336	260,255	2,965,361
Solid waste disposal	1,396,314	96,808	1,464,954
Total solid waste	<u>5,927,650</u>	<u>357,063</u>	<u>4,430,315</u>
TRANSIT			
Fixed route	1,458,068	633,666	17,799
Demand response	786,591	274,161	43,801
Transit maintenance	415,200	44	-
Total transit	<u>2,659,859</u>	<u>907,871</u>	<u>61,600</u>
ECONOMIC DEVELOPMENT			
Tourism support	-	-	2,847,958
Total economic development	<u>-</u>	<u>-</u>	<u>2,847,958</u>
TOTAL GENERAL FUND EXPENDITURES	<u>\$ 95,538,283</u>	<u>\$ 11,367,986</u>	<u>\$ 22,535,724</u>

See Independent Auditor's Report.

<u>Other charges</u>	<u>Total</u>	<u>Capital outlay</u>	<u>Total (GAAP) basis</u>
51,978	8,558,969	-	8,558,969
26,116	2,332,275	-	2,332,275
23,031	1,279,381	-	1,279,381
28,197	1,513,269	-	1,513,269
<u>129,322</u>	<u>13,683,894</u>	<u>-</u>	<u>13,683,894</u>
114,845	1,717,925	-	1,717,925
24,844	277,365	-	277,365
28,369	295,165	-	295,165
2,231	273,247	-	273,247
27,175	293,680	-	293,680
111,191	3,578,900	-	3,578,900
11,661	470,086	4,345	474,431
44,202	6,007,674	6,792	6,014,466
8,554	1,958,656	153	1,958,809
7,888	1,247,910	-	1,247,910
619	352,165	-	352,165
16,685	439,655	-	439,655
1,409	72,518	-	72,518
56,391	850,810	-	850,810
<u>456,064</u>	<u>17,835,756</u>	<u>11,290</u>	<u>17,847,046</u>
37,840	7,794,792	-	7,794,792
310,403	3,268,479	-	3,268,479
<u>348,243</u>	<u>11,063,271</u>	<u>-</u>	<u>11,063,271</u>
271,078	2,380,611	3,691	2,384,302
45,999	1,150,552	-	1,150,552
10,911	426,155	-	426,155
<u>327,988</u>	<u>3,957,318</u>	<u>3,691</u>	<u>3,961,009</u>
-	2,847,958	-	2,847,958
-	<u>2,847,958</u>	-	<u>2,847,958</u>
<u>\$ 5,306,875</u>	<u>\$ 134,748,868</u>	<u>\$ 106,906</u>	<u>\$ 134,855,774</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
YEAR ENDED SEPTEMBER 30, 2012

	<u>Net Current</u>	<u>Capital Outlay</u>	<u>Total Current Year (GAAP Basis)</u>	<u>Paid Prior Year Encumbrances</u>
GENERAL GOVERNMENT				
Mayor and Commission	\$ 86,629	\$ -	\$ 86,629	\$ -
City manager	906,881	-	906,881	-
City secretary	307,658	975	308,633	-
Municipal court	1,096,568	-	1,096,568	-
Judicial	458,153	-	458,153	-
Teen court	39,159	-	39,159	-
Planning and zoning	419,618	-	419,618	-
Total general government	<u>3,314,666</u>	<u>975</u>	<u>3,315,641</u>	<u>-</u>
STAFF SERVICES				
Financial administration				
Director of Finance	828,514	-	828,514	-
Accounting	1,032,872	-	1,032,872	830
Payroll	180,905	-	180,905	250
Benefits	278,220	-	278,220	-
Purchasing	455,433	-	455,433	597
Central stores	284,465	-	284,465	-
Information technology	2,703,716	-	2,703,716	-
Legal	884,469	-	884,469	-
Personnel				
Human Resources	620,035	-	620,035	21,958
Safety and training	329,450	-	329,450	-
Communications	888,384	-	888,384	-
Occupancy				
Custodial operations	1,244,977	-	1,244,977	-
Building maintenance	1,728,062	-	1,728,062	8,369
Total staff services	<u>11,459,502</u>	<u>-</u>	<u>11,459,502</u>	<u>32,004</u>
PUBLIC SAFETY AND HEALTH				
Police				
Police	33,150,348	82,445	33,232,793	13,476
Civilian personnel	3,865,361	-	3,865,361	-
Tobacco Senate Bill	21,107	-	21,107	-
Total police protection	<u>37,036,816</u>	<u>82,445</u>	<u>37,119,261</u>	<u>13,476</u>
Fire Protection				
Fire operations	21,018,986	-	21,018,986	-
Civilian personnel	1,125,810	9,463	1,135,273	-
Fire support	2,439,007	-	2,439,007	26,855
EMS Support	-	-	-	-
Total fire protection	<u>24,583,803</u>	<u>9,463</u>	<u>24,593,266</u>	<u>26,855</u>
Other				
Building safety	1,971,992	-	1,971,992	-
Animal control	1,564,584	-	1,564,584	-
Emergency services	396,960	-	396,960	-
AECC	4,228,887	(958)	4,227,929	-
Environmental health	758,168	-	758,168	-
Vital statistics	45,293	-	45,293	3,079
Total other	<u>8,965,884</u>	<u>(958)</u>	<u>8,964,926</u>	<u>3,079</u>
Total public safety and health	<u>70,586,503</u>	<u>90,950</u>	<u>70,677,453</u>	<u>43,410</u>

See Independent Auditor's Report.

<u>Encumbrances at End of Year</u>	<u>Total Actual Budgetary Basis</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Final Budget</u>
\$ -	\$ 86,629	\$ 121,289	\$ 121,289	\$ 34,660
-	906,881	1,066,717	1,066,954	160,073
-	308,633	366,618	368,328	59,695
-	1,096,568	1,647,657	1,177,395	80,827
2,307	460,460	-	478,377	17,917
-	39,159	39,010	39,296	137
-	419,618	508,348	510,726	91,108
<u>2,307</u>	<u>3,317,948</u>	<u>3,749,639</u>	<u>3,762,365</u>	<u>444,417</u>
-	828,514	835,152	836,580	8,066
-	1,032,042	1,165,801	1,170,768	138,726
-	180,655	181,115	182,260	1,605
-	278,220	288,041	289,564	11,344
-	454,836	517,307	520,162	65,326
-	284,465	314,616	317,896	33,431
-	2,703,716	2,703,720	2,703,720	4
-	884,469	934,961	937,997	53,528
10,000	608,077	724,944	706,467	98,390
-	329,450	351,580	352,915	23,465
-	888,384	947,645	950,592	62,208
-	1,244,977	1,362,133	1,370,666	125,689
-	1,719,693	1,927,447	1,920,257	200,564
<u>10,000</u>	<u>11,437,498</u>	<u>12,254,462</u>	<u>12,259,844</u>	<u>822,346</u>
78,336	33,297,653	32,608,802	32,556,583	(741,070)
-	3,865,361	3,849,243	3,870,426	5,065
-	21,107	8,300	8,300	(12,807)
<u>78,336</u>	<u>37,184,121</u>	<u>36,466,345</u>	<u>36,435,309</u>	<u>(748,812)</u>
-	21,018,986	20,948,983	20,945,983	(73,003)
473	1,135,746	1,194,691	1,226,203	90,457
50,938	2,463,090	2,969,518	2,942,518	479,428
-	-	-	-	-
<u>51,411</u>	<u>24,617,822</u>	<u>25,113,192</u>	<u>25,114,704</u>	<u>496,882</u>
-	1,971,992	2,293,812	2,301,976	329,984
-	1,564,584	1,526,791	1,535,501	(29,083)
-	396,960	416,632	417,204	20,244
-	4,227,929	4,139,369	4,153,270	(74,659)
6,224	764,392	1,030,482	1,035,237	270,845
-	42,214	53,044	53,330	11,116
<u>6,224</u>	<u>8,968,071</u>	<u>9,460,130</u>	<u>9,496,518</u>	<u>528,447</u>
<u>135,971</u>	<u>70,770,014</u>	<u>71,039,667</u>	<u>71,046,531</u>	<u>276,517</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS, CONTINUED
YEAR ENDED SEPTEMBER 30, 2012

	<u>Net Current</u>	<u>Capital Outlay</u>	<u>Total Current Year (GAAP Basis)</u>	<u>Paid Prior Year Encumbrances</u>
STREETS, TRAFFIC & ENGINEERING				
Street maintenance	8,558,969	-	8,558,969	3,422
Traffic engineering	2,332,275	-	2,332,275	-
Traffic field operations	1,279,381	-	1,279,381	5,081
Engineering	1,513,269	-	1,513,269	4,137
Total streets, traffic, engineering	<u>13,683,894</u>	<u>-</u>	<u>13,683,894</u>	<u>12,640</u>
CULTURE & RECREATION				
Auditorium - Coliseum				
Civic Center operations	1,717,925	-	1,717,925	-
Civic Center promotions	277,365	-	277,365	-
Box office operations	295,165	-	295,165	-
Civic Center Sports	273,247	-	273,247	-
Globe News Center	293,680	-	293,680	19,340
Library operations	3,578,900	-	3,578,900	-
Parks				
Parks administration	470,086	4,345	474,431	-
Park maintenance	6,007,674	6,792	6,014,466	218
Participant Recreation				
Ross Rogers Golf Course	1,958,656	153	1,958,809	-
Comanche Trail Golf Course	1,247,910	-	1,247,910	-
Zoo	352,165	-	352,165	-
Swimming pools	439,655	-	439,655	2,765
Tennis center	72,518	-	72,518	-
Parks and recreation programs	850,810	-	850,810	390
Total culture and recreation	<u>17,835,756</u>	<u>11,290</u>	<u>17,847,046</u>	<u>22,713</u>
SOLID WASTE				
Solid waste collection	7,794,792	-	7,794,792	-
Solid waste disposal	3,268,479	-	3,268,479	-
Total solid waste	<u>11,063,271</u>	<u>-</u>	<u>11,063,271</u>	<u>-</u>
TRANSIT				
Fixed route	2,380,611	3,691	2,384,302	1,155
Demand response	1,150,552	-	1,150,552	-
Transit maintenance	426,155	-	426,155	-
Total transit	<u>3,957,318</u>	<u>3,691</u>	<u>3,961,009</u>	<u>1,155</u>
ECONOMIC DEVELOPMENT				
Tourism support	2,847,958	-	2,847,958	35,818
Total economic development	<u>2,847,958</u>	<u>-</u>	<u>2,847,958</u>	<u>35,818</u>
TOTAL GENERAL FUND EXPENDITURES	<u>\$ 134,748,868</u>	<u>\$ 106,906</u>	<u>\$ 134,855,774</u>	<u>\$ 147,740</u>
OPERATING TRANSFERS:				
Operating Transfers to Other Funds	9,080,216	-	9,080,216	-
Operating Transfers from Other Funds	(70,281)	-	(70,281)	-
TOTALS INCLUDING TRANSFERS	<u>\$ 143,758,803</u>	<u>\$ 106,906</u>	<u>\$ 143,865,709</u>	<u>\$ 147,740</u>

See Independent Auditor's Report.

<u>Encumbrances at End of Year</u>	<u>Total Actual Budgetary Basis</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Final Budget</u>
6,871	8,562,418	9,806,554	9,839,551	1,277,133
-	2,332,275	2,331,662	2,334,205	1,930
47,474	1,321,774	1,479,742	1,487,258	165,484
-	1,509,132	1,611,567	1,618,419	109,287
<u>54,345</u>	<u>13,725,599</u>	<u>15,229,525</u>	<u>15,279,433</u>	<u>1,553,834</u>
9,733	1,727,658	1,818,038	1,825,418	97,760
6,624	283,989	343,058	344,009	60,020
10,537	305,702	360,139	361,140	55,438
-	273,247	242,209	242,616	(30,631)
-	274,340	311,770	313,287	38,947
6,400	3,585,300	3,637,396	3,657,973	72,673
-	474,431	523,277	524,797	50,366
-	6,014,248	5,949,412	5,961,052	(53,196)
3,133	1,961,942	1,940,752	1,944,298	(17,644)
-	1,247,910	1,355,934	1,361,770	113,860
-	352,165	365,910	366,491	14,326
-	436,890	452,901	453,288	16,398
-	72,518	89,501	89,501	16,983
-	850,420	993,145	994,339	143,919
<u>36,427</u>	<u>17,860,760</u>	<u>18,383,442</u>	<u>18,439,979</u>	<u>579,219</u>
-	7,794,792	7,889,111	7,928,157	133,365
7,073	3,275,552	3,407,242	3,397,330	121,778
<u>7,073</u>	<u>11,070,344</u>	<u>11,296,353</u>	<u>11,325,487</u>	<u>255,143</u>
13,936	2,397,083	2,557,598	2,567,446	170,363
-	1,150,552	1,209,577	1,214,661	64,109
-	426,155	416,726	419,065	(7,090)
<u>13,936</u>	<u>3,973,790</u>	<u>4,183,901</u>	<u>4,201,172</u>	<u>227,382</u>
35,000	2,847,140	2,901,960	2,901,960	54,820
<u>35,000</u>	<u>2,847,140</u>	<u>2,901,960</u>	<u>2,901,960</u>	<u>54,820</u>
<u>\$ 295,059</u>	<u>\$ 135,003,093</u>	<u>\$ 139,038,949</u>	<u>\$ 139,216,771</u>	<u>\$ 4,213,678</u>
-	9,080,216	9,812,107	9,634,298	554,082
-	(70,281)	(182,200)	(182,200)	(111,919)
<u>\$ 295,059</u>	<u>\$ 144,013,028</u>	<u>\$ 148,668,856</u>	<u>\$ 148,668,869</u>	<u>\$ 4,655,841</u>

See Independent Auditor's Report.

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STATEMENTS OF WATER AND SEWER FUND

This fund accounts for the provision of water and sewer services to residents and commercial enterprises of the City and proximate area. Water is obtained from a number of city-owned well fields, as well as from an allocation of surface water from the Canadian River and underground water from the northeast sector of the Panhandle, both provided by the Canadian River Municipal Water Authority.

**CITY OF AMARILLO, TEXAS
WATER AND SEWER SYSTEM FUND
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 13,337,634
Investments, at fair values	35,148,563
Accounts receivable	5,602,192
Accrued interest receivable	60,022
Other accrued revenue	3,788,401
Prepaid expenses	<u>963,535</u>
Total current assets	<u>58,900,347</u>
NONCURRENT ASSETS	
Restricted cash and cash equivalents	33,050,537
Other noncurrent receivable	343,950
Capital assets	
Land	1,752,820
Contributed right of way easements	570,218
Underground water rights	56,700,214
Accumulated depletion - water rights	(4,107,495)
Water supply contract	50,336,389
Accumulated amortization - water supply contract	(19,053,650)
Pipelines and plant	545,610,923
Accumulated depreciation - pipelines and plant	(150,524,679)
Equipment and vehicles	3,770,282
Accumulated depreciation - equipment and vehicles	(3,151,223)
Construction in progress	<u>36,349,481</u>
Total capital assets net of accumulated depreciation	<u>518,253,280</u>
Total noncurrent assets	<u>551,647,767</u>
TOTAL ASSETS	<u><u>\$ 610,548,114</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Vouchers payable	\$ 1,753,994
Accounts payable	1,630,633
Accrued expenses	2,339,336
Deposits	32,740
Consumer security deposits	3,144,653
Share of Water Authority debt, current	4,866,248
Bonded debt current maturity	7,290,000
Current portion of provision for compensated absences	<u>187,561</u>
Total current liabilities	<u>21,245,165</u>
NONCURRENT LIABILITIES	
Bonded debt, net of current	133,829,981
Water authority debt, net of current	93,936,161
Other accrued expenses	3,109,196
Provision for compensated absences, net	1,249,273
Net pension obligation	<u>635,209</u>
Total noncurrent liabilities	<u>232,759,820</u>
TOTAL LIABILITIES	<u><u>\$ 254,004,985</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 306,052,107
Restricted for debt service	5,329,320
Unrestricted	<u>45,161,702</u>
TOTAL NET ASSETS	<u><u>\$ 356,543,129</u></u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATER AND SEWER SYSTEM FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2012**

OPERATING REVENUES	
Rents and miscellaneous	\$ 310,142
Tap fees and frontage charges	242,732
Utility sales and service	<u>69,103,211</u>
Total operating revenues	<u>69,656,085</u>
OPERATING EXPENSES	
Salaries, wages and fringe benefits	11,394,284
Supplies	1,303,399
Fuel and power	4,476,328
Contractual services	4,216,512
Water Authority charges	4,682,183
Other charges	8,044,314
Depreciation	<u>13,110,658</u>
Total operating expenses	<u>47,227,678</u>
Operating income	<u>22,428,407</u>
NONOPERATING REVENUES (EXPENSES)	
Loss on disposal of property	(161,536)
Interfund reimbursement	577,802
Interest earnings	170,434
Interest and fiscal charges	<u>(7,030,181)</u>
Total nonoperating revenue (expenses)	<u>(6,443,481)</u>
Income before contributions and transfers	15,984,926
Capital contributions	4,587,476
Transfers to other funds	<u>(387,328)</u>
Change in net assets	20,185,074
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>336,358,055</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 356,543,129</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATER AND SEWER SYSTEM FUND
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from third parties	\$ 68,801,986
Cash payments to suppliers for goods and services	(25,151,729)
Cash payments to employees	<u>(11,321,429)</u>
Net cash provided (used) by operating activities	<u>32,328,828</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers (to) from other funds	(387,328)
Amounts repaid from other funds	<u>577,802</u>
Net cash provided (used) by noncapital financing activities	<u>190,474</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(82,224,385)
Principal paid on revenue bond maturities	(7,210,000)
Principal paid on proportionate share of Water Authority debt	(4,386,366)
Noncurrent receivable	16,042
Proceeds from issuance of bonds	38,222,252
Bond issuance cost	(473,755)
Capital grants received	4,587,476
Interest expense	(7,799,662)
Proceeds from sale of capital assets	<u>18,785</u>
Net cash provided (used) by capital and related financing activities	<u>(59,249,613)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investment securities	25,956,459
Purchase of investment securities	(31,093,280)
Interest and gains on investments	<u>443,961</u>
Net cash provided (used) by investing activities	<u>(4,692,860)</u>
Net increase in cash and cash equivalents	<u>(31,423,171)</u>
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	<u>77,811,342</u>
CASH AND CASH EQUIVALENTS, AT END OF YEAR (RESTRICTED AND UNRESTRICTED)	<u>\$ 46,388,171</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 22,428,407
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	13,110,658
(Increase) decrease in accounts receivable	(954,343)
(Increase) decrease in other accrued revenue	100,244
(Increase) decrease in prepaid expenses	(939,039)
Increase (decrease) in vouchers payable	(774,430)
Increase (decrease) in accounts payable	(1,843,033)
Increase (decrease) in accrued operating expenses	1,145,443
Increase (decrease) in customer deposits	98,668
Increase (decrease) in net pension obligation	3,893
Increase (decrease) in compensated absences	(6,836)
Increase (decrease) in other accrued expenses	<u>(40,804)</u>
Net cash provided (used) by operating activities	<u>\$ 32,328,828</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Amortization of bond issuance costs	\$ 165,943
Increases in fair values of investments	14,463
Interest expense capitalized	603,538

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATER AND SEWER SYSTEM FUND
SCHEDULE OF OPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2012**

UTILITY SALES AND SERVICE	
Water metered sales	\$ 46,807,157
Sewer charges	19,377,899
Industrial waste charges	188,625
Forfeited discounts	1,171,110
Sale of reclaimed water	670,041
Water service charges	1,176,520
Net loss on bad debts	(502,057)
Lab fees	175,921
Liquid waste disposal	37,995
	<hr/>
Total utility sales and service	69,103,211
	<hr/>
TAP FEES AND FRONTAGE CHARGES	
Water tap fees	130,810
Sewer tap fees	71,993
Water frontage charges	14,855
Sewer frontage charges	25,074
	<hr/>
Total tap fees and frontage charges	242,732
	<hr/>
RENTS AND MISCELLANEOUS	
Rents and miscellaneous	310,142
	<hr/>
Total rents and miscellaneous	310,142
	<hr/>
TOTAL OPERATING REVENUE	\$ 69,656,085
	<hr/> <hr/>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATER AND SEWER SYSTEM FUND
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
YEAR ENDED SEPTEMBER 30, 2012**

WATER AND SEWER SYSTEM FUND DEPARTMENT	Salaries, Wages & Fringe Benefits	Supplies	Fuel and Power
Water production	\$ 371,076	\$ 22,958	\$ 1,516,702
Water transmission	355,008	20,480	1,582,760
Surface water treatment	1,585,527	328,811	120,126
Water distribution	2,303,608	47,802	905
Water - general	-	-	-
Wastewater collection	1,240,700	160,241	157,415
Wastewater treatment	1,984,806	434,473	1,078,850
Environmental laboratory	1,052,096	153,688	19,570
Sewer - general	-	-	-
Utility billing	1,180,492	58,944	-
Director of utilites - admin.	1,320,971	76,002	-
Total operating expenses	<u>\$ 11,394,284</u>	<u>\$ 1,303,399</u>	<u>\$ 4,476,328</u>

See Independent Auditor's Report.

