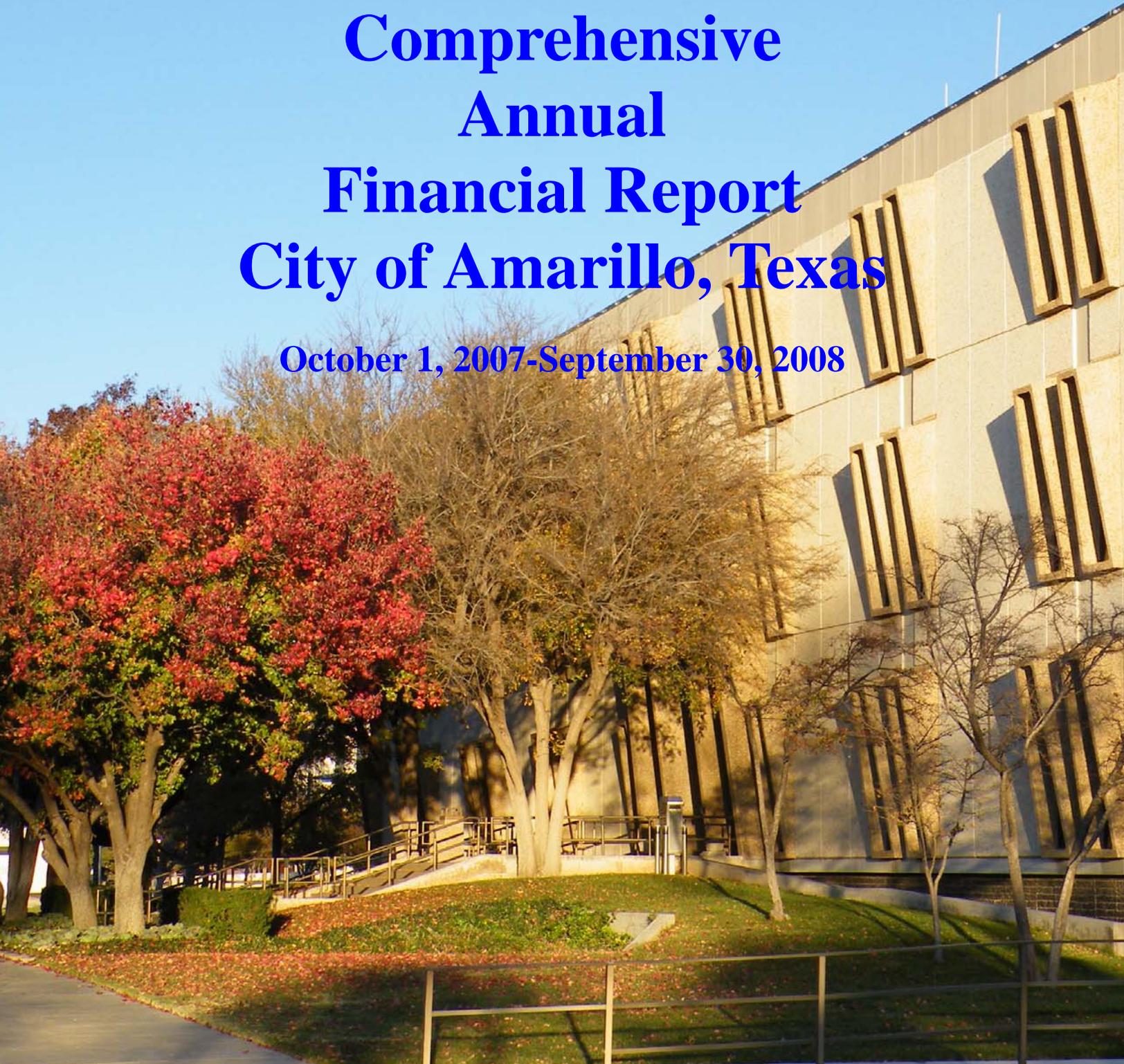




Comprehensive Annual Financial Report City of Amarillo, Texas

October 1, 2007-September 30, 2008



CITY OF AMARILLO, TEXAS

Comprehensive Annual Financial Report