<u>Water Authority Charges</u>	<u>Contractual Services</u>	<u>Other Charges</u>	<u>Depreciation/ Amortization</u>	<u>Total Current Year</u>
\$ -	\$ 531,495	\$ 16,016	\$ 3,433,039	\$ 5,891,286
-	162,326	32,395	2,323,176	4,476,145
4,682,183	456,292	182,761	1,129,380	8,485,080
-	999,063	44,052	2,306,781	5,702,211
-	124,750	4,999,248	-	5,123,998
-	521,708	47,008	1,531,513	3,658,585
-	570,641	323,746	2,072,164	6,464,680
-	140,485	(23,795)	103,722	1,445,766
-	-	2,366,100	-	2,366,100
-	662,008	13,923	189,138	2,104,505
-	47,744	42,860	21,745	1,509,322
<u>\$ 4,682,183</u>	<u>\$ 4,216,512</u>	<u>\$ 8,044,314</u>	<u>\$ 13,110,658</u>	<u>\$ 47,227,678</u>

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STATEMENTS OF DRAINAGE UTILITY FUND

The Drainage Utility Fund provides for a dedicated funding source for the operations and maintenance of the existing storm-water system.

**CITY OF AMARILLO, TEXAS
DRAINAGE UTILITY FUND
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$	510
Total current assets		510
NONCURRENT ASSETS		
Capital assets		
Construction in progress		102,935
Total noncurrent assets		102,935
TOTAL ASSETS	\$	103,445
LIABILITIES		
CURRENT LIABILITIES		
Vouchers payable	\$	449
Accrued expenses		13,576
Due to other funds		136,000
Total current liabilities		150,025
NONCURRENT LIABILITIES		
Net pension obligation		8
Total noncurrent liabilities		8
TOTAL LIABILITIES	\$	150,033
NET ASSETS		
Invested in capital assets, net of related debt	\$	102,935
Unrestricted		(149,523)
TOTAL NET ASSETS	\$	(46,588)

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
DRAINAGE UTILITY FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2012**

OPERATING REVENUES	
Drainage utility assessments	<u>\$ -</u>
Total operating revenues	<u>-</u>
OPERATING EXPENSES	
Salaries, wages and fringe benefits	26,714
Supplies	1,704
Contractual services	<u>18,170</u>
Total operating expenses	<u>46,588</u>
Operating income (loss)	<u>(46,588)</u>
Change in net assets	(46,588)
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>-</u>
TOTAL NET ASSETS, END OF YEAR	<u><u>\$ (46,588)</u></u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
DRAINAGE UTILITY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash payments to suppliers for goods and services	\$ (19,425)
Cash payments to employees	<u>(13,130)</u>
Net cash provided (used) by operating activities	<u>(32,555)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Amounts borrowed from or repaid by other funds	<u>136,000</u>
Net cash provided (used) by noncapital financing activities	<u>136,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(102,935)</u>
Net cash provided (used) by capital and related financing activities	<u>(102,935)</u>
Net increase (decrease) in cash and cash equivalents	510
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS, AT END OF YEAR	<u><u>\$ 510</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (46,588)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase (decrease) in vouchers payable	449
Increase (decrease) in accrued operating expenses	13,576
Increase (decrease) in net pension obligation	<u>8</u>
Net cash provided (used) by operating activities	<u><u>\$ (32,555)</u></u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Increase (decrease) in fair values of investments	-

See Independent Auditor's Report.

AIRPORT FUND

This fund accounts for the operation of the Amarillo International Airport. In addition to providing runways, a passenger terminal and related facilities, the Airport includes improvements built by the federal government for an air force base on land which was returned to the City in 1967 and 1970. These facilities, together with later additions, are leased to commercial tenants for warehousing, manufacturing, and aircraft-related activities.

**CITY OF AMARILLO, TEXAS
AIRPORT FUND
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	2,786,073
Investments at fair value		6,763,889
Receivables (net of allowances for uncollectibles)		
Accounts		293,048
Accrued interest		5,833
Other accrued revenue		259,436
Due from other governments		1,349,345
Total current assets		11,457,624

NONCURRENT ASSETS

Restricted cash and cash equivalents		373,430
Capital assets		
Land		2,777,341
Runways, buildings and improvements		140,136,680
Accumulated depreciation		(69,185,185)
Equipment and vehicles		4,665,779
Accumulated depreciation		(3,387,546)
Construction in progress		7,990,011
Total capital assets, net of accumulated depreciation		82,997,080
Total noncurrent assets		83,370,510

TOTAL ASSETS

\$ 94,828,134

LIABILITIES

CURRENT LIABILITIES

Vouchers payable	\$	283,703
Accounts payable		197,496
Accrued expenses		420,713
Deposits		87,786
Bonded debt current maturity		1,330,000
Current portion of provision for compensated absences		38,322
Total current liabilities		2,358,020

NONCURRENT LIABILITIES

Bonded debt, net of current portion		11,958,789
Provision for compensated absences, net		177,616
Net pension obligation		124,596
Total noncurrent liabilities		12,261,001

TOTAL LIABILITIES

\$ 14,619,021

NET ASSETS

Invested in capital assets net of debt	\$	69,708,291
Restricted for debt service		373,430
Unrestricted		10,127,392
Total net assets		80,209,113

TOTAL NET ASSETS

\$ 80,209,113

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
AIRPORT FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2012**

OPERATING REVENUES	
Airfield fees and commissions	\$ 538,756
Terminal building revenue	4,733,224
Other building revenue	1,464,486
	<hr/>
Total operating revenues	6,736,466
	<hr/>
OPERATING EXPENSES	
Salaries, wages and fringes	2,479,141
Supplies	199,335
Fuel and power	563,208
Contractual services	463,355
Other charges	2,096,691
Depreciation	4,587,212
	<hr/>
Total operating expenses	10,388,942
	<hr/>
Operating loss	(3,652,476)
	<hr/>
NONOPERATING REVENUES (EXPENSES)	
Passenger facility charge	1,639,556
Interest earnings	52,772
Change in value of investments	(6,179)
Other miscellaneous revenue	22,044
	<hr/>
Net nonoperating revenues (expenses)	1,708,193
	<hr/>
Net loss before contributions	(1,944,283)
	<hr/>
CAPITAL CONTRIBUTIONS	3,311,359
	<hr/>
Change in net assets	1,367,076
	<hr/>
NET ASSETS AT BEGINNING OF YEAR	78,842,037
	<hr/>
NET ASSETS AT END OF YEAR	<u>\$ 80,209,113</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
AIRPORT FUND
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from third parties	\$ 7,201,753
Cash payments to suppliers for goods and services	(4,104,148)
Cash payments to employees	(2,447,297)
Net cash provided (used) by operating activities	<u>650,308</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash payments received for passenger facility charge	<u>1,639,556</u>
Net cash provided (used) by noncapital financing activities	<u>1,639,556</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(3,643,683)
Capital grants received	2,139,643
Proceeds from sale of equipment	65,797
Interest expense	(588,188)
Principal paid on bond maturities	(1,280,000)
Net cash provided (used) by capital and related financing activities	<u>(3,306,431)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investment securities	4,000,000
Purchase of investment securities	(4,004,724)
Interest and gains on investments	69,481
Net cash provided (used) by investing activities	<u>64,757</u>
Net increase (decrease) in cash and cash equivalents	(951,810)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	<u>4,111,313</u>
CASH AND CASH EQUIVALENTS, AT END OF YEAR	<u>\$ 3,159,503</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (3,652,476)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	4,587,212
(Increase) decrease in accounts receivable	530,612
(Increase) decrease in other accrued revenue	(65,325)
Increase (decrease) in vouchers payable for operations	(295,183)
Increase (decrease) in accounts payable	(768,684)
Increase (decrease) in accrued expenses	287,679
Increase (decrease) in deposits received	11,629
Increase (decrease) in provision for compensated absences	13,983
Increase (decrease) in net pension obligation	861
Net cash provided (used) by operating activities	<u>\$ 650,308</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
(Increase) decrease in fair values of investments	\$ (6,179)
Interest expense capitalized	503,595

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
AIRPORT FUND
SCHEDULE OF OPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2012**

AIRFIELD FEES AND COMMISSIONS	
Landing fees	\$ 402,009
Military fuel flowage commission	131,814
Fuel and oil commissions--other	4,933
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Total airfield fees and commissions	538,756
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TERMINAL BUILDING REVENUES	
Airline rentals	1,444,705
Restaurant commissions	103,856
Locker and vending machine commissions	1,442
Other terminal building rentals	118,696
Car rental agencies	1,128,201
Auto parking concession	1,936,324
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Total terminal building revenues	4,733,224
	<hr/>
OTHER BUILDING REVENUES	
Lease rentals	
Bell Helicopter	508,322
Krams, Inc.	304,948
Leading Edge	285,021
Fixed base operator	86,012
Other building rentals	52,754
Ground rentals	190,209
Advertising commissions	37,220
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Total other building revenues	1,464,486
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TOTAL OPERATING REVENUES	\$ 6,736,466
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COMBINING SCHEDULES

Grant Programs

The City participates in the following types of federal, federal-pass-through and state financial assistance programs, many of which benefit the entire 26-county region known as the Panhandle of Texas:

HUD Programs: These grants, funded by the U. S. Department of Housing and Urban Development, include both block grants and housing and emergency shelter assistance grants for the benefit of low and moderate-income persons.

Public Health: These funds account for grants received for nutrition, immunization, education, and similar public health purposes within the city-bi-county public health district, received primarily through the Texas Department of Health.

Justice: These grants are received from the Texas Criminal Justice Division for assistance in both local and Panhandle area crime control, as well as from the Department of Transportation for traffic safety purposes.

Other: The City's library administers grants received from the Texas State Library and the Texas Committee for the Humanities for services as an area resource center, as well as for local purposes. The City's transportation planning department administers grants from the U. S. Department of Transportation and the Texas Highway Commission for both general transportation planning and for planning with respect to the Department of Energy's Pantex plant east of the City. The City's parks department administers a summer lunch program for low-income children funded by the U. S. Department of Agriculture.

Agency and Private-Purpose Trust Funds

The City accounts for the assets of the following other parties:

Agency Fund

Civic Center Operations: Accounts for individual events at the City of Amarillo Civic Center. Funds are held in these accounts until events occur and are balanced and closed out.

Private-Purpose Trust Funds

Centennial Parkway: Donations for trees and landscaping along Airport Boulevard.

Indigent Dog Bite Victim: Donations for health-related services for qualifying indigent dog bite victims.

Amarillo Industrial Development Corporation: Promotion and development of commercial, industrial and manufacturing enterprises to promote and encourage employment and the public welfare.

Amarillo Health Facilities Corporation: Facilitates the issuance of tax-exempt bonds to be used for health care, research, and education, in order to assist the maintenance of the public health.

**CITY OF AMARILLO, TEXAS
HOUSING AND URBAN DEVELOPMENT GRANTS
COMBINING SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCES
SEPTEMBER 30, 2012**

	Community Development Block Grant	Housing Assistance Payments Program	Home Investment Partnership Program	Shelter Plus Care
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,218,328	\$ 36,887	\$ 1,402
Accounts receivable	19,999	3,537	76,912	-
Due from other funds	6,295	16,981	521	-
Due from other governments	223,072	-	18,765	26,188
Other accrued revenue	175	-	-	24,116
Prepaid items	-	642,434	-	-
TOTAL ASSETS	\$ 249,541	\$ 1,881,280	\$ 133,085	\$ 51,706
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 33,880	\$ 140,627	\$ 1,073	\$ -
Due to other funds - unrestricted	132,001	3,191	7,615	50,685
Due to other governments	1,302	15,790	-	-
Deferred revenue	5,000	-	77,012	-
Vouchers payable	77,358	2,978	-	-
Total liabilities	249,541	162,586	85,700	50,685
FUND BALANCES				
Nonspendable:				
Prepaid items	-	642,434	-	-
Restricted for:				
Special purposes	-	1,044,617	47,385	1,021
Committed for:				
Compensated absences	-	31,643	-	-
Total fund balances	-	1,718,694	47,385	1,021
TOTAL LIABILITIES AND FUND BALANCES	\$ 249,541	\$ 1,881,280	\$ 133,085	\$ 51,706

See Independent Auditor's Report.

<u>Supportive Housing</u>	<u>Affordable Housing</u>	<u>Emergency Shelter</u>	<u>HMIS</u>	<u>Total</u>
\$ 1,549	\$ 74,273	\$ 399	\$ 1,533	\$ 1,334,371
-	-	-	-	100,448
-	-	-	554	24,351
28,743	-	4	41,788	338,560
11,890	-	-	-	36,181
-	-	-	-	642,434
<u>\$ 42,182</u>	<u>\$ 74,273</u>	<u>\$ 403</u>	<u>\$ 43,875</u>	<u>\$ 2,476,345</u>
\$ -	\$ -	\$ -	\$ 1,690	\$ 177,270
40,530	2,053	2,000	37,000	275,075
-	-	-	-	17,092
-	23,778	-	-	105,790
-	-	-	-	80,336
<u>40,530</u>	<u>25,831</u>	<u>2,000</u>	<u>38,690</u>	<u>655,563</u>
-	-	-	-	642,434
1,652	48,442	(1,597)	5,185	1,146,705
-	-	-	-	31,643
<u>1,652</u>	<u>48,442</u>	<u>(1,597)</u>	<u>5,185</u>	<u>1,820,782</u>
<u>\$ 42,182</u>	<u>\$ 74,273</u>	<u>\$ 403</u>	<u>\$ 43,875</u>	<u>\$ 2,476,345</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
HOUSING AND URBAN DEVELOPMENT GRANTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2012**

	Community Development Block Grant	Housing Assistance Payments Program	Home Investment Partnership Program
REVENUES			
Grants-in-aid - capital	\$ 2,088,430	\$ 8,049,128	\$ 741,128
Charges for services	14,228	-	12,265
Construction participations	30,285	-	-
Investment earnings	-	3,473	-
Miscellaneous revenues	-	68,755	-
Total revenues	<u>2,132,943</u>	<u>8,121,356</u>	<u>753,393</u>
EXPENDITURES			
Urban redevelopment/housing	<u>2,132,943</u>	<u>8,453,700</u>	<u>739,880</u>
Total expenditures	<u>2,132,943</u>	<u>8,453,700</u>	<u>739,880</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(332,344)</u>	<u>13,513</u>
OTHER FINANCING SOURCES (USES)			
Transfer to other fund	-	-	(7,615)
Operating transfer from other fund	-	13,807	-
Total other financing sources (uses)	<u>-</u>	<u>13,807</u>	<u>(7,615)</u>
Net change in fund balances	-	(318,537)	5,898
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>2,037,231</u>	<u>41,487</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 1,718,694</u>	<u>\$ 47,385</u>

See Independent Auditor's Report.

<u>Shelter Plus Care</u>	<u>Supportive Housing</u>	<u>Affordable Housing</u>	<u>Emergency Shelter</u>	<u>HMIS</u>	<u>Total</u>
\$ 255,321	\$ 198,716	\$ -	\$ -	\$ 93,105	\$ 11,425,828
-	-	-	-	-	26,493
-	-	-	-	-	30,285
-	-	116	-	-	3,589
-	-	-	-	-	68,755
<u>255,321</u>	<u>198,716</u>	<u>116</u>	<u>-</u>	<u>93,105</u>	<u>11,554,950</u>
<u>250,892</u>	<u>197,181</u>	<u>75,022</u>	<u>1,597</u>	<u>91,635</u>	<u>11,942,850</u>
<u>250,892</u>	<u>197,181</u>	<u>75,022</u>	<u>1,597</u>	<u>91,635</u>	<u>11,942,850</u>
<u>4,429</u>	<u>1,535</u>	<u>(74,906)</u>	<u>(1,597)</u>	<u>1,470</u>	<u>(387,900)</u>
(4,685)	(1,507)	-	-	-	(13,807)
-	-	-	-	-	13,807
<u>(4,685)</u>	<u>(1,507)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(256)	28	(74,906)	(1,597)	1,470	(387,900)
<u>1,277</u>	<u>1,624</u>	<u>123,348</u>	<u>-</u>	<u>3,715</u>	<u>2,208,682</u>
<u>\$ 1,021</u>	<u>\$ 1,652</u>	<u>\$ 48,442</u>	<u>\$ (1,597)</u>	<u>\$ 5,185</u>	<u>\$ 1,820,782</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
PUBLIC HEALTH GRANTS
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES
SEPTEMBER 30, 2012**

	Public Health	Women, Infants & Children	Total
ASSETS			
Cash and cash equivalents	\$ 7,784	\$ 3,749	\$ 11,533
Accounts receivable	207,941	-	207,941
Due from other governments	262,752	237,129	499,881
TOTAL ASSETS	\$ 478,477	\$ 240,878	\$ 719,355
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 48,631	\$ 30,081	\$ 78,712
Due to other funds - unrestricted	400,000	205,000	605,000
Vouchers payable	29,846	5,797	35,643
Total liabilities	478,477	240,878	719,355
FUND BALANCES			
Restricted:			
Special purposes	-	-	-
Total fund balances	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 478,477	\$ 240,878	\$ 719,355

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
PUBLIC HEALTH GRANTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2012

	<u>Public Health</u>	<u>Women, Infants & Children</u>	<u>Total</u>
REVENUES			
Other entity participation	\$ 808,345	\$ -	\$ 808,345
Intergovernmental revenues	1,380,068	1,136,281	2,516,349
Charges for services	31,709	-	31,709
Total revenues	<u>2,220,122</u>	<u>1,136,281</u>	<u>3,356,403</u>
EXPENDITURES			
Other public safety and health	<u>2,220,122</u>	<u>1,136,281</u>	<u>3,356,403</u>
Total expenditures	<u>2,220,122</u>	<u>1,136,281</u>	<u>3,356,403</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers to other fund	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
FUND BALANCES, AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
JUSTICE GRANTS
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES
SEPTEMBER 30, 2012**

	<u>Justice Assistant Grant</u>	<u>Selective Traffic Enforcement Program</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,161	\$ 1,198	\$ 3,359
Due from other governments	<u>82,839</u>	<u>21,802</u>	<u>104,641</u>
TOTAL ASSETS	<u><u>\$ 85,000</u></u>	<u><u>\$ 23,000</u></u>	<u><u>\$ 108,000</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds - unrestricted	<u>\$ 85,000</u>	<u>\$ 23,000</u>	<u>\$ 108,000</u>
Total liabilities	<u>85,000</u>	<u>23,000</u>	<u>108,000</u>
FUND BALANCES			
Restricted:			
Special purposes	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 85,000</u></u>	<u><u>\$ 23,000</u></u>	<u><u>\$ 108,000</u></u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
JUSTICE GRANTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Justice Assistance Grant</u>	<u>Selective Traffic Enforcement Program</u>	<u>Total</u>
REVENUES			
Intergovernmental revenues	\$ 211,767	\$ 108,040	\$ 319,807
Total revenues	<u>211,767</u>	<u>108,040</u>	<u>319,807</u>
EXPENDITURES			
Police protection	134,547	160,686	295,233
Capital outlay	<u>77,220</u>	<u>-</u>	<u>77,220</u>
Total expenditures	<u>211,767</u>	<u>160,686</u>	<u>372,453</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(52,646)</u>	<u>(52,646)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other fund	<u>-</u>	<u>52,646</u>	<u>52,646</u>
Total other financing sources and uses	<u>-</u>	<u>52,646</u>	<u>52,646</u>
Net change in fund balances	-	-	-
FUND BALANCES, AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 MISCELLANEOUS GRANTS
 COMBINING SCHEDULE OF ASSETS, LIABILITIES,
 AND FUND BALANCES
 SEPTEMBER 30, 2012

	<u>Texas State Library Programs</u>	<u>Urban Transportation Planning</u>	<u>Hazardous Materials Transportation Planning</u>
ASSETS			
Cash and cash equivalents	\$ 1,296	\$ 1,110	\$ 268,952
Due from other governments	<u>9,088</u>	<u>56,537</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 10,384</u></u>	<u><u>\$ 57,647</u></u>	<u><u>\$ 268,952</u></u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ -	\$ 6,647	\$ -
Due to other funds - unrestricted	8,000	51,000	-
Vouchers payable	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>8,000</u>	<u>57,647</u>	<u>-</u>
FUND BALANCES			
Restricted:			
Special purposes	<u>2,384</u>	<u>-</u>	<u>268,952</u>
Total fund balances	<u>2,384</u>	<u>-</u>	<u>268,952</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 10,384</u></u>	<u><u>\$ 57,647</u></u>	<u><u>\$ 268,952</u></u>

See Independent Auditor's Report.

<u>Pantex Plant Environmental Oversight</u>	<u>Public Assistance</u>	<u>Summer Lunch Program</u>	<u>Total</u>
\$ 1,006	\$ -	\$ 212,922	\$ 485,286
42,794	-	56,546	164,965
<u>\$ 43,800</u>	<u>\$ -</u>	<u>\$ 269,468</u>	<u>\$ 650,251</u>
\$ 1,800	\$ -	\$ -	\$ 8,447
42,000	-	-	101,000
-	-	237,608	237,608
<u>43,800</u>	<u>-</u>	<u>237,608</u>	<u>347,055</u>
-	-	31,860	303,196
-	-	31,860	303,196
<u>\$ 43,800</u>	<u>\$ -</u>	<u>\$ 269,468</u>	<u>\$ 650,251</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 MISCELLANEOUS GRANTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 YEAR ENDED SEPTEMBER 30, 2012

	<u>Texas State Library Programs</u>	<u>Urban Transportation Planning</u>	<u>Hazardous Materials Transportation Planning</u>
REVENUES			
Intergovernmental revenues	\$ 271,043	\$ 312,421	\$ -
Total revenues	<u>271,043</u>	<u>312,421</u>	<u>-</u>
EXPENDITURES			
Libraries	268,659	-	-
Other public safety and health	-	-	-
Staff services	<u>-</u>	<u>312,421</u>	<u>4,800</u>
Total expenditures	<u>268,659</u>	<u>312,421</u>	<u>4,800</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,384</u>	<u>-</u>	<u>(4,800)</u>
Net change in fund balances	2,384	-	(4,800)
FUND BALANCES, AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>273,752</u>
FUND BALANCES, AT END OF YEAR	<u>\$ 2,384</u>	<u>\$ -</u>	<u>\$ 268,952</u>

See Independent Auditor's Report.

<u>Pantex Plant Environmental Oversight</u>	<u>Public Assistance</u>	<u>Summer Lunch Program</u>	<u>Total</u>
\$ 119,759	\$ -	\$ 259,619	\$ 962,842
119,759	-	259,619	962,842
-	-	-	268,659
119,759	-	240,629	360,388
-	-	-	317,221
119,759	-	240,629	946,268
-	-	18,990	16,574
-	-	18,990	16,574
-	-	12,870	286,622
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,860</u>	<u>\$ 303,196</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 COMBINING STATEMENT OF FIDUCIARY FUNDS
 SEPTEMBER 30, 2012

	<u>Centennial Parkway</u>	<u>Indigent Dog Bite Victim</u>	<u>Amarillo Industrial Development Corporation</u>	<u>Amarillo Health Facilities Corporation</u>	<u>Total Private-Purpose Trust Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,466	\$ 4,996	\$ 23,271	\$ 2,443	\$ 33,176
Accrued interest receivable	-	-	-	8	8
Investments, at fair values	-	-	-	30,000	30,000
TOTAL ASSETS	<u>\$ 2,466</u>	<u>\$ 4,996</u>	<u>\$ 23,271</u>	<u>\$ 32,451</u>	<u>\$ 63,184</u>
NET ASSETS					
Held in trust for private purposes	<u>\$ 2,466</u>	<u>\$ 4,996</u>	<u>\$ 23,271</u>	<u>\$ 32,451</u>	<u>\$ 63,184</u>
TOTAL NET ASSETS	<u>\$ 2,466</u>	<u>\$ 4,996</u>	<u>\$ 23,271</u>	<u>\$ 32,451</u>	<u>\$ 63,184</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY FUNDS
 SEPTEMBER 30, 2012

	<u>Centennial Parkway</u>	<u>Indigent Dog Bite Victim</u>	<u>Amarillo Industrial Development Corporation</u>	<u>Amarillo Health Facilities Corporation</u>	<u>Total Private-Purpose Trust Funds</u>
ADDITIONS:					
Investment earnings	\$ 2	\$ 5	\$ 2	\$ 69	\$ 78
Total additions	<u>2</u>	<u>5</u>	<u>2</u>	<u>69</u>	<u>78</u>
DEDUCTIONS:					
Supplies	-	-	-	140	140
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>140</u>	<u>140</u>
Change in net assets	2	5	2	(71)	(62)
NET ASSETS, BEGINNING OF YEAR	<u>2,464</u>	<u>4,991</u>	<u>23,269</u>	<u>32,522</u>	<u>63,246</u>
NET ASSETS, END OF YEAR	<u>\$ 2,466</u>	<u>\$ 4,996</u>	<u>\$ 23,271</u>	<u>\$ 32,451</u>	<u>\$ 63,184</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
CIVIC CENTER OPERATIONS				
Assets				
Cash and cash equivalents	\$ 775,739	\$ 3,161,586	\$ 3,191,775	\$ 745,550
Total assets	\$ 775,739	\$ 3,161,586	\$ 3,191,775	\$ 745,550
Liabilities				
Due to other agencies	\$ 775,739	\$ 3,161,586	\$ 3,191,775	\$ 745,550
Total liabilities	\$ 775,739	\$ 3,161,586	\$ 3,191,775	\$ 745,550

See Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

The following schedules are presented for the purpose of additional analysis and are not a required part of comprehensive annual financial report. The following types of information are included:

- A schedule of investments by funds
- Schedules concerning ad valorem taxes
- Schedules of outstanding debt issuances
- Schedules for Waterworks and Sewer System
- Schedule of insurance coverage - all funds
- Non-Major Special Revenue Budgets

**CITY OF AMARILLO, TEXAS
SCHEDULE OF INVESTMENTS - BY FUNDS
SEPTEMBER 30, 2012**

	No-Load Mutual Funds	Taxable Municipal Bonds		
		Amortized Cost	Par Value	Fair Values
GOVERNMENTAL FUNDS				
Unrestricted:				
General Fund	\$ 104,149	\$ -	\$ -	\$ -
Housing Assistance	2,079	-	-	-
Affordable Housing	24,308	-	-	-
APD Seized Property	6,154	-	-	-
Federal APD Seizures	435	-	-	-
Greenways PID	42,502	-	-	-
Colonies PID	816	-	-	-
Compensated Absences	1,406,490	-	-	-
General Obligation Debt	368,403	-	-	-
General Construction	1,858,823	-	-	-
Street Improvement	690,739	-	-	-
Street and Drainage	9,932	-	-	-
Golf	270,102	-	-	-
Solid Waste Disposal Fund	2,275,869	-	-	-
T-Anchor Bivins	251,142	-	-	-
Civic Center Improvement	2,178,192	-	-	-
Park Improvement	169,196	-	-	-
Library Bush Collection	47,596	-	-	-
Flood Hazard	696,190	-	-	-
Keep Amarillo Beautiful	9,798	-	-	-
Total Unrestricted	10,412,915	-	-	-
Restricted:				
CO Bond Construction 06/07	3,671,462	-	-	-
Total Governmental Funds	14,084,377	-	-	-
PROPRIETARY FUNDS				
ENTERPRISE FUNDS				
Unrestricted:				
Water and Sewer Fund	7,122,541	-	-	-
Airport Fund	1,902,106	-	-	-
Total Unrestricted	9,024,647	-	-	-
Restricted:				
Water and Sewer Fund	33,050,537	-	-	-
Total Enterprise Funds	42,075,184	-	-	-
INTERNAL SERVICE FUNDS				
Municipal Garage	1,626,780	-	-	-
Information Services	690,735	-	-	-
Risk Management	4,017,337	1,000,000	1,000,000	1,001,990
Employee Insurance	3,159,325	-	-	-
Total Internal Service Funds	9,494,177	1,000,000	1,000,000	1,001,990
Totals - All Funds	\$ 65,653,738	\$ 1,000,000	\$ 1,000,000	\$ 1,001,990

See Independent Auditor's Report.

U.S. Government and Government-Sponsored Agencies				Total Investments at Fair Values	Add Time Deposits	Less Cash Equivalents	Net Investments for Financial Reporting	Total Investments
Interest Bearing Obligations		Discount Obligations						
Par Values	Fair Values	Par Values	Fair Values					
\$ 32,750,000	\$ 32,994,927	\$ 3,500,000	\$ 3,497,470	\$ 36,596,546	\$ 3,169,196	\$ (104,149)	\$ 39,661,593	\$ 39,661,593
-	-	-	-	2,079	-	(2,079)	-	-
-	-	-	-	24,308	-	(24,308)	-	-
-	-	-	-	6,154	-	(6,154)	-	-
-	-	-	-	435	-	(435)	-	-
-	-	-	-	42,502	-	(42,502)	-	-
-	-	-	-	816	-	(816)	-	-
7,500,000	7,512,163	-	-	8,918,653	1,750,000	(1,406,490)	9,262,163	9,262,163
-	-	-	-	368,403	-	(368,403)	-	-
5,750,000	5,825,885	-	-	7,684,708	3,000,000	(1,858,823)	8,825,885	8,825,885
-	-	-	-	690,739	-	(690,739)	-	-
850,000	852,015	-	-	861,947	-	(9,932)	852,015	852,015
-	-	-	-	270,102	-	(270,102)	-	-
5,150,000	5,185,706	-	-	7,461,575	2,000,000	(2,275,869)	7,185,706	7,185,706
-	-	-	-	251,142	-	(251,142)	-	-
1,250,000	1,251,425	-	-	3,429,617	-	(2,178,192)	1,251,425	1,251,425
-	-	-	-	169,196	-	(169,196)	-	-
-	-	-	-	47,596	-	(47,596)	-	-
-	-	250,000	249,845	946,035	750,000	(696,190)	999,845	999,845
-	-	-	-	9,798	-	(9,798)	-	-
53,250,000	53,622,121	3,750,000	3,747,315	67,782,351	10,669,196	(10,412,915)	68,038,632	68,038,632
-	-	-	-	3,671,462	-	(3,671,462)	-	-
53,250,000	53,622,121	3,750,000	3,747,315	71,453,813	10,669,196	(14,084,377)	68,038,632	68,038,632
23,250,000	23,400,938	3,250,000	3,247,625	33,771,104	8,500,000	(7,122,541)	35,148,563	35,148,563
6,750,000	6,763,889	-	-	8,665,995	-	(1,902,106)	6,763,889	6,763,889
30,000,000	30,164,827	3,250,000	3,247,625	42,437,099	8,500,000	(9,024,647)	41,912,452	41,912,452
-	-	-	-	33,050,537	-	(33,050,537)	-	-
30,000,000	30,164,827	3,250,000	3,247,625	75,487,636	8,500,000	(42,075,184)	41,912,452	41,912,452
6,611,000	6,723,377	-	-	8,350,157	-	(1,626,780)	6,723,377	6,723,377
3,000,000	3,043,595	-	-	3,734,330	-	(690,735)	3,043,595	3,043,595
7,385,000	7,404,367	-	-	12,423,694	2,000,000	(4,017,337)	10,406,357	10,406,357
6,250,000	6,255,832	-	-	9,415,157	-	(3,159,325)	6,255,832	6,255,832
23,246,000	23,427,171	-	-	33,923,338	2,000,000	(9,494,177)	26,429,161	26,429,161
\$ 106,496,000	\$ 107,214,119	\$ 7,000,000	\$ 6,994,940	\$ 180,864,787	\$ 21,169,196	\$ (65,653,738)	\$ 136,380,245	\$ 136,380,245

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
AD VALOREM TAXES RECEIVABLE BY ROLL YEAR
SEPTEMBER 30, 2012

<u>Roll Year</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>
2012	\$ 370,500	\$ 35,225	\$ 405,725
2011	186,790	19,022	205,812
2010	141,570	14,417	155,987
2009	100,601	10,245	110,846
2008	72,666	1,527	74,193
2007	57,757	1,322	59,079
2006	49,960	1,206	51,166
2005	40,876	1,025	41,901
2004	42,403	1,110	43,513
2003	77,275	2,111	79,386
2002	36,722	1,219	37,941
2001	34,058	-	34,058
2000	19,677	-	19,677
1999 & Prior	57,018	-	57,018
Total taxes receivable	<u>1,287,873</u>	<u>88,429</u>	<u>1,376,302</u>
Allowance for uncollectible taxes	<u>812,362</u>	<u>77,095</u>	<u>889,457</u>
Net taxes receivable	475,511	11,334	486,845
Provision for deferred collections	<u>404,544</u>	<u>4,825</u>	<u>409,369</u>
Net taxes available for current expenditure	<u><u>\$ 70,967</u></u>	<u><u>\$ 6,509</u></u>	<u><u>\$ 77,476</u></u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
SCHEDULE OF CHANGES IN TAXES AVAILABLE
YEAR ENDED SEPTEMBER 30, 2012**

TAXES AVAILABLE, BEGINNING, Net	<u>\$ 87,645</u>
REVENUES	
Taxes levied	32,159,248
Adjustments	<u>(77,774)</u>
Tax levy net of adjustments	32,081,474
Decrease in allowance for uncollectible taxes	(159,665)
Increase in provision for deferred collections	<u>171,901</u>
Net revenues	32,093,710
COLLECTIONS	<u>(32,103,879)</u>
Net increase (decrease) in taxes available	<u>(10,169)</u>
TAXES AVAILABLE, ENDING, Net	<u><u>\$ 77,476</u></u>
TOTAL AD VALOREM TAXES:	
Ad valorem taxes - property tax rolls	\$ 29,216,987
Penalty and interest	271,699
Payment in lieu of property tax	<u>2,873,088</u>
Total General Fund tax revenues	32,361,774
Debt Service	<u>2,846,831</u>
TOTAL TAX REVENUES	<u><u>\$ 35,208,605</u></u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
COMBINED SCHEDULE OF OUTSTANDING DEBT ISSUANCES
SEPTEMBER 30, 2012**

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rates on Outstanding Maturities</u>
GENERAL OBLIGATION DEBT:			
<i>Serviced by Tax Revenues:</i>			
General Obligation Bonds, Series 2009	09/03/09	08/15/22	2.00 - 5.00%
Combination Tax and Revenue Certificate of Obligation Bonds, Series 2007	09/25/07	05/15/27	4.00 - 5.25%
Recovery Zone Build America Bonds, Series 2010	04/15/10	08/15/30	5.81%
<i>Serviced by special assessments and other revenue sources:</i>			
Public Improvement Districts:			
Combination Tax and Revenues Certificates of Obligation			
Series 2001 Greenways	12/20/01	08/15/16	4.45%
Series 2003 Greenways	11/26/03	08/15/23	3.70%
Series 2006 Colonies	05/24/06	02/15/26	4.75%
Series 2008A Greenways	07/17/08	02/15/28	4.28%
Series 2008B Colonies	07/17/08	02/15/28	4.08%
Golf Course Supported:			
Series 2011A	02/03/11	02/15/37	3.50 - 5.25%
Tax Increment Reinvestment Zone #1 Supported:			
Series 2011B	02/03/11	02/15/32	3.50 - 6.00%
Total debt services by property taxes, including special assessment and other revenue sources			
REVENUE OBLIGATION DEBT:			
<i>Serviced by Water and Sewer Revenues:</i>			
Waterworks and Sewer Revenue, 2003	12/20/03	04/01/12	3.38%
Waterworks and Sewer Revenue, 2005	09/07/05	04/01/19	4.00 - 5.00%
Waterworks and Sewer Revenue, 2006	12/28/06	04/01/32	4.00 - 4.50%
Waterworks and Sewer Revenue, 2006A	01/18/07	04/01/27	4.25 - 4.375%
Waterworks and Sewer Revenue, 2011	08/30/11	04/01/31	2.00 - 4.125%
General Obligation Bonds, Series 2011	08/30/11	04/01/23	2.00 - 3.125%
Combination Tax and Revenues Certificates of Obligation			
Waterworks and Sewer Tax and Revenue, 2009	04/01/09	05/15/28	0.148 - 3.018%
Waterworks and Sewer Tax and Revenue 2009B	12/29/09	05/15/29	0.021 - 2.587%
Waterworks and Sewer Tax and Revenue 2009C	02/02/10	05/15/31	0.00%
Total bonds serviced by Water and Sewer revenues			
Airport Tax and Revenue, 2009A Serviced by Airport Revenue	09/03/09	02/15/20	3.00 - 5.00%
Total bonds payable*			

* Does not include the City's proportionate share of the Canadian River Water Authority indebtedness.

** Total interest of \$74,949 less 45% offset subsidy from the United States Treasury.

See Independent Auditor's Report.

Bond Issuances				2012-13 Maturities		
Authorized	Issued	Retired	Outstanding	Principal	Interest	Total
\$ 4,825,000	\$ 4,825,000	\$ 695,000	\$ 4,130,000	\$ 345,000	\$ 158,438	\$ 503,438
24,575,000	24,575,000	2,955,000	21,620,000	1,020,000	1,084,013	2,104,013
1,392,000	1,392,000	102,000	1,290,000	59,000	41,221 **	100,221
600,000	600,000	400,000	200,000	45,000	8,900	53,900
620,000	620,000	215,000	405,000	30,000	14,985	44,985
585,000	585,000	129,790	455,210	24,860	21,086	45,946
600,000	600,000	80,000	520,000	25,000	21,721	46,721
1,500,000	1,500,000	205,000	1,295,000	60,000	51,612	111,612
3,750,000	3,750,000	85,000	3,665,000	85,000	166,313	251,313
2,210,000	2,210,000	70,000	2,140,000	70,000	103,300	173,300
40,657,000	40,657,000	4,936,790	35,720,210	1,763,860	1,671,589	3,435,449
9,180,000	9,180,000	9,180,000	-	-	-	-
13,650,000	13,650,000	5,030,000	8,620,000	1,070,000	420,300	1,490,300
9,120,000	9,120,000	-	9,120,000	305,000	383,087	688,087
9,370,000	9,370,000	-	9,370,000	-	401,531	401,531
16,300,000	16,300,000	845,000	15,455,000	600,000	524,638	1,124,638
5,605,000	5,605,000	85,000	5,520,000	450,000	133,575	583,575
38,885,000	38,885,000	4,010,000	34,875,000	2,005,000	624,317	2,629,317
47,400,000	47,400,000	3,910,000	43,490,000	1,955,000	744,726	2,699,726
18,075,000	17,015,000	880,000	16,135,000	905,000	-	905,000
167,585,000	166,525,000	23,940,000	142,585,000	7,290,000	3,232,174	10,522,174
16,140,000	16,140,000	3,675,000	12,465,000	1,330,000	542,675	1,872,675
<u>\$ 224,382,000</u>	<u>\$ 223,322,000</u>	<u>\$ 32,551,790</u>	<u>\$ 190,770,210</u>	<u>\$ 10,383,860</u>	<u>\$ 5,446,438</u>	<u>\$ 15,830,298</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
COMBINED SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
SEPTEMBER 30, 2012

	General Obligation Bonds and Tax Revenues Certificates of Obligations (Serviced by Tax Revenues)				Tax and Revenues Certificates of Obligation (Serviced by Special Assessments)		
	Principal	Interest	Treasury Subsidy	Total	Principal	Interest	Total
2012-2013	\$ 1,424,000	\$ 1,317,399	\$ (33,727)	\$ 2,707,672	\$ 339,860	\$ 387,917	\$ 727,777
2013-2014	1,485,000	1,256,071	(32,184)	2,708,887	356,067	374,479	730,546
2014-2015	1,541,000	1,193,909	(30,616)	2,704,293	362,331	360,483	722,814
2015-2016	1,607,000	1,127,966	(29,021)	2,705,945	383,659	346,150	729,809
2016-2017	1,684,000	1,051,014	(27,400)	2,707,614	340,051	330,979	671,030
2017-2018	1,750,000	978,445	(25,726)	2,702,719	356,509	317,717	674,226
2018-2019	1,832,000	897,769	(24,027)	2,705,742	368,037	304,001	672,038
2019-2020	1,919,000	808,914	(22,275)	2,705,639	379,643	289,748	669,391
2020-2021	2,005,000	715,742	(20,472)	2,700,270	401,325	274,596	675,921
2021-2022	2,102,000	617,065	(18,641)	2,700,424	418,088	258,250	676,338
2022-2023	1,703,000	512,367	(16,759)	2,198,608	434,936	240,868	675,804
2023-2024	1,790,000	422,551	(14,850)	2,197,701	401,875	222,601	624,476
2024-2025	1,882,000	328,155	(12,890)	2,197,265	423,909	203,858	627,767
2025-2026	1,978,000	228,920	(10,876)	2,196,044	413,920	183,419	597,339
2026-2027	2,081,000	124,638	(8,837)	2,196,801	420,000	163,387	583,387
2027-2028	83,000	14,932	(6,720)	91,212	445,000	142,138	587,138
2028-2029	86,000	10,109	(4,550)	91,559	305,000	122,875	427,875
2029-2030	88,000	5,112	(2,301)	90,811	320,000	105,800	425,800
2030-2031	-	-	-	-	340,000	87,750	427,750
2031-2032	-	-	-	-	360,000	68,363	428,363
2032-2033	-	-	-	-	200,000	53,025	253,025
2033-2034	-	-	-	-	210,000	42,263	252,263
2034-2035	-	-	-	-	220,000	30,975	250,975
2035-2036	-	-	-	-	235,000	19,030	254,030
2036-2037	-	-	-	-	245,000	6,432	251,432
Totals	<u>\$ 27,040,000</u>	<u>\$ 11,611,078</u>	<u>\$ (341,872)</u>	<u>\$ 38,309,206</u>	<u>\$ 8,680,210</u>	<u>\$ 4,937,104</u>	<u>\$ 13,617,314</u>

Note: Does not include the City's proportionate share of the Canadian River Water Authority indebtedness.