Fiscal Year Ended
September 30, 2008



Prepared by:
Finance Division

Dean Frigo
Director of Finance

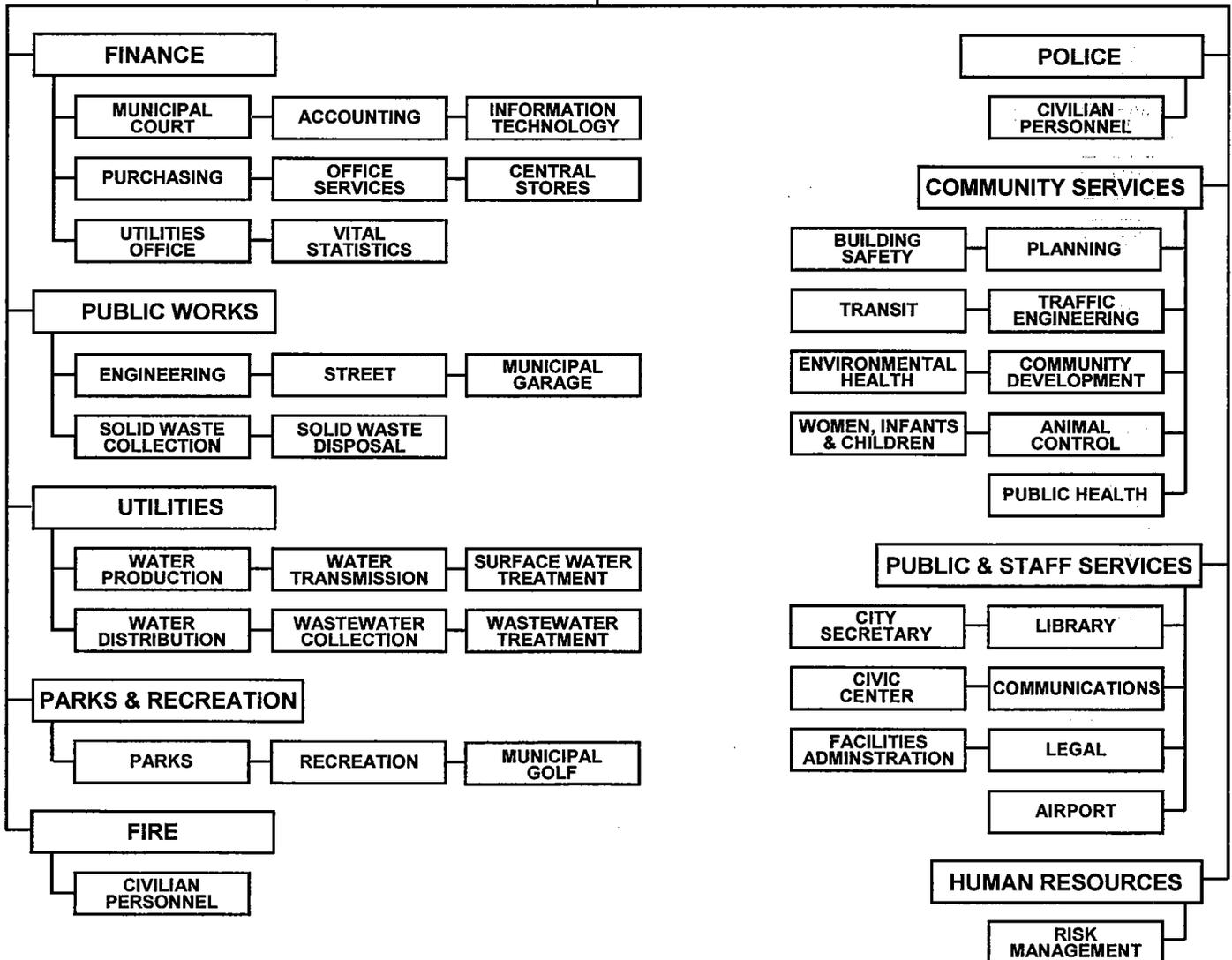
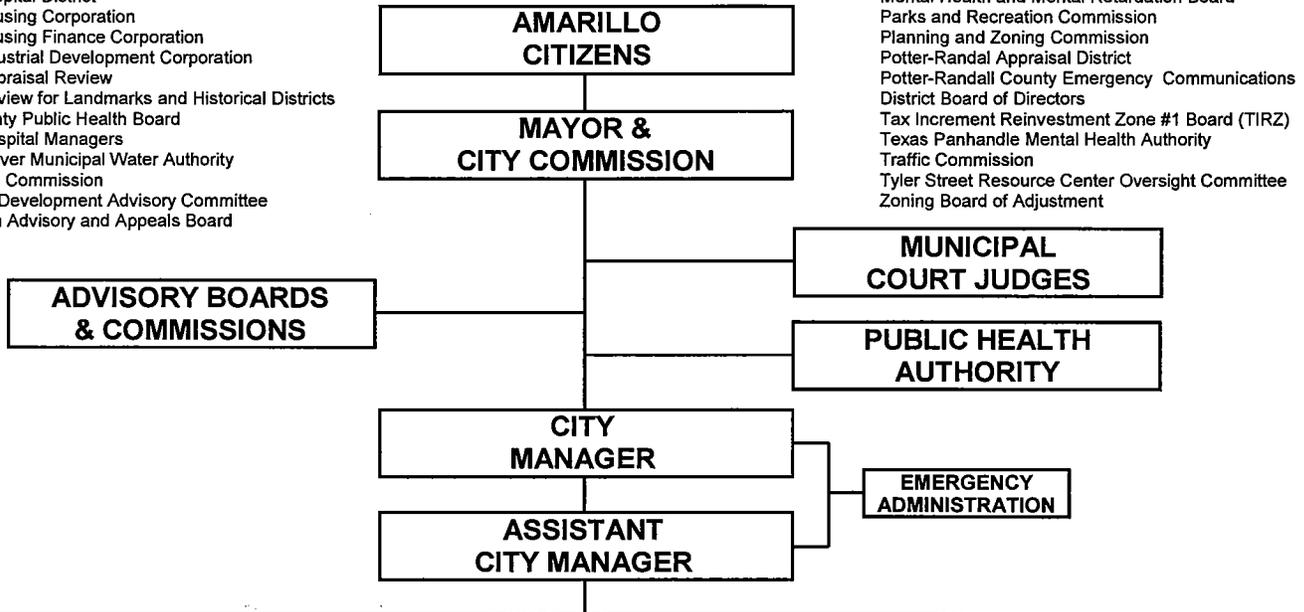
BOARDS AND COMMISSIONS