See Independent Auditor's Report.

Water and Sewer Revenue Bonds (Debt Serviced by Water and Sewer Revenues)			Airport Bonds (Debt Serviced by Airport Revenues)		
Principal	Interest	Total	Principal	Interest	Total
\$ 7,290,000	\$ 3,232,174	\$ 10,522,174	\$ 1,330,000	\$ 542,675	\$ 1,872,675
7,360,000	3,155,412	10,515,412	1,380,000	495,125	1,875,125
7,460,000	3,061,747	10,521,747	1,440,000	433,650	1,873,650
7,570,000	2,952,984	10,522,984	1,510,000	362,025	1,872,025
7,680,000	2,830,322	10,510,322	1,580,000	290,775	1,870,775
7,830,000	2,694,380	10,524,380	1,655,000	215,900	1,870,900
7,985,000	2,537,991	10,522,991	1,740,000	131,025	1,871,025
8,195,000	2,361,763	10,556,763	1,830,000	43,762	1,873,762
8,370,000	2,189,084	10,559,084	-	-	-
8,580,000	1,996,620	10,576,620	-	-	-
8,785,000	1,787,131	10,572,131	-	-	-
8,720,000	1,557,775	10,277,775	-	-	-
8,950,000	1,329,863	10,279,863	-	-	-
9,200,000	1,086,119	10,286,119	-	-	-
9,465,000	827,892	10,292,892	-	-	-
8,330,000	557,420	8,887,420	-	-	-
5,930,000	332,096	6,262,096	-	-	-
2,450,000	176,262	2,626,262	-	-	-
1,780,000	105,262	1,885,262	-	-	-
655,000	29,476	684,476	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 142,585,000</u>	<u>\$ 34,801,773</u>	<u>\$ 177,386,773</u>	<u>\$ 12,465,000</u>	<u>\$ 2,514,937</u>	<u>\$ 14,979,937</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATERWORKS AND SEWER SYSTEM ·
BOND PRINCIPAL REPAYMENT SCHEDULE
SEPTEMBER 30, 2012**

<u>Fiscal Year Ending 09/30</u>	<u>Principal Repayment Schedule</u>	<u>Bonds Remaining Unpaid at End of Year</u>	<u>Percent of Principal Retired</u>
2013	\$ 7,290,000	\$ 135,295,000	5.11%
2014	7,360,000	127,935,000	10.27%
2015	7,460,000	120,475,000	15.51%
2016	7,570,000	112,905,000	20.82%
2017	7,680,000	105,225,000	26.20%
2018	7,830,000	97,395,000	31.69%
2019	7,985,000	89,410,000	37.29%
2020	8,195,000	81,215,000	43.04%
2021	8,370,000	72,845,000	48.91%
2022	8,580,000	64,265,000	54.93%
2023	8,785,000	55,480,000	61.09%
2024	8,720,000	46,760,000	67.21%
2025	8,950,000	37,810,000	73.48%
2026	9,200,000	28,610,000	79.93%
2027	9,465,000	19,145,000	86.57%
2028	8,330,000	10,815,000	92.42%
2029	5,930,000	4,885,000	96.57%
2030	2,450,000	2,435,000	98.29%
2031	1,780,000	655,000	99.54%
2032	655,000	-	100.00%
	<u>\$ 142,585,000</u>		

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATERWORKS AND SEWER SYSTEM
HISTORICAL FINANCIAL DATA
OPERATING STATEMENTS**

	Fiscal Years Ended September 30						
	2012	2011	2010	2009	2008	2007	2006
OPERATING REVENUES	\$ 69,656,085	\$ 69,118,868	\$ 54,601,904	\$ 50,253,220	\$ 48,492,400	\$ 42,708,719	\$ 41,487,297
OPERATING EXPENSES ⁽¹⁾							
Personal Services	11,394,284	11,204,778	11,912,936	11,688,167	10,509,419	10,267,666	9,930,209
Supplies	1,303,399	1,340,547	1,223,082	1,265,460	1,252,065	1,230,636	1,151,333
Contractual & Other Services	21,419,337	21,593,837	21,300,695	21,487,366	22,039,131	20,148,372	20,793,207
Total expenses	34,117,020	34,139,162	34,436,713	34,440,993	33,800,615	31,646,674	31,874,749
NONOPERATING REVENUES (EXPENSES) ⁽²⁾	(3,665,377)	4,696,784	(2,272,491)	(1,789,663)	(1,207,585)	(301,399)	238,573
NET AVAILABLE FOR DEBT SERVICE	<u>\$ 31,873,688</u>	<u>\$ 39,676,490</u>	<u>\$ 17,892,700</u>	<u>\$ 14,022,564</u>	<u>\$ 13,484,200</u>	<u>\$ 10,760,646</u>	<u>\$ 9,851,121</u>
ANNUAL DEBT SERVICE							
Principal	\$ 7,290,000	\$ 7,210,000	\$ 5,350,000	\$ 1,290,000	\$ 1,245,000	\$ 2,770,000	\$ 2,850,000
Interest	3,232,174	2,998,168	2,884,844	2,017,904	1,765,242	1,626,605	1,626,919
TOTAL DEBT SERVICE	<u>\$ 10,522,174</u>	<u>\$ 10,208,168</u>	<u>\$ 8,234,844</u>	<u>\$ 3,307,904</u>	<u>\$ 3,010,242</u>	<u>\$ 4,396,605</u>	<u>\$ 4,476,919</u>
Coverage	3.03x	3.89x	2.17x	4.24x	4.48x	2.45x	2.20x

(1) Excludes depreciation

(2) Includes CRMWA interest expense, but excludes bond interest expense

**NET ASSETS
(As of SEPTEMBER 30, 2012)**

Invested in Capital Assets, net of related debt	\$ 306,052,107
Restricted for Revenue Bond Debt Retirement	5,329,320
Unrestricted	45,161,702
Total Net Assets	<u>\$ 356,543,129</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATERWORKS AND SEWER SYSTEM
HISTORICAL FINANCIAL DATA
CITY'S EQUITY IN SYSTEM**

	Fiscal Years Ended September 30						
	2012	2011	2010	2009	2008	2007	2006
Waterworks and sewer system in service	\$ 658,740,846	\$ 596,302,019	\$ 507,674,625	\$ 491,036,495	\$ 471,959,370	\$ 455,446,116	\$ 434,428,709
Reserve for depreciation	(176,837,047)	(163,814,038)	(153,617,168)	(143,615,988)	(134,149,886)	(124,874,763)	(116,181,884)
Net plant in service	481,903,799	432,487,981	354,057,457	347,420,507	337,809,484	330,571,353	318,246,825
Plus construction in progress	36,349,481	16,228,356	30,597,915	11,655,875	21,367,938	17,046,285	20,249,931
Net plant in service and coming on line	518,253,280	448,716,337	384,655,372	359,076,382	359,177,422	347,617,638	338,496,756
Plus restricted assets and other noncurrent assets	33,394,487	65,230,180	87,258,165	44,080,326	4,655,463	5,253,485	5,498,508
Plus working capital	44,945,182	37,846,956	28,518,711	29,781,899	29,575,921	40,661,784	43,361,597
Total assets	<u>596,592,949</u>	<u>551,793,473</u>	<u>500,432,248</u>	<u>432,938,607</u>	<u>393,408,806</u>	<u>393,532,907</u>	<u>387,356,861</u>
Other noncurrent liabilities	232,759,820	208,225,418	190,492,089	139,031,888	102,971,513	107,268,456	102,488,387
Plus liabilities payable from restricted assets	7,290,000	7,210,000	5,350,000	1,335,000	1,290,000	1,245,000	2,770,000
Total obligations	<u>240,049,820</u>	<u>215,435,418</u>	<u>195,842,089</u>	<u>140,366,888</u>	<u>104,261,513</u>	<u>108,513,456</u>	<u>105,258,387</u>
City's equity in system	<u><u>\$ 356,543,129</u></u>	<u><u>\$ 336,358,055</u></u>	<u><u>\$ 304,590,159</u></u>	<u><u>\$ 292,571,719</u></u>	<u><u>\$ 289,147,293</u></u>	<u><u>\$ 285,019,451</u></u>	<u><u>\$ 282,098,474</u></u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATERWORKS AND SEWER SYSTEMS
HISTORICAL FINANCIAL DATA
WATER AND SEWER FUND OPERATIONS**

Fiscal Years Ended September 30

	2012	2011	2010	2009	2008	2007	2006
OPERATING REVENUES							
Water sales	\$ 46,807,157	\$ 47,322,272	\$ 35,062,958	\$ 32,260,187	\$ 31,678,129	\$ 27,911,290	\$ 27,224,086
Sewer charges	19,377,899	18,555,334	16,295,031	15,132,268	13,493,693	12,202,722	11,714,386
Industrial surcharges	226,620	187,398	114,904	70,470	95,630	113,610	94,372
Forfeited discounts - water	1,171,110	1,114,010	923,777	842,068	800,837	677,411	744,025
Sale of reclaimed water	670,041	767,589	772,639	761,885	839,581	697,706	710,253
Water service charges	1,176,520	1,109,047	883,873	847,347	848,657	855,963	509,102
Water tap fees	130,810	129,425	136,410	133,100	190,450	154,027	231,962
Sewer tap fees	71,993	50,210	59,387	50,509	76,825	74,193	110,643
Water frontage charges	14,855	7,123	15,920	17,214	30,240	4,592	24,094
Sewer frontage charges	25,074	9,723	12,345	3,750	27,354	7,348	27,634
Net loss on bad debts	(502,057)	(552,113)	(258,377)	(284,457)	(254,360)	(243,740)	(131,599)
Lab fees	175,921	157,710	118,412	86,264	78,110	70,907	88,446
Miscellaneous	310,142	261,140	464,625	332,615	587,254	182,690	139,893
Total operating revenues	69,656,085	69,118,868	54,601,904	50,253,220	48,492,400	42,708,719	41,487,297
OPERATING EXPENSES							
Salaries, wages and fringe benefits	11,394,284	11,204,778	11,912,936	11,688,167	10,509,419	10,267,666	9,930,209
Supplies	1,303,399	1,340,547	1,223,082	1,265,460	1,252,065	1,230,636	1,151,333
Fuel and power	4,476,328	4,896,302	4,013,217	4,535,483	6,555,099	5,281,354	6,551,303
Surface water	4,682,183	4,772,154	3,949,399	4,000,658	4,314,844	4,432,158	4,724,879
Other contractual charges	4,216,512	4,271,613	6,046,353	4,803,561	4,577,276	4,029,217	3,542,077
Other charges	8,044,314	7,653,768	7,291,726	8,147,664	6,591,912	6,405,643	5,974,948
Depreciation	13,110,658	10,492,183	10,097,129	9,505,120	9,348,296	8,718,244	8,289,913
Less: interfund reimbursements	(577,802)	(509,369)	(487,504)	(412,322)	(449,141)	(408,145)	(402,845)
Total operating expenses	46,649,876	44,121,976	44,046,338	43,533,791	42,699,770	39,956,773	39,761,817
Operating income	23,006,209	24,996,892	10,555,566	6,719,429	5,792,630	2,751,946	1,725,480
NONOPERATING REVENUES (EXPENSES)							
Operating grant	4,587,476	4,206,347	6,657,116	353,948	1,106,357	1,828,471	386,018
Interest earnings	170,434	191,138	398,055	881,453	1,590,376	2,804,084	2,398,869
Disposition of property	(161,536)	6,974,932	14,646	20,351	30,888	25,548	22,438
Interest expense & fiscal charges	(7,030,181)	(4,600,102)	(5,568,544)	(4,459,891)	(4,303,033)	(4,298,916)	(3,507,300)
Total nonoperating revenues (expenses)	(2,433,807)	6,772,315	1,501,273	(3,204,139)	(1,575,412)	359,187	(699,975)
Total income before transfers	20,572,402	31,769,207	12,056,839	3,515,290	4,217,218	3,111,133	1,025,505
TRANSFERS FROM (TO) OTHER FUNDS	(387,328)	(1,311)	(38,400)	(90,864)	(89,376)	(190,156)	92,337
NET INCOME	<u>\$ 20,185,074</u>	<u>\$ 31,767,896</u>	<u>\$ 12,018,439</u>	<u>\$ 3,424,426</u>	<u>\$ 4,127,842</u>	<u>\$ 2,920,977</u>	<u>\$ 1,117,842</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATERWORKS AND SEWER SYSTEM
HISTORICAL FINANCIAL DATA
WATER AND SEWER FUND NET ASSETS**

	Fiscal Years Ended September 30						
	2012	2011	2010	2009	2008	2007	2006
ASSETS							
CURRENT ASSETS							
Cash	\$ 13,337,634	\$ 12,941,154	\$ 2,815,848	\$ 1,735,136	\$ 8,528,047	\$ 8,500,435	\$ 4,854,600
Investments - at fair market value	35,148,563	30,501,543	28,323,250	36,579,772	23,442,437	38,441,471	49,013,124
Receivables (net of allowance for uncollectibles):							
Accounts	5,602,192	4,647,849	4,409,223	3,560,095	3,716,402	4,052,683	2,636,748
Accrued interest	60,022	74,346	250,099	166,365	150,298	291,451	363,305
Other accrued revenue	3,788,401	3,888,645	3,079,289	2,829,096	2,581,211	2,628,454	1,715,287
Prepaid expenses	963,535	24,496	90,534	93,060	21,535	22,836	8,890
Total current assets	<u>58,900,347</u>	<u>52,078,033</u>	<u>38,968,243</u>	<u>44,963,524</u>	<u>38,439,930</u>	<u>53,937,330</u>	<u>58,591,954</u>
NONCURRENT ASSETS							
Restricted cash	33,050,537	64,870,188	59,213,925	44,080,326	4,655,463	5,253,485	5,498,508
Restricted investments at fair value	-	-	28,044,240	-	-	-	-
Other noncurrent receivable	343,950	359,992	-	-	-	-	-
Capital assets							
Land, easements and water rights	59,023,252	41,513,892	38,622,957	38,459,728	37,961,382	37,934,912	37,523,862
Accumulated depletion water rights	(4,107,495)	(3,390,564)	(2,882,654)	(2,393,228)	(1,903,803)	(1,414,701)	(920,648)
Supply contract	50,336,389	50,336,389	50,336,389	50,336,389	50,336,389	50,336,389	50,336,388
Accumulated amortization	(19,053,650)	(18,287,542)	(17,523,528)	(16,759,513)	(15,995,450)	(15,229,295)	(14,465,232)
Pipelines and other improvements	545,610,923	500,590,181	414,863,547	398,448,386	379,991,136	363,671,746	343,247,188
Accumulated depreciation	(150,524,679)	(139,007,092)	(130,173,118)	(121,455,798)	(113,326,071)	(105,355,484)	(98,019,324)
Equipment	3,770,282	3,861,557	3,851,732	3,791,992	3,670,463	3,503,069	3,321,271
Accumulated depreciation	(3,151,223)	(3,128,840)	(3,037,868)	(3,007,449)	(2,924,562)	(2,875,283)	(2,776,680)
Construction in progress	36,349,481	16,228,356	30,597,915	11,655,875	21,367,938	17,046,285	20,249,931
Total capital assets, net	<u>518,253,280</u>	<u>448,716,337</u>	<u>384,655,372</u>	<u>359,076,382</u>	<u>359,177,422</u>	<u>347,617,638</u>	<u>338,496,756</u>
Total noncurrent assets	<u>551,647,767</u>	<u>513,946,517</u>	<u>471,913,537</u>	<u>403,156,708</u>	<u>363,832,885</u>	<u>352,871,123</u>	<u>343,995,264</u>
TOTAL ASSETS	<u>\$ 610,548,114</u>	<u>\$ 566,024,550</u>	<u>\$ 510,881,780</u>	<u>\$ 448,120,232</u>	<u>\$ 402,272,815</u>	<u>\$ 406,808,453</u>	<u>\$ 402,587,218</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATERWORKS AND SEWER SYSTEM
HISTORICAL FINANCIAL DATA
WATER AND SEWER FUND NET ASSETS, CONTINUED**

Fiscal Years Ended September 30

	2012	2011	2010	2009	2008	2007	2006
LIABILITIES							
CURRENT LIABILITIES							
Vouchers payable	\$ 1,753,994	\$ 2,528,424	\$ 1,238,357	\$ 1,133,500	\$ 1,291,941	\$ 1,827,014	\$ 1,595,947
Accounts payable	1,630,633	3,473,670	705,089	305,704	659,793	346,083	606,560
Accrued expenses	2,339,336	1,193,893	1,963,363	1,341,568	1,079,137	573,476	1,280,810
Securities lending collateral	-	230,595	-	6,375,189	-	5,028,928	6,221,516
Deposits	32,740	31,662	31,548	30,512	37,671	31,774	32,994
Consumer security deposits	3,144,653	3,047,063	2,948,429	2,866,116	2,814,605	2,623,664	2,451,521
Compensated absences, current	187,561	168,340	148,137	134,195	-	-	-
Proportionate share of Water Authority indebtedness - current installments	4,866,248	3,557,430	3,414,609	2,994,841	2,980,862	2,844,607	2,531,314
Due to other funds	-	-	-	-	-	-	509,695
Revenue bonds - current maturities	7,290,000	7,210,000	5,350,000	1,335,000	1,290,000	1,245,000	2,770,000
Total current liabilities	<u>21,245,165</u>	<u>21,441,077</u>	<u>15,799,532</u>	<u>16,516,625</u>	<u>10,154,009</u>	<u>14,520,546</u>	<u>18,000,357</u>
NONCURRENT LIABILITIES							
Revenue bonds - less current maturities and unamortized issuance costs	133,829,981	139,432,250	118,201,627	73,360,035	35,820,349	37,012,208	29,139,783
Proportionate share of Water Authority indebtedness - less current installments	93,936,161	63,736,522	67,501,999	62,686,378	65,799,502	68,901,455	71,916,110
Other accrued expenses	3,109,196	3,150,000	2,718,836	1,316,942	-	-	-
Provision for accrued sick and annual leave	1,249,273	1,275,330	1,305,751	1,340,334	1,351,662	1,354,793	1,432,494
Net pension obligation	635,209	631,316	763,876	328,199	-	-	-
Total noncurrent liabilities	<u>232,759,820</u>	<u>208,225,418</u>	<u>190,492,089</u>	<u>139,031,888</u>	<u>102,971,513</u>	<u>107,268,456</u>	<u>102,488,387</u>
Total liabilities	<u>254,004,985</u>	<u>229,666,495</u>	<u>206,291,621</u>	<u>155,548,513</u>	<u>113,125,522</u>	<u>121,789,002</u>	<u>120,488,744</u>
NET ASSETS							
Invested in capital assets, net of related debt	306,052,107	294,205,599	272,063,445	258,921,318	253,286,709	237,614,368	232,139,549
Restricted for debt service	5,329,320	5,444,724	31,857	2,524,136	3,365,463	4,008,485	2,728,508
Unrestricted	45,161,702	36,707,732	32,494,857	31,126,265	32,495,121	43,396,598	47,230,417
Total fund equity/retained earnings	<u>356,543,129</u>	<u>336,358,055</u>	<u>304,590,159</u>	<u>292,571,719</u>	<u>289,147,293</u>	<u>285,019,451</u>	<u>282,098,474</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 610,548,114</u>	<u>\$ 566,024,550</u>	<u>\$ 510,881,780</u>	<u>\$ 448,120,232</u>	<u>\$ 402,272,815</u>	<u>\$ 406,808,453</u>	<u>\$ 402,587,218</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
SCHEDULE OF INSURANCE COVERAGE--ALL FUNDS
SEPTEMBER 30, 2012

<u>Property Covered</u>	<u>Type of Coverage</u>	<u>Self-Insured Retention</u>	<u>Limits of Liability</u>
General Fund Departments:			
Buildings & Contents	Fire and extended coverage	\$250,000	\$367,786,967
Water and Sewer Utility:			
Buildings & Contents	Fire and extended coverage	\$250,000	\$147,164,700
Airport:			
Buildings & Contents	Fire and extended coverage	\$250,000	\$184,405,780
Amarillo Hopital District			
Buildings & Contents	Fire and extended coverage	\$250,000	\$736,694
Polygraph Examiners	Bond		\$5,000
Police Officer's Liability Insurance	Police Liability Coverage	\$100,000	\$ 16,000,000/16,000,000
City Commission, City Manager, City Attorney, and Selected Division Directors & Department Heads			
	24 hour accident protection for business travel		\$ 250,000/1,250,000
Boiler and Machinery (Included with fire and extended coverage policy)	Explosion and damage	\$10,000	\$50,000,000
Worker's Compensation			
All City Employees	Injury to City Workers	\$1,000,000	Statutory
Individual Stop Loss			
Health Plan Participants	Health Insurance	\$750,000	\$4,250,000

SURETY BONDS OF PRINCIPAL OFFICIALS

BONDS REQUIRED BY CITY CHARTER:

<u>Official</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
W. Jarrett Atkinson	City Manager	\$5,000
Curtis D. Bainum	City Auditor	\$5,000

OTHER

Excess of \$5,000 and all other prinipal city officials and employees are covered under the City of Amarillo Self-Insurance Plan \$1,000,000/3,000,000

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
PUBLIC HEALTH FUND
SCHEDULE OF REVENUES AND EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
YEAR ENDED SEPTEMBER 30, 2012

	Net Current	Capital Outlay	Total Current Year (GAAP Basis)	Paid Prior Year Encumbrances	Encumbrances at End of Year	Total Actual Budgetary Basis	Original Budget	Final Budget	Variance with Final Budget
Revenues:									
Public Health	\$ 2,220,122	\$ -	\$ 2,220,122	\$ -	\$ -	\$ 2,220,122	\$ 2,286,334	\$ 2,286,334	\$ (66,212)
	<u>\$ 2,220,122</u>	<u>\$ -</u>	<u>\$ 2,220,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,220,122</u>	<u>\$ 2,286,334</u>	<u>\$ 2,286,334</u>	<u>\$ (66,212)</u>
Expenditures:									
Public Health	\$ 2,220,122	\$ -	\$ 2,220,122	\$ -	\$ -	\$ 2,220,122	\$ 2,286,334	\$ 2,286,334	\$ 66,212
	<u>\$ 2,220,122</u>	<u>\$ -</u>	<u>\$ 2,220,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,220,122</u>	<u>\$ 2,286,334</u>	<u>\$ 2,286,334</u>	<u>\$ 66,212</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 LAW ENFORCEMENT OFFICERS STANDARDS AND EDUCATION (LEOSE) TRAINING FUND
 SCHEDULE OF REVENUES AND EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
 YEAR ENDED SEPTEMBER 30, 2012

	Net Current	Capital Outlay	Total Current Year (GAAP Basis)	Paid Prior Year Encumbrances	Encumbrances at End of Year	Total Actual Budgetary Basis	Original Budget	Final Budget	Variance with Final Budget
Revenues:									
LEOSE Training	\$ 71	\$ -	\$ 71	\$ -	\$ -	\$ 71	\$ 29,935	\$ 29,935	\$ (29,864)
	\$ 71	\$ -	\$ 71	\$ -	\$ -	\$ 71	\$ 29,935	\$ 29,935	\$ (29,864)
Expenditures:									
LEOSE Training	\$ 32,954	\$ -	\$ 32,954	\$ -	\$ -	\$ 32,954	\$ 25,340	\$ 25,340	\$ (7,614)
	\$ 32,954	\$ -	\$ 32,954	\$ -	\$ -	\$ 32,954	\$ 25,340	\$ 25,340	\$ (7,614)

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 LOCAL SEIZED PROPERTY FUND
 SCHEDULE OF REVENUES AND EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
 YEAR ENDED SEPTEMBER 30, 2012

	Net Current	Capital Outlay	Total Current Year (GAAP Basis)	Paid Prior Year Encumbrances	Encumbrances at End of Year	Total Actual Budgetary Basis	Original Budget	Final Budget	Variance with Final Budget
Revenues:									
Local Seized Property	\$ 121,463	\$ -	\$ 121,463	\$ -	\$ -	\$ 121,463	\$ -	\$ -	\$ 121,463
	<u>\$ 121,463</u>	<u>\$ -</u>	<u>\$ 121,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,463</u>
Expenditures:									
Local Seized Property	\$ 77,716	\$ 233,878	\$ 311,594	\$ -	\$ -	\$ 311,594	\$ 147,966	\$ 147,966	\$ (163,628)
	<u>\$ 77,716</u>	<u>\$ 233,878</u>	<u>\$ 311,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,594</u>	<u>\$ 147,966</u>	<u>\$ 147,966</u>	<u>\$ (163,628)</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 COMPENSATED ABSENCES FUND
 SCHEDULE OF REVENUES AND EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
 YEAR ENDED SEPTEMBER 30, 2012

	Net Current	Capital Outlay	Total Current Year (GAAP Basis)	Paid Prior Year Encumbrances	Encumbrances at End of Year	Total Actual Budgetary Basis	Original Budget	Final Budget	Variance with Final Budget
Revenues:									
Compensated Absences	\$ 48,726	\$ -	\$ 48,726	\$ -	\$ -	\$ 48,726	\$ 175,000	\$ 175,000	\$ (126,274)
	\$ 48,726	\$ -	\$ 48,726	\$ -	\$ -	\$ 48,726	\$ 175,000	\$ 175,000	\$ (126,274)
Expenditures:									
Compensated Absences	\$ 1,313,015	\$ -	\$ 1,313,015	\$ -	\$ -	\$ 1,313,015	\$ 1,690,700	\$ 1,690,700	\$ 377,685
	\$ 1,313,015	\$ -	\$ 1,313,015	\$ -	\$ -	\$ 1,313,015	\$ 1,690,700	\$ 1,690,700	\$ 377,685

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 COURT TECHNOLOGY AND COURT SECURITY FUNDS
 SCHEDULE OF REVENUES AND EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
 YEAR ENDED SEPTEMBER 30, 2012

	Net Current	Capital Outlay	Total Current Year (GAAP Basis)	Paid Prior Year Encumbrances	Encumbrances at End of Year	Total Actual Budgetary Basis	Original Budget	Final Budget	Variance with Final Budget
Revenues:									
Court Technology:	\$ 142,803	\$ -	\$ 142,803	\$ -	\$ -	\$ 142,803	\$ 155,478	\$ 155,478	\$ (12,675)
Court Security	114,047	-	114,047	-	-	114,047	115,173	115,173	(1,126)
	<u>\$ 256,850</u>	<u>\$ -</u>	<u>\$ 256,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,850</u>	<u>\$ 270,651</u>	<u>\$ 270,651</u>	<u>\$ (13,801)</u>
Expenditures:									
Court Technology:	\$ 72,501	\$ -	\$ 72,501	\$ -	\$ -	\$ 72,501	\$ 81,240	\$ 81,240	\$ 8,739
Court Security	120,109	-	120,109	-	-	120,109	125,133	125,133	5,024
	<u>\$ 192,610</u>	<u>\$ -</u>	<u>\$ 192,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,610</u>	<u>\$ 206,373</u>	<u>\$ 206,373</u>	<u>\$ 13,763</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
PUBLIC IMPROVEMENT DISTRICTS
SCHEDULE OF REVENUES AND EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
YEAR ENDED SEPTEMBER 30, 2012

	Net Current	Capital Outlay	Total Current Year (GAAP Basis)	Paid Prior Year Encumbrances	Encumbrances at End of Year	Total Actual Budgetary Basis	Original Budget	Final Budget	Variance with Final Budget
Revenues:									
Greenways at Hillside	\$ 371,307	\$ -	\$ 371,307	\$ -	\$ -	\$ 371,307	\$ 368,817	\$ 368,817	\$ 2,490
Brennan Boulevard	14,025	-	14,025	-	-	14,025	13,911	13,911	114
The Colonies	320,082	-	320,082	-	-	320,082	317,451	317,451	2,631
Tutbury	16,307	-	16,307	-	-	16,307	16,320	16,320	(13)
Point West	52,000	-	52,000	-	-	52,000	52,000	52,000	-
Quail Creek	6,879	-	6,879	-	-	6,879	6,879	6,879	-
	<u>\$ 780,600</u>	<u>\$ -</u>	<u>\$ 780,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 780,600</u>	<u>\$ 775,378</u>	<u>\$ 775,378</u>	<u>\$ 5,222</u>
Expenditures:									
Greenways at Hillside	\$ 414,752	\$ -	\$ 414,752	\$ -	\$ -	\$ 414,752	\$ 393,453	\$ 393,453	\$ (21,299)
Brennan Boulevard	15,133	-	15,133	-	-	15,133	16,156	16,156	1,023
The Colonies	378,536	-	378,536	-	-	378,536	354,133	354,133	(24,403)
Tutbury	14,885	12,600	27,485	-	-	27,485	28,618	28,618	1,133
Point West	31,453	-	31,453	-	-	31,453	42,491	42,491	11,038
Quail Creek	6,070	-	6,070	-	-	6,070	6,437	6,437	367
	<u>\$ 860,829</u>	<u>\$ 12,600</u>	<u>\$ 873,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 873,429</u>	<u>\$ 841,288</u>	<u>\$ 841,288</u>	<u>\$ (32,141)</u>

See Independent Auditor's Report

CITY OF AMARILLO, TEXAS
 BONDED DEBT SERVICE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
 YEAR ENDED SEPTEMBER 30, 2012

	Net Current	Capital Outlay	Total Current Year (GAAP Basis)	Paid Prior Year Encumbrances	Encumbrances at End of Year	Total Actual Budgetary Basis	Original Budget	Final Budget	Variance with Final Budget
Revenues:									
Bonded Debt Service	\$ 3,572,988	\$ -	\$ 3,572,988	\$ -	\$ -	\$ 3,572,988	\$ 3,467,652	\$ 3,467,652	\$ 105,336
	\$ 3,572,988	\$ -	\$ 3,572,988	\$ -	\$ -	\$ 3,572,988	\$ 3,467,652	\$ 3,467,652	\$ 105,336
Expenditures:									
Bonded Debt Service	\$ 3,443,637	\$ -	\$ 3,443,637	\$ -	\$ -	\$ 3,443,637	\$ 3,460,550	\$ 3,460,550	\$ 16,913
	\$ 3,443,637	\$ -	\$ 3,443,637	\$ -	\$ -	\$ 3,443,637	\$ 3,460,550	\$ 3,460,550	\$ 16,913

See Independent Auditor's Report.

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STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial information and well-being have changed over time.	212-217
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	218-224
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	225-229
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time.	230-231
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	232-236
Waterworks and Sewer System Information These schedules contain information about how the City's Waterworks and Sewer System financial information relates to services and activities provided.	237-240

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.

CITY OF AMARILLO, TEXAS
NET ASSETS BY COMPONENT, LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities										
Invested in capital assets, net of related debt	\$ 320,390,991	\$ 308,957,310	\$ 309,160,316	\$ 301,783,034	\$ 289,264,232	\$ 265,774,557	\$ 257,206,882	\$ 245,465,271	\$ 241,180,240	\$ 247,897,894
Restricted for:										
Debt service	1,763,860	1,706,708	1,476,611	1,371,563	555,566	344,615	328,705	300,000	290,000	255,000
Capital outlay	-	-	-	-	17,586,769	24,476,393	-	-	-	-
Other purposes	3,812,464	-	-	-	-	-	-	-	-	-
Unrestricted (deficit)	35,119,387	55,475,614	69,367,279	85,762,657	90,992,936	80,514,311	93,548,849	86,252,914	82,391,755	76,046,071
Total governmental activities net assets	\$ 361,086,702	\$ 366,139,632	\$ 380,004,206	\$ 388,917,254	\$ 398,399,303	\$ 371,109,876	\$ 351,084,436	\$ 332,018,185	\$ 323,861,995	\$ 324,198,965
Business-type Activities										
Invested in capital assets, net of related debt	\$ 375,863,333	\$ 363,032,982	\$ 325,209,714	\$ 310,139,595	\$ 300,175,147	\$ 285,682,252	\$ 280,490,179	\$ 265,711,299	\$ 252,311,091	\$ 253,265,078
Restricted for:										
Debt service	5,702,750	6,020,692	436,303	3,683,013	3,365,463	4,008,485	2,728,508	1,765,624	1,613,902	2,029,267
Capital outlay	-	-	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-	-	-
Unrestricted (deficit)	36,601,602	31,479,680	43,205,956	59,181,048	42,722,033	57,263,547	58,637,634	72,742,103	83,232,311	74,085,906
Total business-type activities net assets	\$ 418,167,685	\$ 400,533,354	\$ 368,851,973	\$ 333,003,656	\$ 346,262,643	\$ 346,954,284	\$ 341,836,321	\$ 340,219,026	\$ 337,157,304	\$ 329,380,251
Primary Government										
Invested in capital assets, net of related debt	\$ 696,254,324	\$ 671,990,292	\$ 634,370,030	\$ 611,922,629	\$ 589,439,379	\$ 551,456,809	\$ 537,697,061	\$ 511,176,570	\$ 493,491,331	\$ 501,162,972
Restricted for:										
Debt service	7,466,610	7,127,400	1,912,914	5,054,576	3,921,029	4,353,100	3,057,213	2,065,624	1,903,902	2,284,267
Capital outlay	-	-	-	-	17,586,769	24,476,393	-	-	-	-
Other purposes	3,812,464	-	-	-	-	-	-	-	-	-
Unrestricted (deficit)	71,720,989	86,955,294	112,573,235	124,943,705	133,714,969	137,777,838	152,186,483	158,995,017	165,624,066	150,131,977
Total primary government net assets	\$ 779,254,387	\$ 766,072,986	\$ 748,856,179	\$ 741,920,910	\$ 744,662,146	\$ 718,064,160	\$ 692,940,757	\$ 672,237,211	\$ 661,019,299	\$ 653,579,216
Component Units										
Invested in capital assets, net of related debt	\$ 13,340,320	\$ 14,778,882	\$ 16,057,848	\$ 22,180,482	\$ 35,404,607	\$ 13,587,578	\$ 12,444,477	\$ 25,146,179	\$ 9,789,099	\$ 10,294,414
Restricted for:										
Debt service	1,079,681	1,064,112	860,609	652,663	784,333	724,440	849,282	1,708,258	1,686,452	1,723,391
Other purposes	4,611,677	5,356,212	11,099,766	52,103	21,677,079	51,164	50,701	50,254	-	-
Unrestricted (deficit)	295,372,581	290,751,762	279,771,608	284,569,397	250,182,352	282,799,795	278,721,748	272,980,941	290,712,335	288,092,378
Total component units activities net assets	\$ 314,404,259	\$ 311,950,968	\$ 307,789,831	\$ 307,454,645	\$ 308,048,371	\$ 297,162,977	\$ 292,066,208	\$ 299,885,632	\$ 302,187,886	\$ 300,110,183

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
CHANGES IN NET ASSETS, LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (unaudited)

Expenses	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities:										
General government and administration	\$ 18,230,072	\$ 17,568,368	\$ 18,533,336	\$ 18,608,757	\$ 15,990,458	\$ 13,652,969	\$ 12,819,831	\$ 12,527,854	\$ 11,540,577	\$ 11,405,085
Public safety and health	87,643,282	82,193,776	80,634,623	78,657,042	73,157,814	61,157,972	57,848,228	53,854,331	53,318,300	50,225,431
Streets, traffic and engineering	21,680,105	20,357,268	20,189,342	20,029,456	20,565,144	17,296,358	17,712,608	16,335,926	15,802,998	15,316,888
Culture and recreation	25,807,855	24,380,362	24,297,915	23,912,234	22,673,994	18,814,509	18,337,247	17,094,182	19,376,023	14,688,110
Solid waste	13,734,078	13,212,467	12,960,933	13,002,330	12,878,205	9,107,259	10,411,481	9,530,545	8,436,434	8,560,684
Transit	5,121,742	4,702,836	4,919,193	4,848,218	4,920,015	4,054,201	4,269,932	4,112,365	3,864,350	4,122,759
Economic development	2,847,958	5,269,868	2,586,912	2,798,810	2,280,629	2,017,045	1,955,590	1,899,218	1,739,586	1,862,982
Urban redevelopment/housing	11,779,399	11,667,515	11,611,626	11,968,993	10,204,054	10,471,645	9,992,339	9,993,988	10,461,503	10,184,879
Interest on long-term debt	2,217,767	2,350,305	1,532,615	2,359,313	326,813	340,063	336,232	332,329	-	-
Total governmental activities expenses	189,062,258	181,702,665	177,286,495	176,185,153	162,997,126	136,912,061	133,683,488	125,680,738	124,539,971	116,366,818
Business-type activities										
Water and Sewer	58,290,626	52,872,999	52,401,135	50,118,642	51,853,812	43,531,289	43,812,434	37,822,249	35,591,139	34,728,551
Drainage Utility	46,588	-	-	-	-	-	-	-	-	-
Airport	10,388,942	8,479,899	8,803,465	8,593,388	8,512,889	8,016,692	7,923,094	7,691,049	7,208,258	6,330,521
Total business-type activities expenses	68,726,156	61,352,898	61,204,600	58,712,030	60,366,701	51,547,981	51,735,528	45,513,298	42,799,397	41,059,072
Total primary government expenses	\$ 257,788,414	\$ 243,055,563	\$ 238,491,095	\$ 234,897,183	\$ 223,363,827	\$ 188,460,042	\$ 185,419,016	\$ 171,194,036	\$ 167,339,368	\$ 157,425,890
Component units										
Amarillo Hospital District	\$ 8,510,747	\$ 9,333,545	\$ 9,956,490	\$ 10,680,305	\$ 10,901,435	\$ 10,374,050	\$ 11,746,855	\$ 11,446,673	\$ 10,615,491	\$ 12,228,050
Amarillo Economic Development Corporation	20,091,297	16,939,339	18,705,551	22,589,356	9,463,914	15,632,514	23,453,229	11,752,313	7,383,398	7,414,648
Amarillo-Potter Events District	3,102,810	2,345,524	2,363,221	2,501,146	2,540,572	2,375,946	2,097,826	2,283,733	2,132,606	1,285,075
Amarillo Housing Finance Corporation	-	1,576	1,653	11,400	2,466	1,952	4,391	1,400	2,649	83,023
Tax Increment Reinvestment Zone #1	1,270,527	204,518	34,414	8,528	10,421	20,990	-	-	-	-
Amarillo Local Government Corporation	90,985	1,500	-	-	-	-	-	-	-	-
Total component units activities expenses	\$ 33,066,366	\$ 28,826,002	\$ 31,061,329	\$ 35,790,735	\$ 22,918,808	\$ 28,405,452	\$ 37,302,301	\$ 25,484,119	\$ 20,136,144	\$ 21,010,796
Program Revenues										
Governmental activities:										
Fees, Fines, and Charges for Services:										
General government and administration	\$ 10,023,088	\$ 10,235,745	\$ 10,725,176	\$ 10,964,850	\$ 9,415,044	\$ 8,558,541	\$ 9,238,878	\$ 8,028,071	\$ 7,912,292	\$ 7,680,971
Public safety and health	7,503,497	7,552,299	7,764,312	6,173,574	5,866,937	5,215,652	5,110,619	4,780,316	4,690,006	4,484,812
Streets, traffic and engineering	804,886	748,018	618,399	445,833	472,726	474,423	437,469	353,483	454,066	495,998
Culture and recreation	5,823,416	5,289,633	5,058,308	5,248,389	4,870,910	4,789,381	4,909,794	4,418,374	4,044,231	3,343,275
Solid waste	18,644,949	18,234,773	17,226,650	16,741,863	16,110,978	16,114,975	14,685,610	14,339,251	12,574,723	11,217,421
Transit	213,849	214,665	203,175	185,176	197,306	201,984	213,039	391,015	331,720	397,951
Urban redevelopment/housing	95,458	296,074	188,392	114,695	163,512	265,235	141,707	58,432	606,755	852,225
Operating grants and contributions	19,723,706	19,858,342	21,439,450	20,135,506	18,384,040	18,141,143	17,945,138	16,562,670	17,010,033	15,812,064
Capital grants and contributions	12,681,594	3,444,571	7,298,406	8,227,527	6,881,414	9,519,713	14,046,785	5,222,603	1,314,759	6,475,233
Total governmental activities program revenues	75,514,443	65,874,120	70,522,268	68,237,413	62,362,887	63,281,047	66,729,039	54,154,215	48,938,585	50,759,950