- Advisory Commission for the Disabled
- Airport Board
- Animal Control Board
- Amarillo Economic Development Corporation
- Amarillo Hospital District
- Amarillo Housing Corporation
- Amarillo Housing Finance Corporation
- Amarillo Industrial Development Corporation
- Board of Appraisal Review
- Board of Review for Landmarks and Historical Districts
- Bi-City-County Public Health Board
- Board of Hospital Managers
- Canadian River Municipal Water Authority
- Civil Service Commission
- Community Development Advisory Committee
- Construction Advisory and Appeals Board

CITY OF AMARILLO Organization Chart

BOARDS AND COMMISSIONS

- Convention and Visitors Council
- Greenways Improvement Board
- Health Facilities Corporation
- Library Board
- Mental Health and Mental Retardation Board
- Parks and Recreation Commission
- Planning and Zoning Commission
- Potter-Randall Appraisal District
- Potter-Randall County Emergency Communications District Board of Directors
- Tax Increment Reinvestment Zone #1 Board (TIRZ)
- Texas Panhandle Mental Health Authority
- Traffic Commission
- Tyler Street Resource Center Oversight Committee
- Zoning Board of Adjustment



**CITY OF AMARILLO, TEXAS
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2008**

GOVERNING BODY:

Debra McCartt
Madison Scott
Brian J. Eades
Ronald Boyd
Jim Simms

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

OTHER PRINCIPAL OFFICIALS:

Alan M. Taylor
Jarrett Atkinson
Marcus Norris
Donna DeRight
Dean Frigo
Michael Rice
Emmett Autrey
Robert Taylor
Vicki Covey
Larry Offerdahl
Steve D. Ross
Jim D. Parrish
Curtis Bainum

City Manager
Assistant City Manager
City Attorney
City Secretary
Director of Finance
Director of Public Works
Director of Utilities
Police Chief
Director of Community Services
Director of Parks and Recreation
Fire Chief
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, 2007

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.



President

Executive Director

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CITY OF AMARILLO

DIRECTOR OF FINANCE

March 12, 2009

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

Ladies and Gentlemen:

The Comprehensive Annual Financial Report ("CAFR") of the City of Amarillo, Texas, (the City) for the year ended September 30, 2008, is submitted herewith in compliance with Article III, Section 27 of the City Charter.

One of the responsibilities of the City's management is the preparation of the CAFR in order to demonstrate accountability for resources, as well as to provide information to our citizens, investors, and other interested persons concerning our operating results and financial condition. Responsibility for both the accuracy of the data and the completeness and fairness of this report, including all disclosures, rests with management.

The City Manager, through his appointee, the Director of Finance, 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 assure 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. Also provided in the financial section is certain historical and detailed information concerning our water and sewer system.
- 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.

This will be our first annual report under the Governmental Accounting Standards Board (GASB) Statement Number 43, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans and Statement Number 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 of Amarillo'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 a different group 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.

This is our third annual report under the Governmental Accounting Standards Board (GASB) in their Statement Number 44, Economic Condition Reporting. GASB Statement 44 required some additional information. There are more schedules and more detailed information in the statistical section of the report. The purpose of GASB Statement 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 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.

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.

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 100.24 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 2008 population is 190,042.

In accordance with its current charter, adopted in 1913, the City 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, the operations of which 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.

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 and Tax Increment Reinvestment Zone #1 (TIRZ #1) are reported as component units in the City's financial statements. 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, but the City provides fiduciary services to the entity and, consequently, its funds are accounted for by the City as part of the agency funds. 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 significant 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, 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, additional trucks, 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 was awarded the Certificate of Achievement for Excellence in Financial Reporting for our 2006-07 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 the Association 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.

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 maximize 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. Time deposits, certificates of deposit, and other interest bearing accounts, and bank money market accounts at the City of Amarillo's authorized depository.
2. Obligations of the United States or its agencies and instrumentalities. The investment in agencies and instrumentalities is limited to 70% plus any unused portion of the Commercial paper limit below.
3. Commercial paper with a stated maturity of 270 days or less from the date of its issuance that is rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies. The investment in commercial paper is limited to 15% of the Portfolio; the investment in any one company cannot exceed 2% of the Portfolio. To the extent that Commercial paper is not fully utilized in the portfolio, the unused portion can be invested in agencies securities in addition to the 70% limit.
4. Eligible Investments Pools as defined in Section 2256.016 of the Texas Government Code continuously rated AAA or AAAM by at least one nationally recognized rating agency.
5. 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.
6. Taxable municipal securities rated not less than AA or its equivalent by a nationally recognized rating agency or rated AAA insured. The total investment in taxable municipal securities would be limited to 10% of the portfolio.

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 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 as a means to increasing investment income. Securities are lent to select brokerage firms for which collateral is received that exceed 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.

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.

2007 Certificates of Obligation:

As mentioned above, the City historically uses available funds from the excess of revenues over expenditures to provide for its major capital improvement needs. While this method has worked well for the City, our capital needs were greater than what we could provide on a pay-as-you-go basis. Therefore, the City issued \$25 million in Certificates of Obligation in 2007. These Certificates will be paid from property taxes and required a 2.6 cent tax increase in 2008-09 budget year. However, since the tax freeze for seniors and disabled taxpayers was effective in January 2007, our seniors and disabled taxpayers will not see an increase in their taxes.