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
CHANGES IN NET ASSETS, LAST TEN FISCAL YEARS, CONTINUED
 (accrual basis of accounting)
 (Unaudited)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Business-type activities										
Water and Sewer	70,233,887	69,628,237	55,089,408	50,665,542	48,941,541	43,116,864	41,890,142	38,264,015	41,032,472	38,561,472
Drainage Utility	-	-	-	-	-	-	-	-	-	-
Airport	8,398,066	7,815,827	7,568,658	7,127,466	6,067,346	6,085,678	5,851,653	5,553,036	5,370,162	5,085,327
Operating grants and contributions	7,898,835	8,410,304	13,903,432	6,434,413	2,483,503	3,926,383	2,500,179	3,301,525	3,271,334	2,877,169
Capital grants and contributions	86,530,788	85,854,368	76,561,498	64,227,421	57,492,390	53,128,925	50,241,974	47,098,576	49,673,968	46,523,968
Total business-type activities program revenues	\$ 162,045,231	\$ 151,728,488	\$ 147,083,766	\$ 132,464,834	\$ 119,855,277	\$ 116,409,972	\$ 116,971,013	\$ 101,252,791	\$ 98,612,553	\$ 97,283,918
Total primary government revenues										
Component units										
Amarillo Hospital District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amarillo Economic Development Corporation	7,777,947	4,745,415	2,905,176	3,140,213	2,686,833	2,641,826	2,190,085	21,298	4,916	80,738
Amarillo-Potter Events District	47,192	1,320	-	-	-	-	-	1,950,323	1,488,413	2,117,797
Amarillo Housing Finance Corporation	338	388	24,632	32,936	1,776	2,723	-	8,986	4,744	8,850
Tax Increment Reinvestment Zone #1	-	2,232,500	34,414	8,528	10,421	20,990	-	-	-	-
Amarillo Local Government Corporation	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	278,842	239,737	441,057	1,920,040	1,591,851	1,419,283	1,359,709	1,174,866	1,004,232	222,717
Capital grants and contributions	28,667	29,837	6,381	9,181	10,866	-	139,722	-	-	-
Total component units revenue	\$ 8,132,986	\$ 7,249,197	\$ 3,411,660	\$ 5,110,898	\$ 4,301,747	\$ 4,084,822	\$ 4,440,246	\$ 3,155,473	\$ 2,502,425	\$ 2,430,480
Net (Expense) Revenue										
Governmental activities	\$ (113,547,815)	\$ (115,828,545)	\$ (106,764,227)	\$ (107,947,740)	\$ (100,634,239)	\$ (73,631,015)	\$ (66,954,449)	\$ (71,526,523)	\$ (75,601,386)	\$ (65,606,868)
Business-type activities	17,804,632	24,501,470	15,336,898	5,515,391	(2,874,311)	1,580,944	(1,493,554)	1,585,278	6,874,571	3,464,896
Total primary government net expense	\$ (95,743,183)	\$ (91,327,075)	\$ (91,427,329)	\$ (102,432,349)	\$ (103,508,550)	\$ (72,050,071)	\$ (68,448,003)	\$ (69,941,245)	\$ (68,726,815)	\$ (60,141,972)
Component units										
Amarillo Hospital District	\$ (8,203,238)	\$ (9,063,971)	\$ (9,509,052)	\$ (8,751,084)	\$ (9,298,718)	\$ (8,954,767)	\$ (10,028,339)	\$ (10,250,509)	\$ (9,606,343)	\$ (11,924,595)
Amarillo Economic Development Corporation	(11,762,554)	(12,193,924)	(15,800,375)	(19,449,143)	(6,777,081)	(12,990,688)	(20,731,499)	(9,801,990)	(5,896,985)	(5,296,851)
Amarillo-Potter Events District	(3,055,618)	(2,344,204)	(2,363,221)	(2,501,146)	(2,540,572)	(2,375,946)	(2,097,826)	(2,283,733)	(2,132,486)	(1,284,697)
Amarillo Housing Finance Corporation	338	(1,188)	22,979	21,536	(690)	771	(4,391)	7,386	2,093	(74,173)
Tax Increment Reinvestment Zone #1	(1,270,327)	2,027,982	(34,414)	(8,528)	(10,421)	(20,990)	-	-	-	-
Amarillo Local Government Corporation	(90,985)	(1,500)	-	-	(10,421)	-	-	-	-	-
Total component units net expense	\$ (24,382,584)	\$ (21,576,805)	\$ (27,684,083)	\$ (30,688,365)	\$ (18,627,482)	\$ (24,341,620)	\$ (32,862,055)	\$ (22,328,646)	\$ (17,633,719)	\$ (18,580,316)
General Revenues										
and Other Changes in Net Assets										
Governmental activities:										
Property taxes, levied for general purposes	\$ 33,255,011	\$ 30,599,301	\$ 30,638,635	\$ 29,569,613	\$ 28,061,014	\$ 25,772,013	\$ 24,190,472	\$ 23,367,505	\$ 23,144,339	\$ 21,435,224
Property taxes, levied for debt services	2,846,831	2,750,167	2,737,072	2,706,332	532,309	529,784	526,912	631,336	615,137	602,446
Sales taxes	48,256,664	46,053,627	42,171,836	43,241,228	44,060,343	41,774,872	40,056,037	37,860,147	35,370,791	33,193,775
Mixed beverage taxes	533,575	602,075	585,729	589,894	570,334	520,653	472,305	426,819	411,010	385,205
Hotel occupancy taxes	5,002,181	4,782,868	4,399,887	4,232,250	4,331,449	4,326,640	3,814,257	3,534,175	3,400,442	3,314,649
Gross receipts business taxes	16,100,508	15,912,628	15,302,905	14,318,526	16,144,044	12,844,804	11,865,951	11,098,127	10,107,385	8,422,912

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
CHANGES IN NET ASSETS, LAST TEN FISCAL YEARS, CONTINUED
 (accrual basis of accounting)
 (Unaudited)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities (continued):										
Unrestricted investment earnings	735,449	1,111,192	1,288,039	3,568,427	6,006,138	7,707,207	5,072,520	2,783,711	1,605,600	2,706,158
Income (expense) from use and disposition of property	-	(272,849)	480,281	148,337	294,710	(9,674)	131,935	(19,107)	307,410	604,631
Other	387,328	444,962	246,795	90,864	27,923,525	190,136	(89,689)	-	302,302	30,483
Total governmental activities	1,071,177	1,019,635	97,851,179	98,465,491	127,923,866	93,656,455	86,020,700	79,682,713	75,264,416	70,695,483
Business-type activities										
Unrestricted investment earnings	217,027	273,550	536,222	1,292,227	2,241,158	3,661,826	3,026,487	1,572,157	1,188,717	1,656,669
Income (expense) from use and disposition of property	-	6,974,932	14,646	24,259	30,888	45,349	14,673	(91,463)	16,067	(3,127)
Other	(387,328)	(68,571)	(59,449)	(90,864)	(89,376)	(190,156)	89,689	(4,250)	(302,302)	(30,483)
Total business-type activities	(170,301)	7,179,911	491,419	1,225,622	2,182,670	3,517,019	3,130,849	1,476,444	902,482	1,623,059
Total primary government	106,947,246	109,143,882	98,342,598	99,691,113	130,106,536	97,173,474	89,151,549	81,159,157	76,166,898	72,318,542
Component Units										
Property taxes, levied for general purposes	589,735	460,051	437,846	324,433	231,844	10,808	13,909	11,731	13,206	27,613
Property taxes, levied for debt services	-	-	-	-	-	-	-	-	-	-
Sales taxes	16,085,554	15,344,542	14,057,279	14,413,743	14,686,781	13,924,958	13,345,346	12,620,048	11,790,263	11,064,592
Gross receipts business taxes	2,295,432	2,159,203	2,009,281	1,952,359	2,070,185	2,052,011	1,808,263	1,670,800	1,568,201	1,509,842
Unrestricted investment earnings	7,865,154	7,774,146	11,514,863	13,404,104	12,524,066	13,450,612	9,875,113	5,723,813	6,339,752	9,584,755
Income (expense) from use and disposition of property	-	-	-	-	-	-	-	-	-	-
Total component units activities	26,835,875	25,737,942	28,019,269	30,094,639	29,512,876	29,438,389	25,042,631	20,026,392	19,711,422	22,186,782
Change in Net Assets										
Governmental activities	(6,450,268)	(13,864,574)	(8,913,048)	(9,482,249)	27,289,627	20,025,440	19,066,251	8,156,190	(336,970)	5,088,615
Business-type activities	17,634,331	31,681,381	15,848,317	6,741,013	(691,641)	5,096,769	1,637,295	3,061,722	7,777,053	7,087,955
Total primary government	\$ 11,204,063	\$ 17,816,807	\$ 6,935,269	\$ (2,741,236)	\$ 26,597,986	\$ 25,122,209	\$ 20,703,546	\$ 11,217,912	\$ 7,440,083	\$ 12,176,570
Total component units	\$ 2,453,291	\$ 4,161,137	\$ 335,186	\$ (593,726)	\$ 10,885,394	\$ 5,096,769	\$ (7,819,424)	\$ (2,302,254)	\$ 2,077,703	\$ 3,606,466

Source: Comprehensive Annual Financial Reports

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Reserved	\$ -	\$ -	\$ 298,680	\$ 209,187	\$ 518,108	\$ 369,642	\$ 333,150	\$ 424,567	\$ 464,698	\$ 321,850
Nonexpendable:										
Prepaid items	7,742	6,742	-	-	-	-	-	-	-	-
Inventory	1,546,717	1,804,245	-	-	-	-	-	-	-	-
Uncollected taxes	70,967	81,905	-	-	-	-	-	-	-	-
Committed for:										
Encumbrances	295,059	147,740	-	-	-	-	-	-	-	-
Unreserved/unassigned	44,344,080	41,767,102	41,301,934	37,163,472	36,673,773	37,304,407	37,840,494	37,110,347	37,503,800	32,987,569
Total general fund	\$ 46,264,565	\$ 43,807,734	\$ 41,600,614	\$ 37,372,659	\$ 37,191,881	\$ 37,674,049	\$ 38,173,644	\$ 37,534,914	\$ 37,968,498	\$ 33,309,419
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ 1,010,434	\$ 1,017,324	\$ 1,135,941	\$ 1,173,096	\$ 1,225,402	\$ 14,127,578	\$ 13,839,648	\$ 13,921,984
Unreserved, reported in:										
Debt service fund	-	-	210,081	101,259	10,167	12,521	232	42,366	115,523	43,904
Capital projects	-	-	39,348,787	48,335,396	57,437,304	65,723,873	33,324,183	30,195,836	31,053,633	33,040,858
Special revenue funds	-	-	2,656,334	2,680,946	4,037,138	3,134,224	3,187,240	2,793,679	2,132,069	2,436,152
Compensated absences fund	-	-	14,222,386	15,053,260	14,850,723	14,660,177	14,211,648	416,361	-	-
Undesignated	-	-	-	-	-	-	-	-	-	-
Nonexpendable:										
Prepaid items	652,712	639,354	-	-	-	-	-	-	-	-
Uncollected taxes	6,509	5,740	-	-	-	-	-	-	-	-
Restricted for:										
Debt service fund	375,156	246,574	-	-	-	-	-	-	-	-
Capital projects	3,671,462	-	-	-	-	-	-	-	-	-
Special purposes	3,812,464	2,824,678	-	-	-	-	-	-	-	-
Committed for:										
Compensated absences	11,500,973	12,779,761	-	-	-	-	-	-	-	-
Assigned for:										
Capital projects	33,889,784	38,271,781	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 53,909,060	\$ 54,767,888	\$ 57,448,022	\$ 67,188,185	\$ 77,471,273	\$ 84,703,891	\$ 51,948,705	\$ 47,575,820	\$ 47,140,873	\$ 49,442,898

Source: Information obtained from the City's Comprehensive Annual Financial Reports.

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
GOVERNMENTAL FUNDS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS**
(modified accrual basis of accounting)
(unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Taxes	\$ 105,101,533	\$ 100,984,407	\$ 95,672,000	\$ 94,530,658	\$ 93,677,610	\$ 85,758,232	\$ 81,018,597	\$ 76,917,615	\$ 72,453,223	\$ 67,298,630
License and permits	2,315,185	2,284,564	2,260,499	1,758,303	2,015,135	1,727,556	1,916,299	1,786,318	1,296,047	1,365,240
Incrfund revenues	1,584,965	1,537,653	1,478,752	1,373,441	1,320,395	1,270,941	1,231,060	2,547,357	2,753,169	2,415,808
Intergovernmental revenues	24,719,942	20,510,802	23,396,992	20,693,196	18,681,299	17,433,037	19,850,636	17,755,613	17,429,463	16,062,469
Grants-in-aid	-	-	-	-	-	-	-	-	-	28,028
Citizen contributions	10,144	22,898	6,000	31,000	7,300	6,000	5,000	6,074	5,900	20,000
Construction participation	4,685,053	1,761,885	2,816,377	6,241,042	5,816,556	9,393,844	11,540,373	2,525,475	292,994	5,638,364
Other entity participations	808,345	944,425	856,721	786,670	690,382	824,023	595,839	795,821	621,344	538,437
Charges for services	31,985,474	31,291,822	30,023,565	28,672,632	27,514,707	27,432,759	25,939,174	23,963,289	21,411,896	19,250,063
Fines and forfeitures	6,160,381	5,846,225	6,233,025	6,634,542	5,104,849	4,199,581	4,398,745	3,916,486	4,504,414	5,029,319
Investment earnings	566,680	390,296	1,007,601	2,665,718	4,677,492	5,902,783	4,056,915	2,308,358	1,513,250	2,085,337
Other rentals and commissions	382,306	839,170	858,951	867,160	469,613	249,409	239,192	224,668	239,686	553,318
Miscellaneous	671,563	814,676	526,107	1,179,434	694,338	749,919	980,841	465,066	382,951	661,550
Total revenues	178,991,571	167,748,823	167,140,590	165,433,796	160,669,676	154,938,084	151,772,671	133,212,140	122,904,337	120,746,363
Expenditures										
General government and administration	15,098,294	14,875,816	14,925,037	15,252,845	13,074,117	12,325,695	11,573,762	10,947,924	9,674,291	9,460,814
Public safety and health	89,301,953	86,844,050	83,263,087	81,699,196	77,852,041	71,204,891	68,295,871	62,875,319	62,313,813	57,730,984
Culture and recreation	19,010,912	18,154,024	17,765,568	17,607,384	17,426,501	16,516,821	15,911,599	14,792,474	13,460,424	12,753,036
Solid waste	11,063,271	10,532,391	10,970,380	11,296,793	10,881,683	10,307,975	9,596,852	8,842,767	7,926,642	7,794,013
Transit system	3,957,318	3,506,527	3,763,267	4,061,190	3,937,106	3,687,600	3,422,653	3,205,899	2,983,056	2,871,039
Urban redevelopment and housing	11,942,850	11,578,796	11,694,748	11,921,285	10,009,916	10,473,285	9,994,020	9,903,853	10,443,196	10,122,583
Tourism	2,847,958	5,269,868	2,584,912	2,798,810	2,280,629	2,017,045	1,955,590	1,899,218	1,739,586	1,862,874
Capital outlay	20,385,363	18,503,130	24,381,672	26,590,979	31,499,119	18,739,343	21,078,954	15,192,733	9,336,087	22,053,421
Debt service	-	-	-	-	-	-	-	-	-	-
Principal retirement	1,706,708	1,476,611	1,371,563	555,566	344,615	328,705	301,519	290,000	280,000	245,000
Interest and fiscal charges	1,730,024	1,662,908	1,532,615	2,359,312	326,813	340,063	336,232	332,329	347,095	346,090
Termination vacation and sick leave pay	1,313,015	1,591,569	1,457,052	1,379,825	1,753,114	1,306,089	1,238,756	901,745	1,319,386	1,080,767
Total expenditures	178,557,666	173,995,690	173,710,901	175,523,185	169,385,654	147,248,118	143,705,808	129,184,261	119,843,576	126,320,621
Excess of revenues over (under) expenditures	433,905	(6,246,867)	(6,570,311)	(10,089,389)	(8,715,978)	7,689,966	8,066,863	4,027,879	3,060,761	(5,574,258)
Other Financing Sources (Uses):										
Transfers from other funds	10,120,249	10,266,422	7,274,581	9,448,299	16,474,780	22,639,094	11,483,105	11,314,214	16,750,972	14,043,053
Transfers to other funds	(10,333,489)	(10,375,070)	(7,583,483)	(9,461,220)	(17,538,013)	(23,075,481)	(15,108,353)	(15,340,729)	(17,882,676)	(18,749,195)
Unrealized gain (loss) on investments	-	-	-	(4,680,000)	-	-	-	-	(172,003)	-
Payment to refunded bond escrow agent	-	-	-	(145,000)	-	-	-	-	-	-
Bond premium less issuance cost	-	(77,500)	-	4,825,000	-	427,012	-	-	-	-
Issuance of refunding debt	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of long-term debt	-	5,960,000	1,367,000	-	2,064,425	24,575,000	570,000	-	600,000	-
Total other financing sources (uses)	(213,240)	5,773,852	1,058,098	(12,921)	1,001,192	24,565,625	(3,055,248)	(4,026,515)	(703,707)	(4,706,142)
Net change in fund balances	220,665	(473,015)	(5,512,213)	(10,102,310)	(7,714,786)	32,255,591	5,011,615	1,564	2,357,054	(10,280,400)
Debt service as a percentage of noncapital expenditures	2.221%	2.061%	1.983%	1.996%	0.489%	0.523%	0.523%	0.549%	0.571%	0.570%

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

Fiscal Year	Property Taxes*		Sales Taxes	Mixed Beverage Taxes	Hotel Occupancy Taxes	Gross Receipts Business Taxes	Total Taxes
	General Fund	Debt Service					
2003	\$ 21,379,643	\$ 602,446	\$ 33,193,775	\$ 385,205	\$ 3,314,649	\$ 8,422,912	\$ 67,298,630
2004	22,548,458	615,137	35,370,791	411,010	3,400,442	10,107,385	72,453,223
2005	23,371,765	626,582	37,860,147	426,819	3,534,175	11,098,127	76,917,615
2006	24,303,135	526,912	40,036,037	472,305	3,814,257	11,865,951	81,018,597
2007	25,761,479	529,784	41,774,872	520,653	4,326,640	12,844,804	85,758,232
2008	28,039,131	532,309	44,060,343	570,334	4,331,449	16,144,044	93,677,610
2009	29,442,408	2,706,352	43,241,228	589,894	4,232,250	14,318,526	94,530,658
2010	30,474,571	2,737,072	42,171,836	585,729	4,399,887	15,302,905	95,672,000
2011	30,903,042	2,750,167	46,033,627	602,075	4,782,868	15,912,628	100,984,407
2012	32,361,774	2,846,831	48,256,664	533,575	5,002,181	16,100,508	105,101,533
Change							
2003-2012	51.4%	N/A	45.4%	38.5%	50.9%	91.2%	56.2%

Notes:

* The City was able to keep its property tax rates fairly stable because of substantial growth in property tax values (See Exhibit A-6.)

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY, LAST TEN FISCAL YEARS
(unaudited)

Fiscal Year	Real Estate		Business Personal		Total Assessed Value	Less: Tax-Exempt Property		Taxable Value	Total Direct Tax Rate
2003	\$ 6,860,543,027	\$ 1,098,779,696	\$ 7,959,322,723	\$ 1,204,821,590	\$ 6,754,501,133	0.29563			
2004	7,226,216,296	1,069,853,131	8,296,069,427	1,221,045,400	7,075,024,027	0.29437			
2005	7,538,307,247	1,262,875,966	8,801,183,213	1,276,555,884	7,524,627,329	0.28906			
2006	7,938,381,440	1,240,508,943	9,178,890,383	1,335,511,280	7,843,379,103	0.28712			
2007	8,518,092,297	1,284,058,473	9,802,150,770	1,442,769,110	8,359,381,660	0.28371			
2008	9,437,359,663	1,336,466,293	10,773,825,956	1,632,941,441	9,140,884,515	0.28371			
2009	9,848,073,262	1,399,854,654	11,247,927,916	1,547,532,972	9,700,397,944	0.31009			
2010	10,147,687,093	1,413,365,790	11,561,052,883	1,569,701,314	9,991,351,569	0.31009			
2011	10,299,410,694	1,351,284,199	11,650,694,893	1,594,987,161	10,055,707,732	0.31009			
2012	10,737,236,627	1,379,495,572	12,116,732,199	1,858,785,870	10,257,946,329	0.32009			

Source: Potter-Randall Appraisal District

Notes: Property in Potter County and Randall County is reassessed annually. The counties assess property at approximately 100% of actual value for business personal property and 100% for real estate property. Tax rates are per \$100 of taxable value.