Most of the 2007 Certificates of Obligation proceeds will be used for public safety improvements, specifically Fire improvements. About \$12.9 million will be used to build and equip two new stations and to remodel and equip older stations. Fire station 11 has been awarded and is being constructed. Station 12 is in the design phase. The central fire station renovations are currently out to bid and fire trucks have been ordered for the two new stations because of the long lead-time for fire apparatus.

A building has been purchased for police evidence storage and we have hired an architect to begin the design work on the remodeling of the 6th floor of our existing Police Department Building. The improvements to the firing range are out to bid. We estimate spending about \$2.3 million for Police Department improvements.

Street improvements will use about \$5.3 million of the proceeds. The Hillside project and the Soncy & 34th reconstruction project are complete. The Gem Lake Road project is out to bid. The extension of Coulter Street should be finished in the spring. The DeVaughn/Cortez Bridge reconstruction project is in the design phase. We are obtaining an easement for the reconstruction of south Dallas Street. The other reconstruction and overlay projects should be finished by next year.

About \$3.5 million of the proceeds were for park improvements. Two new neighborhood parks have been completed and a third one is in the design phase. We also purchased 21 new restrooms and 11 new playgrounds. We are in the design phase of our Health Department Facility and hope to go out for bid in early

2009. One million dollars has been allocated to the Health Department facility. The Health Department facility will require more than \$1 million to complete and other funding sources have been acquired.

Our Local Economy:

Amarillo is a regional trade center for a very large five-state region. 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. Since Amarillo served as the regional trade center for this large geographic area, retail sales, banking and medical services are significant activities in Amarillo. Moreover, because of Amarillo's central location in the United States situated on I-40, I-27 and State Highway 287, traffic, transportation, travel and tourism are important industries to Amarillo. More recently, attributable to a great extent to our economic development corporation, our economy has become more diverse.

Natural gas and petroleum are major industries in the City of Amarillo and the Panhandle. There was a sharp increase in the price of oil and also an increase in natural gas prices compared to last year. According to the Amarillo Economic Analysis, natural gas prices were at \$6.21 per mmbtu last year compared to \$7.43 per mmbtu at September 2008. Oil prices were more dramatic. Last year, oil was at \$75.33⁽¹⁾ per barrel compared to \$100.15⁽¹⁾ at September 2008. However, oil prices have declined sharply since September 2008. 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.

Higher oil and gas prices have increased drilling activity in the Panhandle. At September 2007, there were 65⁽¹⁾ active drilling rigs in the Panhandle compared to 100⁽¹⁾ at September 2008. In January 2002, there were less than 14 drilling rigs in the Panhandle.

Our region, and especially our area towns are heavily dependent on agricultural products, including yearling cattle, feedlot operations, wheat, and feed grains. According to the Texas Cattle Feeders Association, our cattle feeding area produces about 5.8 million fed cattle annually, which is about 26% of the nation's beef. In September 2005, fed cattle per hundredweight was \$86⁽¹⁾. Cattle prices peaked at about \$96⁽¹⁾ per hundredweight in January 2006 and dropped to \$88⁽¹⁾ by September 2006. At September 2007, fed cattle were at \$93⁽¹⁾ per hundredweight. During 2008, cattle prices peaked at about \$100⁽¹⁾ per hundredweight. By September 2008 prices had dropped to \$98.50⁽¹⁾ per hundredweight. The same conditions that brought the cattle industry to our area have also contributed to hog production. The Texas Panhandle is also a major hog-producing region.

Our principal crops cannot be grown in our area without irrigation and natural gas is the main fuel used for irrigation in the Panhandle. As mentioned above, increasing natural gas prices mean increasing royalty payments to landowners, but are not beneficial to our area farmers. The major crops grown in the Panhandle are wheat and corn. Corn prices were up significantly compared to last year. At September 2008 corn prices were at \$5.30⁽¹⁾ compared to \$3.65⁽¹⁾ last September. Corn has increased dramatically since 2005. At September 2005, corn was at \$2.24⁽¹⁾. By September 2006 corn was at \$2.71⁽¹⁾. Thus, from 2005 to 2008 corn prices have more than doubled.

Wheat prices have not done as well as corn. At September 2008, wheat had dropped to \$6.43⁽¹⁾ per bushel from a high of over \$10⁽¹⁾ per bushel during March 2008 and \$7.82⁽¹⁾ at September 2007. However, wheat was at \$4.87⁽¹⁾ per bushel at September 2006 and \$3.35⁽¹⁾ per bushel at September 2005.

Cotton has become a more important crop in our area. Historically, cotton has been grown south of Amarillo. However, new hybrids can be grown in our area, and cotton prices have been increasing since 2005. At September 2008, cotton was at 57.16⁽¹⁾ cents per pound compared to \$54.88⁽¹⁾ cents per pound last year. At September 2006, cotton was at \$47.2⁽¹⁾ cents per pound compared to \$42.10⁽¹⁾ cents per pound at September 2005.

Our Economic Development Corporation:

In order to diversify and grow our local economy in 1989, the 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 more than \$14 million annually. To manage these funds, the Amarillo Economic Development Corporation (AEDC) was created, and became fully operational when the first tax proceeds were received in June 1990. AEDC's mission is the expansion of basic employment in the Amarillo area through three mechanisms: (1) attraction of new basic employers; (2) expansion of existing basic employer operations; and (3) formation and growth of new basic businesses. These tax revenues are used to help companies create and retain highly skilled jobs at above average wage rates.