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES, LAST TEN FISCAL YEARS
(rate per \$100 of assessed value)
(unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates							
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Amarillo Independent School District and County Education District 20	Amarillo College District	Canyon Independent School District	River Road Independent School District	Potter County	Randall County	Highland Park Independent School District	Bushland Independent School District
2003	0.28777	0.00786	0.29563	1.59000	0.15621	1.60660	1.57230	0.52822	0.33418	1.53240	1.45100
2004	0.28686	0.00731	0.29437	1.59000	0.15942	1.69779	1.57230	0.59503	0.33721	1.55158	1.65200
2005	0.28199	0.00707	0.28906	1.61500	0.16043	1.73919	1.57230	0.60704	0.33642	1.57130	1.49820
2006	0.28035	0.00677	0.28712	1.64500	0.16043	1.69141	1.77980	0.60704	0.34518	1.64760	1.61993
2007	0.27736	0.00635	0.28371	1.47500	0.16043	1.50982	1.64980	0.59973	0.35136	1.49566	1.47945
2008	0.27787	0.00584	0.28371	1.17200	0.16043	1.29000	1.32300	0.59674	0.34937	1.19421	1.18795
2009	0.28143	0.02866	0.31009	1.17000	0.18395	1.29000	1.32300	0.59674	0.36062	1.19081	1.18300
2010	0.28239	0.02770	0.31009	1.17000	0.18413	1.29000	1.31700	0.59627	0.36062	1.18544	1.24950
2011	0.28279	0.02730	0.31009	1.17000	0.18996	1.29000	1.36000	0.59911	0.36890	1.18252	1.26862
2012	0.29230	0.02779	0.32009	1.17000	0.18938	1.29000	1.35000	0.63350	0.37756	1.17289	0.12960

The maximum tax rate provided by City charter is \$1.80, of which \$1.30 may be levied for general purposes; the remaining \$0.50 may be used only for waterworks purposes.

Taxes are assessed by the Potter-Randall Appraisal District. The City of Amarillo collected its own taxes until July 1, 1996, when Potter and Randall Counties assumed collection responsibilities for all entities within their boundaries. Taxes are due October 1, and become delinquent February 1. Delinquent taxes are subject to 12% to 18% per annum interest plus a penalty of 5% to 10% in accordance with statutes.

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
PRINCIPAL PROPERTY TAXPAYERS, CURRENT YEAR AND NINE YEARS AGO
(unaudited)

Taxpayer	2012			2003		
	Taxable Value	Rank	Percent of Total City Taxable Value	Taxable Value	Rank	Percent of Total City Taxable Value
Wal Mart Stores Inc	\$ 85,542,838	1	0.834%	\$ 41,096,445	4	0.608%
Northwest Texas Healthcare	84,352,856	2	0.822%	68,377,891	2	1.012%
Southwestern Public Service	81,437,529	3	0.794%	115,679,198	1	1.713%
Amarillo Mail LLC	63,940,059	4	0.623%	-	-	-
Burlington Northern Santa Fe Railroad	56,532,846	5	0.551%	31,159,037	6	0.461%
Ben E Keith	49,022,475	6	0.478%	-	-	-
Amarillo Economic Development Corporation*	39,667,115	7	0.387%	-	-	-
Amarillo National Bank	36,937,694	8	0.360%	25,997,131	7	0.385%
Case Newport LP	34,858,942	9	0.340%	-	-	-
Atmos Corp/Energas Co.	32,946,885	10	0.321%	19,381,154	9	0.287%
Southwestern Bell Telephone Company	-	-	-	58,456,848	3	0.865%
Schroder Amarillo	-	-	-	31,967,259	5	0.473%
Cox Communications Inc.	-	-	-	23,189,178	8	0.343%
Anderson Merchandisers LP	-	-	-	17,311,561	10	0.256%
Total taxable value of ten largest taxpayers	565,239,239		5.510%	432,615,702		6.405%
Total taxable value of other taxpayers	9,692,707,090		94.490%	6,321,885,431		93.595%
Total taxable value of all taxpayers	\$ 10,257,946,329		100.000%	\$ 6,754,501,133		100.000%

Source: Potter Randall Appraisal District

*Amarillo Economic Development Corporation owns and leases property to Bell Helicopter.

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS, LAST TEN FISCAL YEARS
(unaudited)

Fiscal Year Ended September 30,	Tax Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 19,968,330	\$ 19,484,122	97.58	\$ 337,860	\$ 19,821,981	99.27
2004	20,826,737	20,520,657	98.53	398,005	20,826,737	100.00
2005	21,750,690	21,355,304	98.18	120,998	21,476,302	98.74
2006	22,519,911	22,101,623	98.14	313,094	22,414,717	99.53
2007	23,716,401	23,359,468	98.49	269,372	23,628,840	99.63
2008	25,933,603	25,517,113	98.39	304,959	25,822,072	99.57
2009	29,523,733	29,021,939	98.30	356,322	29,378,261	99.51
2010	30,409,776	29,913,203	98.37	288,294	30,201,497	99.32
2011	30,639,878	30,277,693	98.82	192,737	30,470,430	99.45
2012	32,159,248	31,738,183	98.69	-	31,738,183	98.69

Sources: Potter and Randall County Tax Offices

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
TAXABLE SALES BY CATEGORY, LAST TEN CALENDAR YEARS
 (in \$1,000s)
 (unaudited)

	Calendar Year									
	2012*	2011	2010	2009	2008	2007	2006	2005	2004	2003
Agriculture/Forestry/Fishing/Hunting	\$ -	\$ 1,334	\$ 1,217	\$ 1,397	\$ 1,120	\$ 1,421	\$ 1,571	\$ 1,519	\$ 1,825	\$ 1,399
Mining/Quarrying/Oil and Gas		8,995	8,828	1,453	1,074	835	813	4,264	2,904	1,322
Utilities		148,600	156,654	157,575	199,995	168,441	171,922	156,569	148,460	148,622
Construction		83,862	66,604	60,378	75,775	78,916	77,077	67,014	66,646	60,818
Manufacturing		70,539	65,543	71,250	79,628	76,683	78,798	74,706	65,737	75,421
Wholesale Trade		161,328	145,841	128,518	163,070	144,283	153,236	128,360	116,074	94,105
Retail Trade		1,477,297	1,420,094	1,392,979	1,461,374	1,412,115	1,331,076	1,282,886	1,237,198	1,179,897
Transportation/Warehousing		3,109	3,030	2,567	3,008	2,430	2,206	1,612	2,910	1,846
Information		82,826	74,283	71,685	68,129	65,839	75,812	85,937	78,658	118,003
Finance/Insurance		13,495	9,152	10,427	11,792	11,201	9,944	7,267	8,146	6,594
Real Estate/Rental Leasing		37,928	29,209	26,258	29,400	27,078	26,679	22,594	21,590	20,530
Professional/Scientific/Technical Services		38,356	34,318	35,154	34,824	35,639	29,189	27,329	28,888	23,683
Management of Companies/Enterprises		53	1,064	2,166	2,909	3,259	3,649	7,915	7,758	-
Admin/Support/Waste Mgmt/Remediation		49,585	47,502	45,853	45,583	44,309	43,379	41,165	38,064	35,286
Educational Services		5,843	5,566	4,864	4,380	4,254	4,046	3,815	3,706	3,409
Health Care/Social Assistance		2,576	2,366	2,902	4,580	4,771	4,025	4,229	4,849	5,262
Arts/Entertainment/Recreation		25,972	22,939	23,187	24,846	23,453	21,881	22,223	22,100	20,742
Accommodation/Food Services		360,977	339,900	329,042	332,340	313,292	299,451	281,312	261,620	252,417
Other Services		86,502	80,946	78,969	81,764	77,211	74,657	72,837	66,224	66,918
Public Administration		Not reported	Not reported	Not reported	Not reported	Not reported	Not reported	Not reported	Not reported	Not reported
Other		Not reported	Not reported	Not reported	Not reported	Not reported	Not reported	Not reported	Not reported	Not reported
Total	\$ -	\$ 2,674,728	\$ 2,515,459	\$ 2,446,951	\$ 2,626,021	\$ 2,495,701	\$ 2,409,870	\$ 2,293,835	\$ 2,184,401	\$ 2,122,533
City direct sales tax rate		2%	2%	2%	2%	2%	2%	2%	2%	2%

*Note: Retail sales information is not available for the 2012 Calendar Year.

Source: State of Texas <https://ourcpa.cpa.state.tx.us/allocation/HistSales.jsp>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
DIRECT AND OVERLAPPING SALES TAX RATES, LAST TEN FISCAL YEARS
(unaudited)

<u>Fiscal Year</u>	<u>City* Direct Rate</u>	<u>State</u>
2003	2.0	6.25
2004	2.0	6.25
2005	2.0	6.25
2006	2.0	6.25
2007	2.0	6.25
2008	2.0	6.25
2009	2.0	6.25
2010	2.0	6.25
2011	2.0	6.25
2012	2.0	6.25

Sources: City Budget Office and Department of Finance

Note: The City sales tax rate may be changed only with the approval of the state legislature.

* The Amarillo Economic Development Corporation is funded with 1/2 percent sales tax.

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT, AS OF SEPTEMBER 30, 2012
(unaudited)

	<u>Net Debt Outstanding</u>	<u>Percent Applicable</u>	<u>Applicable Debt Outstanding</u>
Amarillo Independent School District	\$ 98,489,208	99.08%	\$ 97,583,107
Amarillo College District	69,192,174	100.00%	69,192,174
Amarillo Hospital District	-	100.00%	-
Canyon Independent School District	80,128,090	34.77%	27,860,537
River Road Independent School District	14,670,527	23.57%	3,457,843
Potter County	9,058,530	74.90%	6,784,839
Randall County	2,799,796	66.14%	1,851,785
Highland Park Independent School District	11,599,997	35.31%	4,095,959
Bushland Independent School District	2,038,975	23.58%	480,790
Total overlapping debt			211,307,034
City of Amarillo*			35,338,545
Total direct and overlapping debt			\$ 246,645,579

Sources: Assessed value data used to estimate applicable percentages provided by the Municipal Advisory Council, October 2012. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Amarillo. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

* City of Amarillo outstanding debt includes debt serviced by tax revenues of \$27,040,000 and debt serviced by special assessment and other revenue of \$8,680,210 less sinking fund assets of \$381,665.

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE, LAST TEN FISCAL YEARS
(unaudited)

Fiscal Year	General Bonded Debt				Business-type Activities							Percentage of Personal Income	Per Capita
	Tax-Supported Debt	Special Assessment/Ot her Debt	Percentage of Actual Taxable Value of Property	Per Capita	Water & Sewer Revenue Debt	Water Authority Debt	Airport Debt	Total Primary Government	Percentage of Personal Income				
2003	\$ 6,465,000	\$ 535,000	0.10%	\$ 39.04	\$ 31,365,000	\$ 37,064,903	\$ -	\$ 75,429,903	1.25%	420.72			
2004	6,240,000	1,100,000	0.10%	40.39	37,930,000	35,256,050	-	80,526,050	1.27%	443.12			
2005	6,005,000	1,045,000	0.09%	38.64	35,540,000	53,018,680	-	95,608,680	1.40%	523.99			
2006	5,760,000	1,571,978	0.09%	39.64	32,690,000	71,377,816	-	111,399,794	1.52%	602.35			
2007	50,080,000	1,498,273	0.38%	168.32	39,490,000	68,846,778	-	139,915,051	1.76%	745.78			
2008	29,815,000	3,518,658	0.36%	175.40	38,245,000	66,002,170	-	137,580,828	1.58%	723.95			
2009	29,555,000	3,368,092	0.34%	171.91	75,840,000	63,021,308	16,140,000	187,924,400	2.15%	981.26			
2010	29,732,000	3,211,529	0.33%	172.76	124,800,000	69,101,396	14,975,000	241,819,925	2.68%	1,268.10			
2011	28,418,000	9,008,918	0.37%	191.28	148,200,000	65,664,394	13,745,000	265,036,312	2.91%	1,354.53			
2012	27,040,000	8,680,210	0.35%	183.77	142,585,000	94,814,081	12,465,000	285,584,291	3.11%	1,469.24			

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING AND LEGAL DEBT MARGIN, LAST TEN FISCAL YEARS
(unaudited)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General bonded debt outstanding										
Tax supported debt	\$ 27,040,000	\$ 28,418,000	\$ 29,732,000	\$ 29,555,000	\$ 29,815,000	\$ 30,080,000	\$ 5,760,000	\$ 6,005,000	\$ 6,240,000	\$ 6,465,000
Special assessment/other debt	8,680,210	9,008,918	3,211,529	3,368,092	3,518,658	1,498,275	1,571,978	1,045,000	1,100,000	535,000
Water & Sewer bonds	142,585,000	148,200,000	124,800,000	38,885,000	-	-	-	-	-	-
Airport Bonds	12,465,000	13,745,000	14,975,000	16,140,000	-	-	-	-	-	-
Total	190,770,210	199,371,918	172,718,529	87,948,092	33,333,658	31,578,275	7,331,978	7,050,000	7,340,000	7,000,000
Percentage of estimated actual property value	1.86%	1.98%	1.73%	0.91%	0.36%	0.38%	0.09%	0.09%	0.10%	0.10%
Per capita	981.45	1045.50	905.73	462.78	175.40	168.32	59.64	38.64	40.39	39.04
Less: Amounts set aside to repay general debt	381,665	252,314	216,923	102,939	11,862	10,931	1,107	39,769	34,057	29,183
Total net debt applicable to debt limit	190,388,545	199,119,604	172,501,606	87,845,153	33,321,796	31,567,342	7,330,871	7,010,231	7,305,943	6,970,817
Legal debt limit	1,211,673,220	1,165,069,489	1,156,105,288	1,124,793,092	1,077,382,596	980,215,077	917,889,038	880,118,321	829,606,943	795,932,272
Legal debt margin	\$ 1,021,284,675	\$ 965,949,885	\$ 983,603,682	\$ 1,036,947,939	\$ 1,044,060,800	\$ 948,647,735	\$ 910,558,167	\$ 873,108,090	\$ 822,301,000	\$ 788,961,455
Debt service as a percentage of noncapital expenditures	3.10%	3.14%	3.01%	2.97%	1.79%	1.56%	1.55%	1.36%	1.79%	1.63%

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
LEGAL DEBT MARGIN INFORMATION, LAST TEN FISCAL YEARS
(Unaudited)

	9/30/2012 (2011 Tax Roll)	9/30/2011 (2010 Tax Roll)	9/30/2010 (2009 Tax Roll)	9/30/2009 (2008 Tax Roll)	9/30/2008 (2007 Tax Roll)	9/30/2007 (2006 Tax Roll)	9/30/2006 (2005 Tax Roll)	9/30/2005 (2004 Tax Roll)	9/30/2004 (2003 Tax Roll)	9/30/2003 (2002 Tax Roll)
Assessed value, tax roll	\$ 12,116,732,199	\$ 11,650,694,893	\$ 11,561,052,883	\$ 11,247,930,916	\$ 10,773,825,956	\$ 9,802,150,770	\$ 9,178,890,383	\$ 8,801,183,213	\$ 8,296,069,427	\$ 7,959,322,723
Debt limit -10% of assessed roll	\$ 1,211,673,220	\$ 1,165,069,489	\$ 1,156,105,288	\$ 1,124,793,092	\$ 1,077,382,596	\$ 980,215,077	\$ 917,889,038	\$ 880,118,321	\$ 829,606,943	\$ 795,932,272
Amount of debt applicable to debt limit:										
Total bonded debt	190,770,210	199,371,918	172,718,529	124,618,092	71,578,658	71,068,273	40,021,978	42,590,000	45,270,000	38,365,000
Less: Assets in Debt Service Funds (net)	381,665	252,314	216,923	102,939	11,862	10,931	1,107	39,769	34,057	29,183
Waterworks revenue bonds	42,565,000	44,850,000	35,620,000	36,952,000	38,245,000	39,490,000	32,690,000	35,540,000	37,930,000	31,365,000
	42,946,665	45,102,314	35,836,923	37,057,939	38,256,862	39,500,931	32,691,107	35,579,769	37,964,057	31,394,183
Total amount of debt applicable to debt limit	147,823,545	154,269,604	136,881,606	87,560,153	33,321,796	31,567,342	7,330,871	7,010,231	7,305,943	6,970,817
Pro forma legal debt margin	\$ 1,063,849,675	\$ 1,010,799,885	\$ 1,019,223,682	\$ 1,037,232,939	\$ 1,044,060,800	\$ 948,647,735	\$ 910,558,167	\$ 873,108,090	\$ 822,301,000	\$ 788,961,455

Note: Article 835p of the State of Texas Civil Statutes, effective March 17, 1967, provides that this limitation applies only to cities having a population of 600,000 or more according to the then last preceding Federal Census.

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
PLEDGED-REVENUE COVERAGE, LAST TEN FISCAL YEARS
(unaudited)

Fiscal Year	Water Revenue Bonds						
	Total Revenue	Less:		Net Available Revenue	Principal	Debt Service	
		Operating Expenses	CRMWA Interest			Interest	Interest
2003	\$ 39,913,917	\$ 25,195,913	\$ 1,851,649	12,866,355	\$ 2,010,000	\$ 1,653,538	3.51
2004	40,253,986	26,613,408	1,772,617	11,867,961	2,615,000	1,807,465	2.68
2005	39,576,277	27,911,917	1,686,304	9,978,056	2,520,000	1,602,381	2.42
2006	44,311,449	31,874,749	2,585,579	9,851,121	2,850,000	1,626,919	2.20
2007	45,946,496	31,646,674	3,539,176	10,760,646	2,770,000	1,626,605	2.45
2008	50,562,805	33,800,615	3,277,990	13,484,200	1,245,000	1,765,242	4.48
2009	51,567,346	34,440,993	3,103,789	14,022,564	1,290,000	2,017,904	4.24
2010	55,502,109	34,436,713	3,172,696	17,892,700	5,350,000	2,831,444	2.19
2011	76,794,307	34,139,162	2,978,655	39,676,490	7,210,000	2,998,168	3.89
2012	70,242,785	34,117,020	4,252,077	31,873,688	7,290,000	3,232,174	3.03

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expenses.

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS, LAST TEN CALENDAR YEARS
(unaudited)

Calendar Year	Population (1)	Personal Income (2) (in \$1,000s)	Per Capita Personal Income (2)	Median Age (3)	School Enrollment (4)	Unemployment Rate (5)
2003	179,287	\$ 6,018,259	\$ 25,835	*	29,500	4.8%
2004	181,725	6,319,255	26,853	*	29,959	4.3%
2005	182,462	6,843,145	28,750	33.6	30,106	4.0%
2006	184,941	7,355,250	30,975	*	30,750	3.7%
2007	187,609	7,951,993	32,831	*	30,613	3.4%
2008	190,042	8,712,000	35,640	32.7	30,969	3.6%
2009	191,514	8,747,000	35,366	*	31,920	5.2%
2010	190,695	9,015,000	35,958	33.4	32,704	5.7%
2011	195,666	9,105,150	36,458	*	33,043	5.5%
2012	194,375	9,196,634	37,155	*	33,306	4.4%

Sources:

1. Population estimates prepared by City of Amarillo Planning Department (2010 provided by Census 2010). (Amarillo grows by an average of 1% or 2% annually.)
2. Personal income and per capita income figures obtained from U.S. Department of Commerce's Bureau of Economic Analysis, MSA Area Income Summary. To calculate 2011 and 2012 figures, Planning Department staff used an average of increases from the previous two years.
3. Median age obtained from Census 2000, 2005, and 2010 American Community Survey.
4. School enrollment was provided by Amarillo Independent School District.
5. Unemployment rates obtained from U.S. Department of Labor's Bureau of Labor Statistics. The rate for 2012 is based on an average from January through September 2012 only.

* Median age was not available for these years.