AEDC provides direct financial assistance to qualifying "primary" businesses -- companies that sell their products or services outside the Texas Panhandle region, thus generating revenues from outside our area and fueling our local economy. The AEDC's targeted industries are Aviation/Aerospace, Business and Financial Services, Diversified Manufacturing, Transportation and Logistics, and Food Processing and Technology. As the lead economic development arm of the city, the AEDC has successfully completed projects with client companies such as Bell Helicopter Textron, American International Group, Blue Cross Blue Shield of Texas, Nationwide Insurance, Tyson Foods, and Pacific Cheese Co. The businesses assisted by AEDC are expected contributions to the local economy through job creation, increased payroll, and capital investment

In the Financial Services Industry, AEDC has helped Nationwide Insurance and SITEL locate a call center in Amarillo and has assisted AIG in moving some of their operations to Amarillo. AEDC manufacturing projects include: Backyard Adventures, Tech Spray and SciCron Technologies. Transportation clients include Ben E. Keith, Affiliated Foods, Anderson Merchandisers, and Hastings.

Tyson Foods, which operates a beef processing plant in Amarillo, is one of our larger employers in the Food Production Industry and is also an AEDC client. AEDC participated in a statewide initiative to bring Hilmar Cheese to the Panhandle of Texas. AEDC has recently attracted Pacific Cheese to Amarillo. Pacific Cheese will process the cheese produced by Hilmar. AEDC has a large portfolio of success projects and makes the City of Amarillo very competitive in attracting and retaining companies⁽⁷⁾.

Major Industries and Employers:

The Amarillo Chamber of Commerce has about 80 employers with 100 or more employees in Amarillo. This 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⁾.

The defense industry is important to Amarillo. Two of our major employers in the defense industry are Bell Helicopter and BWXT Pantex. BWXT Pantex is one of our largest employers. The Pantex Plant, located 17 miles northeast of Amarillo, TX, 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 BWXT Pantex for the U. S. Department of Energy/National Nuclear Security Administration. Pantex's primary mission is to evaluate, retrofit and repair weapons in support of both life-extension programs and certification of weapons safety and reliability; to dismantle weapons that are surplus to the strategic stockpile; to develop, test and fabricate high-explosive components; and to provide interim storage and surveillance of plutonium pits⁽²⁾. Pantex covers about 25 square miles, has about 643 buildings covering just over 3 million square feet, 48 miles of paved roads, and 461 miles of fences. There are 18 miles of steam/condensate lines, 28 miles of natural gas lines, 30 miles of domestic water main piping, 18 miles of electrical distribution lines and four water production wells⁽²⁾. There are approximately 3,600 full-time personnel employed at Pantex. Approximately 3,300 work for BWXT Pantex, and the remaining employees work for the NNSA/DOE Pantex Site Office, the Federal Agent

Facility Central Command Office of Secure Transportation (OST), the Tri-Lab Project Office, or Sandia's Weapons Evaluation Test Laboratory ⁽²⁾.

Bell Helicopter's Military Aircraft Assembly Center in Amarillo is building the revolutionary V-22 Osprey and upgrading the Cobra and Huey for 21st Century military missions. In August 2008, Bell Helicopter announced a major expansion during ground-breaking ceremonies at its Military Aircraft Assembly Center located at Amarillo's Rick Husband International Airport. In preparation for a ramp-up in production of both the H-1 helicopter program and the Bell Boeing V-22, an additional 176,000 sq. ft. of floor space will be constructed. This brings the total size of the Bell facility to 1,095,000 sq. ft. under roof. The expansion, scheduled for completion in July 2009, is primarily driven by the Bell Boeing V-22 Multi-Year Production contract signed in March 2008. This contract provides 167 aircraft to the US Marine Corps and Air Force Special Operations Command over a five-year period, with an annual option for adding up to five additional aircraft. Bell currently has 740 employees ⁽³⁾ in Amarillo.

Other manufacturing operations in Amarillo include Owens Corning Fiberglass, which employs about 550⁽³⁾. Backyard Adventures makes specialty playground equipment and employs 375⁽⁷⁾. Amarillo Gear manufactures gear drives and employs 180⁽³⁾. Arden Corporation manufactures outdoor furniture cushions and employs 108⁽⁷⁾. ASARCO operates the copper smelter and employs 379⁽³⁾. International Paper Company produces containerboard packaging in Amarillo and employs 130⁽³⁾.

Food distribution is also an important industry to Amarillo. Affiliated Foods employs 1,110⁽³⁾ workers in its facility in Amarillo. Ben E. Keith is also a distributor of food service products and employs 250⁽³⁾ and Amarillo Coca-Cola employs 135⁽³⁾ workers. Palo Duro Meat Processing employs 130⁽³⁾ and Beef Products, Inc. employs 218⁽³⁾ employees. Our largest single employer is also in the food industry. Tyson Foods has 3,615⁽³⁾ employees.

Both the raising of cattle and cattle feed are important to our area. There are several advantages to cattle feeding operations in our area. The area's central location may mean less transportation costs. An ample harvest of locally grown feed grains and volume shipments from the Midwest 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." Lenders in the area understand the industry and are willing partners. All major packers have located large, modern plants in the area, ensuring a market for finished cattle. According to the Texas Cattle Feeders Association, 30% of the nation's beef is produced in the Panhandle ⁽⁴⁾. Both Cactus Feeders and Friona Industries are headquartered in Amarillo. Cactus Feeders is the world's largest cattle feeder ⁽⁴⁾. Cactus Feeders has nine large-scale feed yards across the Texas High Plains and Southwest Kansas ⁽⁴⁾. In addition to the feed yard operations, Cactus operates three cattle ranches in Texas and New Mexico ⁽⁴⁾. Founded in 1962, Friona Industries owns four feed yards in northwestern Texas with a feeding capacity of more than 275,000 head of cattle ⁽⁵⁾. Cactus Feeders employs 500⁽³⁾ people and Friona Industries employs 180⁽³⁾ people.

Amarillo is a regional medical center for this vast geographic region. The Amarillo Medical Center includes hospitals, health care facilities, medical research and vocational and professional training in a 450-acre complex. The multi-purpose medical complex is comprised of 16 institutions representing federal and state agencies, locally controlled institutions, national healthcare providers and charitable entities. The medical center complex is home to two of our major employers: Baptist St. Anthony's Health Care System with 2,900⁽³⁾ employees and Northwest Texas Healthcare System with 1,804⁽³⁾ employees.

Both Baptist St. Anthony's Health System (BSA) and Northwest Texas Healthcare System (NWTHS) offer an integrated health care system. BSA offers a full range of medical and surgical services at their 400+ bed acute care patient facility at Baptist Campus located within the Harrington Regional Medical Center. BSA also operates the Panhandle Surgery Center. The Panhandle Surgery Center is a freestanding, 21 bed, surgical facility and pain clinic located near the BSA Baptist Campus. NWTHS is a state-of-the-art integrated health care system providing service to the Amarillo area with a 275-bed general medical hospital, an ambulance

system, a community health center and an 82-bed behavioral health facility⁽⁹⁾. NWTHS is our single largest taxpayer.

Our VA Medical Center employs about 970⁽³⁾. The VA Medical Center has a 360,000 square foot facility on 43 acres. The VA Medical Center provides general medical and surgical inpatient care and primary/specialty care. The VA Medical Center serves veterans throughout the panhandles of Texas and Oklahoma, eastern New Mexico and southern Kansas. The Veterans Health Care System maintains a 69-bed acute care inpatient facility and provides a 120-bed skilled nursing home care unit for extended care⁽⁶⁾.

Other large medical employers include the Texas Panhandle MHMR with 432⁽³⁾ employees, the Plum Creek Specialty Hospital with 300⁽³⁾ employees, the Amarillo Diagnostic Clinic with 205⁽³⁾ employees, Panhandle Eye Group with 175⁽³⁾ employees, the Don & Sybil Harrington Cancer Center with 171⁽³⁾ employees, Triumph Health Care with 180⁽³⁾ employees and Amarillo Heart Group with 155⁽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 375⁽³⁾ employees, Park Central Retirement Community with 300⁽³⁾ employees, Bivins Memorial Nursing Home, the Craig Methodist Retirement Community with 180⁽³⁾ employees, and Ware Living Center with 141⁽³⁾ employees.

Administrative and back-office operations are also included in Amarillo's major employers. American General Annuity Insurance (AIG) employs about 978⁽³⁾ people. The Hastings retail chain headquarters is located in Amarillo with 640⁽³⁾ employees. SITEL has telemarketing services in Amarillo and employs 337⁽³⁾. Anderson Merchandisers has 550⁽³⁾ employees. Maxor National Pharmacy Services Corporation is a pharmacy benefit management company headquartered in Amarillo and has 375⁽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 311⁽³⁾. Nationwide Insurance also has a customer support center in Amarillo with 400⁽³⁾ employees. Blue Cross and Blue Shield recently opened a call center in Amarillo and employs 124⁽³⁾.

The Texas Department of Criminal Justice has two prison units in Amarillo and is a major employer. The two prisons provide 1,348⁽³⁾ jobs.

Major retail stores draw customers from a wide region into our City. Amarillo is currently home to four Wal-Mart super centers. Wal-Mart employs a total of 2,217⁽³⁾ people including the Sam's Club. United Supermarkets is a large employer and employs a total of 864⁽³⁾ in their seven stores in Amarillo. Toot'n Totum has several convenience stores in Amarillo and employs 600⁽³⁾ people.

Higher Education is a major employer in the Amarillo area. Our community college, Amarillo College, offers both vocational training and associate degree programs has 650⁽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 910⁽³⁾. Texas Tech University provides training in our community for medical doctors earning specialty accreditation in family medicine. Texas A&M Agricultural Research & Extension Center employs 114⁽³⁾. West Texas A&M University in nearby Canyon, which is a part of the Texas A&M University System, is now offering classes in Amarillo and employs 767⁽⁷⁾.

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 530⁽³⁾. Happy State Bank employs 110⁽³⁾.

As mentioned earlier, the oil and gas industry is important in the Panhandle and energy companies are also major employers. Taylor Petroleum Companies, Inc. employs 440⁽³⁾; Valero Energy Corp. employs 126⁽³⁾ and Davidson Oil Company with 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 800⁽³⁾ employees. Amarillo is home to Jack B. Kelly trucking, which has truck terminals in Texas along with 16 other States⁽⁸⁾. Baldwin Distributing Services, Inc. and Plains Transportation, Inc. are also in the trucking industry; Baldwin employs 161⁽³⁾ and Plains employs 101⁽³⁾. Support for the trucking industry is a larger employer in Amarillo and includes companies like Amarillo Truck Center that employs 115⁽³⁾. To maintain the state highways, the Texas Department of Transportation has 380⁽³⁾ employees.