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
PRINCIPAL EMPLOYERS, CURRENT YEAR AND NINE YEARS AGO
(unaudited)

	2012			2003		
	Employer	Employees	Rank	Percent of Total City MSA* Employment	Employees	Rank
Tyson Foods	3,700	1	2.855%	3,487	1	2.909%
Baptist/St. Anthony's Health Systems	2,330	2	1.798%	2,776	2	2.316%
Northwest Texas Healthcare	1,393	3	1.075%	1,805	3	1.506%
Bell Helicopter, Inc	1,270	4	0.980%	-	-	-
Affiliated Foods	1,200	5	0.926%	1,024	6	0.790%
Walmart Supercenters	1,099	6	0.848%	1,075	5	0.897%
Xcel Energy	1,002	7	0.773%	942	7	0.727%
Western Natinoal Life Insurance	1,002	8	0.773%	-	-	0.000%
Burlington Northern Santa Fe	830	9	0.641%	1,435	4	1.197%
Toot 'n Totum	700	10	0.540%	-	-	-
Hastings	-	-	-	707	8	0.590%
Owens-Corning Fiberglass	-	-	-	656	9	0.547%
AIG	-	-	-	600	10	0.516%
Total employees of the principal employers	14,526		11.209%	14,507		12.101%
Total employees of other employers	115,065		88.791%	105,374		87.899%
Total Amarillo MSA* employment	129,591		100.000%	119,881		100.000%

Sources: The ten principal employers information was provided by the Amarillo Chamber of Commerce.

* Amarillo Metropolitan Statistical Area (MSA) employment figure obtained from the U.S. Bureau of Labor Statistics (Economy at a Glance). 2012 figure is the average of January 2012 through August 2012 data.

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 CITY GOVERNMENT BUDGETED POSITIONS BY FUNCTION/PROGRAM, LAST TEN FISCAL YEARS
 (unaudited)

Function/Program	Budgeted Positions as of September 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
GENERAL GOVERNMENT										
Mayor and commission	5	5	5	5	5	5	5	5	5	5
City manager	6	6	6	6	3	3	4	4	3	3
City secretary	3	2	2	2	2	2	3	3	3	3
Judicial	4	-	-	-	-	-	-	-	-	-
Municipal court and Teen court	25	29	29	29	28	28	28	28	26	26
Planning and zoning	7	7	7	7	8	8	8	8	9	10
STAFF SERVICES										
Financial administration										
Director of Finance	5	5	5	5	6	6	6	6	6	6
Accounting	16	14	14	14	15	15	15	15	16	16
Payroll	3	3	3	3	-	-	-	-	-	-
Benefits	5	5	5	5	-	-	-	-	-	-
Purchasing	9	8	8	8	8	6	6	6	6	6
Central stores	7	8	8	8	8	8	8	8	9	9
Municipal office services	-	3	3	3	3	4	4	4	4	4
Legal	9	8	8	8	8	7	7	7	7	7
Personnel and Risk Management	12	12	12	12	22	21	18	18	17	16
Emergency Management and Communications	13	12	12	12	12	12	12	12	11	11
Occupancy										
Custodial operations	27	25	25	25	25	25	25	25	25	25
Building maintenance	25	24	24	24	24	23	23	23	23	23
PUBLIC SAFETY AND HEALTH										
Police										
Police	345	317	317	317	312	302	302	302	280	284
Civilian personnel	57	56	71	109	109	102	102	102	98	91
Fire Protection										
Fire	251	244	244	244	229	221	221	221	218	217
Civilian personnel	18	15	15	28	39	21	21	16	14	14
Other										
Building safety	34	32	32	32	31	29	29	29	29	27
Animal control	26	26	26	27	27	27	27	23	22	22
Emergency services	-	1	-	-	-	-	-	-	-	-
Amarillo Emergency Comm. Center	71	65	66	66	66	66	66	66	66	66
Environmental health	14	14	14	14	13	11	11	11	11	11
Vital statistics	1	1	1	1	1	1	1	1	1	1
STREETS, TRAFFIC & ENGINEERING										
Street maintenance	99	108	108	108	108	100	100	97	97	97
Traffic engineering	46	46	46	46	46	45	45	44	44	44
Traffic field operations	22	22	22	22	22	22	22	22	22	24
Engineering	21	21	21	21	22	22	22	22	22	22
CULTURE & RECREATION										
Auditorium Coliseum										
Civic Center operations	23	23	23	23	23	23	23	23	23	20
Civic Center promotions	4	4	4	4	4	3	3	2	2	2

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 CITY GOVERNMENT BUDGETED POSITIONS BY FUNCTION/PROGRAM, LAST TEN FISCAL YEARS
 (unaudited)

Function/Program	Budgeted Positions as of September 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Box office operations	12	12	12	12	12	12	12	12	11	10
Civic Center Sports	2	2	2	2	2	2	2	2	2	2
Globe News Center	3	3	3	3	3	3	3	3	-	-
Library operations	78	78	78	78	78	78	78	77	77	77
Parks and Recreation	268	257	257	258	258	253	275	274	273	276
Golf	56	47	47	47	48	48	48	48	48	54
SOLID WASTE										
Solid waste collection	110	107	108	108	107	105	105	103	101	99
Solid waste disposal	37	36	36	36	36	36	36	36	35	31
TRANSIT										
Fixed Route and Demand Response	63	59	59	59	61	61	61	61	61	61
Total General Fund	1,842	1,772	1,788	1,776	1,758	1,700	1,721	1,704	1,661	1,656
WATER & SEWER SYSTEM										
Water Production	9	7	7	7	7	7	7	7	7	7
Water Transmission	9	9	9	9	9	9	9	8	8	7
Surface Water Treatment	29	29	29	29	29	29	29	29	28	28
Water Distribution	59	58	58	58	58	58	58	58	58	58
Wastewater Collection	36	34	34	34	34	34	34	34	32	32
Wastewater Treatment	54	52	52	52	52	50	50	50	50	50
Environmental Laboratory	20	20	19	19	20	21	21	20	20	20
Utility Billing	31	29	29	29	29	29	29	29	29	29
Director of Utilities	20	19	17	17	16	16	16	16	16	15
Total Water & Sewer System	267	257	254	254	254	253	253	252	248	246
AIRPORT										
DRAINAGE UTILITY	58	62	62	62	62	30	49	49	49	49
INFORMATION SERVICES	17	-	-	-	-	-	-	-	-	-
MUNICIPAL GARAGE	34	29	28	28	27	27	27	27	26	26
CITY CARE CLINIC	53	55	53	53	53	51	51	51	51	51
SPECIAL REVENUE	8	8	8	8	-	-	-	-	-	-
Library	-	5	5	5	6	6	7	7	7	8
Police Grant	-	-	6	7	-	-	-	-	-	11
Urban Planning/Traffic Grants	7	7	7	7	7	6	6	6	6	6
Health Grants	81	76	72	72	73	74	74	74	73	71
Court Security Fund	-	2	2	2	2	2	2	2	2	-
Community Development and Housing	20	18	18	18	18	18	20	20	20	21
Emergency Management	4	7	7	-	7	6	6	6	6	4
Total Special Revenue	112	115	117	111	113	112	115	115	114	121
Total	2,391	2,296	2,310	2,292	2,267	2,193	2,216	2,198	2,149	2,149

Source: City Annual Budgets

Notes: Budgeted positions are made up of both full-time and part-time positions

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 OPERATING INDICATORS BY FUNCTION/PROGRAM, LAST TEN FISCAL YEARS
 (unaudited)

Function/Program	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Staff services										
Annual number of purchase orders	2,258	2,255	2,593	3,554	3,605	3,382	3,815	3,809	3,874	4,452
Public safety and health										
Annual calls for police services	135,581	132,509	137,405	130,862	126,176	127,990	133,989	132,049	134,298	136,660
Annual calls for fire services	19,356	18,852	16,495	15,313	12,774	12,167	10,776	10,365	9,384	8,671
Permits										
Residential - new	556	600	555	516	582	641	772	775	737	752
Residential - additions & repairs	1,686	2,173	2,030	1,507	1,624	1,628	885	1,536	997	1,028
Commercial - new	56	51	54	40	92	74	116	103	144	136
Commercial - additions & repairs	296	359	354	289	336	321	366	313	321	343
Mobile homes	39	29	41	39	41	51	56	81	80	104
Roof	868	1,329	1,185	937	942	336	1,149	2,978	4,686	1,754
Value of construction										
Residential - new	136,045,085	143,974,309	128,042,161	124,991,767	189,507,406	186,508,133	170,644,851	141,386,316	111,294,974	135,417,905
Residential - additions & repairs	18,676,854	25,752,823	24,156,709	23,025,345	23,269,814	28,541,979	16,568,993	14,762,901	14,850,053	12,616,651
Commercial - new	56,715,644	48,331,131	109,596,401	54,552,931	90,950,995	81,067,524	111,957,825	134,904,355	57,951,679	77,417,700
Commercial - additions & repairs	50,067,552	79,922,243	96,129,977	117,491,080	68,402,515	56,147,219	112,542,681	131,128,921	47,230,465	56,854,218
Mobile homes	1,043,758	935,288	1,296,730	3,255,543	6,266,747	4,296,872	3,893,346	4,032,248	3,227,333	4,047,310
Roof	5,271,512	9,732,006	7,913,915	5,922,164	7,844,282	5,799,608	11,789,696	35,940,785	54,239,433	11,663,513
Culture and recreation:										
Civic Center event days	1,811	1,986	2,244	2,329	2,578	2,369	2,060	2,060	1,805	1,681
Civic Center annual attendance	607,940	656,523	672,178	635,553	700,515	700,000	738,000	737,438	695,486	644,230
Library volumes loaned annually	1,294,367	1,752,006	1,495,169	1,752,006	1,803,366	2,110,369	2,147,905	2,083,345	2,103,172	1,963,302
Annual swimming pool attendance	56,338	60,981	58,485	57,983	66,133	73,659	72,935	72,468	65,732	79,467
Tennis Center attendance	32,078	32,859	30,096	34,321	31,193	40,161	31,145	33,651	31,776	33,517
Rounds of golf played annually (2 courses)	90,201	88,089	86,177	105,932	107,726	104,381	113,166	104,060	106,382	105,721
Rifle range attendance	7,857	6,548	4,468	2,489	3,663	3,198	2,804	-	-	-
Solid Waste:										
Tons of waste collected	166,750	154,900	150,000	157,000	168,000	188,000	164,000	162,309	162,363	155,987
Tons of waste landfill	220,000	212,350	213,500	223,000	224,000	237,600	248,700	241,462	227,870	215,100
Transit										
Fixed transit route--in miles	674,524	686,118	674,307	665,036	651,690	658,077	656,459	657,751	639,493	653,744
Passengers served--fixed route services	386,042	367,480	350,647	328,603	343,404	371,316	363,156	352,345	340,293	349,446
Demand response passengers	39,774	35,362	29,709	23,324	29,712	28,644	28,701	29,243	25,743	23,512
Water and Sewer:										
Active water accounts	70,151	69,754	69,358	68,586	68,306	67,452	66,833	65,065	64,112	62,832
Average daily production--gallons	46,148,634	51,308,710	42,921,918	42,461,096	43,752,000	41,062,041	47,707,877	44,558,978	45,939,937	46,862,380
Plant capacity--gallons										
Bonham:										
Pumping Storage	54,000,000	54,000,000	54,000,000	54,000,000	54,000,000	54,000,000	54,000,000	54,000,000	54,000,000	54,000,000
24th Street	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Pumping Storage	37,000,000	37,000,000	37,000,000	37,000,000	37,000,000	37,000,000	37,000,000	37,000,000	37,000,000	37,000,000
34th Street:	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Pumping Storage	55,000,000	55,000,000	55,000,000	55,000,000	55,000,000	55,000,000	55,000,000	55,000,000	55,000,000	55,000,000
Arden Road:	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Pumping Storage	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Pumping Storage	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM, LAST TEN FISCAL YEARS
(unaudited)

Function/Program	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Purification Plant:										
Pumping	120,000,000	116,000,000	116,000,000	116,000,000	116,000,000	116,000,000	116,000,000	116,000,000	116,000,000	116,000,000
Storage	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Overhead Storage	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	6,500,000	6,500,000	6,500,000	6,500,000
Surface water allocation--gallons	-	1,885,254,000	3,018,347,000	4,226,385,000	3,662,482,893	4,226,385,000	6,037,696,000	6,037,696,000	4,300,255,000	9,177,294,000
Roberts County (CRMWA) Allocation	8,603,656,000	8,827,731,000	7,280,016,000	5,956,377,000	5,956,158,358	6,618,197,000	5,294,557,000	5,294,557,000	*	*
Active sewer accounts	68,020	67,654	67,281	66,539	66,294	65,513	64,939	62,489	61,451	60,760
Plant capacity--gallons										
North treatment--per day	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000
Southeast treatment--per day	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Daily average of sewage treated--gallons	16,121,705	17,887,000	17,653,660	17,439,096	17,226,046	17,601,452	17,350,967	16,888,833	17,056,216	17,329,000
Daily average of reclaimed water sold to industry--gallons	10,750,452	13,150,184	12,678,301	12,624,641	14,061,315	12,795,430	12,957,562	9,951,477	8,651,397	9,798,000
Airport:										
Major airlines	3	4	4	3	4	4	4	4	5	5
Scheduled daily flights	42	42	41	46	58	58	49	51	52	67
Airline passengers enplaned	404,032	413,775	403,752	413,767	461,251	454,514	445,618	440,843	405,313	382,457
Airplanes cleared daily--average	178	229	226	236	226	243	267	299	322	334
Total tower operations (24 hours FAA Control Tower)	70,642	79,541	82,441	86,140	82,648	88,825	97,523	109,270	117,613	121,895

Source: Various City departments

* Information was not available for these years.

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM, LAST TEN FISCAL YEARS**
(unaudited)

Function/Program	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public Safety and Health:										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	12	12	11	10	10	10	10	10	10	10
Number of fire hydrants	3,761	3,732	3,671	3,698	3,587	3,469	3,441	3,385	3,324	3,320
Number of outdoor warning sirens	90	89	86	85	85	85	83	78	*	*
Streets, traffic and engineering:										
Streets - paved (miles)	920.99	912.86	911.12	905.80	902.00	889.97	883.64	874.37	862.39	857.79
Streets - unpaved (miles)	83.13	83.13	83.13	83.13	83.00	83.13	83.84	84.96	88.63	89.92
Alleys (miles)	480.70	476.59	476.01	472.42	468.00	463.67	458.86	453.67	447.72	440.75
Miles of storm sewers	125.35	119.46	118.99	116.87	116.00	112.66	111.79	109.00	108.00	105.27
Number of street lights	10,496	10,765	10,742	10,657	10,657	10,590	10,491	10,425	10,378	10,256
Number of signalized locations	264	261	261	260	258	255	254	254	252	250
Number of traffic signs installed	8,375	8,293	7,559	7,515	7,447	7,367	7,263	7,182	7,062	7,336
Culture and recreation:										
Civic Center (auditorium, coliseum, convention annex, center)-in square feet	410,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000
Number of libraries	5	5	5	5	5	5	5	5	5	5
Total library holdings	484,478	544,719	516,281	602,724	705,033	711,295	807,535	807,500	*	*
Number of parks and playgrounds	64	65	65	65	64	62	62	62	61	60
Parks--number of acres	2,935	2,927	2,927	2,907	2,839	2,827	2,827	2,827	2,827	2,799
Number of swimming pools	3	3	3	3	4	4	4	4	4	4
Number of golf courses--36 holes	2	2	2	2	2	2	2	2	2	2
Number of golf courses--18 holes	2	2	2	2	2	2	2	2	2	2
Other recreational facilities:										
Soccer fields	44	65	65	65	65	65	65	66	65	65
Jogging trails (miles)	39.14	38.45	38.45	37.67	43.97	42	41.38	41.38	37.38	33.50
Baseball and softball fields	32	30	30	30	30	30	30	30	37	31
Tennis courts	32	37	37	37	41	41	41	34	52	52
Solid waste:										
Number of solid waste customers, residential	61,919	61,459	61,267	60,602	60,037	59,394	58,324	58,324	*	*
Number of solid waste customers, commercial	3,708	3,747	3,718	3,692	3,655	3,614	3,501	3,501	*	*
Landfill acreage	662	662	662	662	662	662	661	661	*	*
Transit:										
Number of buses in service	17	19	17	17	17	17	17	17	17	17
Number of vans in service	13	11	13	11	7	7	7	7	6	5
Water and Sewer:										
Miles of water mains:										
Transmission	138.00	138.00	120.00	120.00	120.00	120.00	118.63	118.63	118.63	118.63
Distribution	1,109.66	1,106.00	1,082.00	1,082.00	1,080.00	1,063.00	1,050.79	1,036.00	1,029.38	1,140.40
Number of water wells	120	117	106	106	99	94	91	99	100	100
Miles of sanitary sewers	944.26	943.36	931.90	929.30	926.33	911.00	884.82	874.68	868.89	861.74
Number of wastewater treatment plants	2	2	2	2	2	2	2	2	2	2

Source: Various City departments
* Information was not available for these years.

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 WATERWORKS AND SEWER SYSTEM
 HISTORICAL INFORMATION
 HISTORICAL SUMMARY OF TOTAL CUSTOMERS
 (Unaudited)

Fiscal Year Ended September 30	Number of Customers	
	Water	Sewer
2003	62,832	60,760
2004	64,112	61,451
2005	65,065	62,489
2006	66,833	64,939
2007	67,452	65,513
2008	68,306	66,294
2009	68,586	66,539
2010	69,358	67,281
2011	69,754	67,654
2012	70,151	68,020

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATERWORKS AND SEWER SYSTEM
HISTORICAL INFORMATION
AVERAGE DAILY WATER CONSUMPTION AND SYSTEM INFORMATION
(Unaudited)**

Fiscal Year Ended September 30	Average Daily Water Consumption (Gallons)	Maximum Daily Water Consumption (Gallons)	Miles of Mains		Number of Hydrants
			Water	Sewer	
2004	45,939,936	74,900,000	1,029	868	3,359
2005	44,558,978	77,500,000	1,036	875	3,385
2006	47,707,877	80,200,000	1,051	885	3,441
2007	41,062,000	72,000,000	1,063	911	3,469
2008	43,752,000	83,000,000	1,080	926	3,587
2009	42,461,096	82,000,000	1,082	929	3,698
2010	42,921,918	79,300,000	1,091	932	3,671
2011	51,308,710	88,700,000	1,106	943	3,732
2012	46,148,634	92,100,000	1,110	944	3,761

Maximum Water Production Capacity (from Water Plant and Wells)	151 million gallons per day
Maximum or Peak Usage to Date	92 million gallons
Overhead Storage Capacity	8.5 million gallons
Ground Storage Capacity	74.25 million gallons

TEN LARGEST WATER CUSTOMERS AND AVERAGE MONTHLY USE

1. Tyson Fresh Meats	96,315,000
2. Texas Department of Corrections	36,636,503
3. City of Canyon	17,098,330
4. Owens Corning	14,472,500
5. Xcel Energy	12,626,250
6. Asarco	9,817,000
7. Baptist Saint Anthony's Hospital	7,543,830
8. Plains Dairy	7,116,330
9. Northwest Texas Healthcare	6,340,000
10. Veterans Hospital	2,711,580

CAPACITY OF SEWER TREATMENT PLANTS

(Two plants combined)	28.00 million gallons per day
Average daily sewage treated	16.12 million gallons per day

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 WATERWORKS AND SEWER SYSTEM
 WATER RATES
 SEPTEMBER 30, 2012
 (Unaudited)

**Minimum Monthly Billing for
 First 3,000 Gallons Consumed:**

Meter Size	Rates Per Month	
	Inside City	Outside City
5/8"	\$ 11.89	\$ 17.84
1"	15.95	23.92
1-1/2"	20.44	30.67
2"	31.76	47.65
3"	116.85	175.28
4"	148.29	222.44
6"	221.70	332.55
8" and larger	305.65	458.48

**Additional Charge by Volume
 (per 1,000 Gallons):**

	Inside City	Outside City
<i>Residential</i>		
3,001-10,000	2.12	3.18
Over 10,000	2.77	4.16
Over 30,000	4.10	6.16
Over 50,000	4.34	6.51
<i>Commercial</i>		
Over 3,000	2.42	3.61

Source: City of Amarillo Ordinance Number 7295 effective October 1, 2011.

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATERWORKS AND SEWER SYSTEM
SEWER RATES
SEPTEMBER 30, 2012
(Unaudited)**

<u>Base Amount</u>	<u>Rates Per Month</u>
Meter Size	
3/4"	\$ 13.47
1"	13.90
1-1/2"	14.27
2"	15.49
3"	17.51
4"	25.60
6"	37.68
8" and larger	49.79

Additional Charge by Volume

Commercial accounts are charged on total water used with a rate of \$1.74 per 1,000 gallons of water consumed over the initial allotment of 3,000 gallons. Residential accounts are charged based on the average water consumed in December, January and February, but in no event shall residential customers be charged for more than 20,000 gallons of sewage. The volume charge for sewer accounts is \$1.61 per 1,000 gallons of water consumed over the initial allotment of 3,000 gallons.

Source: City of Amarillo Ordinance Number 7295 effective October 1, 2011.

See Independent Auditor's Report.