Today, Amarillo's airport has the third longest commercial runway in the world, and is an alternate landing site for the space shuttle. There are numerous direct daily flights from Amarillo to major hub airports with 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. As the largest city between Dallas and Denver, Albuquerque and Oklahoma City, Amarillo naturally has excellent connections to those cities⁽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 our over 500 restaurants. The Amarillo hotel industry has more than 50⁽³⁾ hotels with over 5,100⁽³⁾ rooms to rent. One of our larger employers is a hotel. The Ambassador Hotel employs 120⁽³⁾. Wonderland Amusement Park is located in Amarillo and employs 147⁽³⁾.

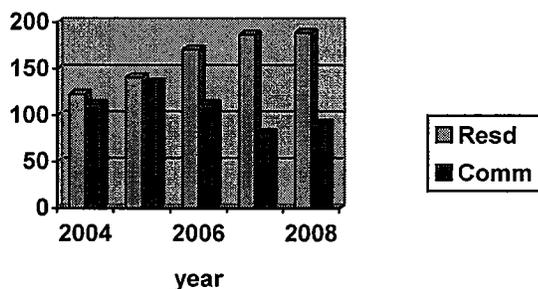
Two of the larger employers are engineering firms. Talon/LPE is a full service environmental consulting and engineering corporation and employs 125 and Zachry Engineering employs 186⁽³⁾. The construction industry is also a major employer. J. Lee Milligan, Inc. employs 200⁽³⁾, L. A. Fuller & Sons Construction Inc. employs 150⁽³⁾, and Denman Building Products, LTD employs 100⁽³⁾.

The above narrative on major industries and employers in Amarillo demonstrates the broad diversity of the Amarillo economy. Amarillo's economy benefits from agriculture, oil and gas production, defense industry, manufacturing, food processing and distribution, traffic and transportation, general retail, banking, criminal justice, medical facilities, administrative and back-office operations, hospitality and tourism and higher education. While Amarillo has several large industries and employers, no one industry or employer dominates the Amarillo economy.

Current Economic Climate and Trends:

The 2007-08 year was another good year for Amarillo. Our estimated population increased from 187,609 to 190,042. The taxable property values increased from \$8.4 billion to \$9.1 billion with \$265 million coming from new construction. Amarillo enjoyed another record year for new construction. The 2007-08 year is our second highest year in terms of new construction, with \$280 million in the last five years. Moreover, 2007-08 was the best year in the last five years in residential construction with almost \$190 million in residential construction. The last five years have been very good years for construction. In 2006-07, we had \$268 million in building permits. In 2005-06, we had \$283 million in building permits; in 2004-05, the City had \$276 million in new construction; and in 2003-04, the City had \$235 million in new construction. The 2002-03 year has been our record year with \$298 million in total building permits. The accompanying table reflects changes in construction activity in the City during the last five fiscal years.

Building Permits (Millions)



Sales tax is our single largest revenue to the City, and it has been steadily increasing. In 1997-98, the City had \$29.4 million in City Sales Tax. In 2007-08, City Sales Tax had grown to \$44.1 million, which is 5.4% more than the \$41.8 million we received in 2006-07. Moreover, the above \$44.1 million in sales tax is also greater than our budgeted figure of \$42.1 million.

We have also performed better than the national average in terms of unemployment. Nationally, the unemployment rate for September was 6.5%. At September 2007, our unemployment rate was 3.4% compared to 3.8% at September 2008. Workers employed at September 2008 were 124,700⁽³⁾.

Again, the 2007-08 fiscal year was a good year for Amarillo. We are not seeing decreases in real estate values. We are still experiencing new construction and additions to our tax base. While we only have a couple of months of sales tax receipts in our new fiscal year, our sales tax receipts are up over last year and are very close to our budgeted estimate for those months. Our 2007-08 Hotel Occupancy Tax revenue was up only slightly over 2006-07, but 2006-07 was our previous best year for Hotel Tax. With a national recession as a backdrop, we do not believe our 2008-09 year will be as good as 2007-08; however, we are not anticipating any decreases in any major revenues either.

We also 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
Director of Finance
City of Amarillo, Texas

Alan Taylor
City Manager
City of Amarillo, Texas

Sources:

- (1) Amarillo Economic Analysis, courtesy of Amarillo National Bank
- (2) BWXT
- (3) Amarillo Chamber of Commerce
- (4) Cactus Feeders
- (5) Friona Industries
- (6) Amarillo VA Health Care System
- (7) Amarillo Economic Development Corporation
- (8) Jack B Kelley, Inc
- (9) Harrington Regional Medical Center

FINANCIAL SECTION

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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, 2008, 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, 2008, 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 March 12, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and schedules of funding progress on pages 5 through 18, pages 92 through 93, and pages 94 through 96, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements, schedules and other information, and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements, schedules and other information, and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

As discussed in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in 2008.

The introductory section and statistical data listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cornor, McMillan, Mitchell & Alexander, PLLC

Amarillo, Texas
March 12, 2009

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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, 2008. As the management of the City, 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, 2008.

Financial Highlights:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$744,662,146 (net assets). Most of the net assets are invested in the City's infrastructure. However, unrestricted net assets of \$133,714,969 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$26.60 million. Of this amount, \$27.29 million is attributable to governmental activities. There was a \$0.69 million decline in business-type activities, which include the operations of the water and sewer system and airport fund
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$114.66 million, a decrease of \$7.7 million from beginning fund balance. Most of the decrease was in the capital projects funds. The decrease in fund balance for capital projects funds was \$8.3 million. Our capital expenditures of \$28.9 million exceeded revenues and net transfers in of \$20.6 million. These excess funds were available for the proceeds of Certificates of Obligation issued in 2007. The General Fund's fund balance decreased by \$482,168. Increases in other governmental funds, which include many grants, and special revenue funds were \$1,054,951.
- General Fund remains in good financial condition. At the end of the current fiscal year, undesignated fund balance for the general fund was \$36.67 million, or 30.56% of total general fund expenditures. Expenditures and transfers out of the general fund were \$134.51 million. Transfers out are for capital, compensated absences, internal service funds, grant funds, and other funds which carry out general governmental operations. General sales tax revenues exceeded budget by \$1.93 million. Property taxes and charges for services revenues approximated budgeted revenues.
- The City's general obligation debt is \$5.24 million. Scheduled principal retirement on this debt amounted to \$265,000 for fiscal year ending September 30, 2008. The City issued \$24.57 million in new Certificates of Obligation during fiscal year 2007. This debt was issued to provide needed infrastructure improvements and facilities for the Fire, Police, Public Health, Parks and Recreation and Street Departments. Many of these projects for improvements are in the development and design phases at September 30, 2008. The first scheduled principal payment on this debt is not until fiscal year 2009.
- Despite the unusually wet and rainy spring and early summer, which decreased water production and sales, the Water and Sewer fund recovered from this decreased revenue in the late summer and early fall months of fiscal year 2008. This is partially due to a revised rate structure. The City uses a progressive block rate structure, which protects low use domestic customers. However, large irrigation use customers pay increasingly more per thousand gallons used. Utility sales and service revenues increased over prior year by \$5.29 million.
- For fiscal year ending September 30, 2008 the City is required to be in compliance with GASB 45 Accounting for Other Postemployment Benefits (OPEB). The City's OPEB is comprised mainly of health care costs for retirees. In order to determine the City's liability for OPEB cost and to be

in compliance with GASB 45, the City hired a consultant actuary. Based on this study, the City recorded a current year OPEB liability of \$14.68 million and expense of \$16.76 million. The City is currently operating the health fund on a pay-as-you-go basis and the above liability and expense was reduced by \$2.07 million of current year actual cost. The City operates its Health program as an internal service fund. After recording the required liability for GASB 45 OPEB cost the fund reported a fund balance deficit of \$9.07 million. The net loss for the year was \$14.06 million. In compliance with GASB 34 this net loss is allocated between governmental activities and proprietary funds and combined in the government-wide financial statements.

- At the end of fiscal year 2008, the City began a \$48.3 million airport terminal renovation project at our Rick Husband International Airport. Demolition of the East concourse was completed in preparation for new construction. The City plans to finance the project through a combination of available funds in the Airport Fund, Federal Aviation Administration (FAA) grants and a new passenger facility charge (PFC). The City plans on about \$17.2 million in debt next year for the project, which will be supported by the new PFC.
- The City purchased land and building located at 801 South Pierce Street. This property is currently occupied and being leased by Atmos Energy Corporation. The purchase of the building will allow for relocation of some City operations such as the Fire and Police joint dispatch center and the Employee Wellness Clinic.
- In conjunction with the above land and building purchase, the City has purchased and is currently in the process of implementing Computer Aided Dispatch (CAD) software for the Public Safety dispatch center.
- The Texas Water Development Board has approved the City for a Water Infrastructure Fund (WIF) allocation. Under this program the State of Texas takes the City's debt at 2 percentage points less than market. These funds will be used for our Potter County Well Field project. The project is estimated to cost about \$85 million and the State allocation is almost \$39 million. The difference will have to come from another debt issuance, which will probably occur the second quarter of 2009.

Overview of the Financial Statements:

Effective October 1, 2001, the City adopted the provisions of Statement No. 34 issued by the 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 five 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 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 17 special revenue funds, 2 debt service funds, 11 capital projects funds, and 1 permanent fund. These funds have been categorized as either *major or nonmajor* 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 Projects 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. Based on applicable accounting policies, the only fiduciary funds held by the City are agency funds. Agency funds are used to account for situations where a government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. As assets of agency funds are offset by corresponding liabilities to other entities, their financial statements reflect no net assets and, accordingly, no statements of changes in net assets is applicable.

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, its other employees through the Texas Municipal Retirement System, and funding of health benefits for 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, 2008 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>
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	
Current and restricted assets	\$ 169,279	\$ 185,309	\$ 49,249	\$ 70,572	\$ 218,528	\$ 255,881	22.96%
Capital assets	322,598	272,876	410,721	400,939	733,319	673,815	77.04%
Total assets	491,877	458,185	459,970	471,511	951,847	929,696	100.00%
Current liabilities	23,276	31,567	10,594	17,150	33,870	48,717	16.35%
Noncurrent liabilities	70,202	55,508	103,114	107,407	173,316	162,915	83.65%
Total liabilities	93,478	87,075	113,708	124,557	207,186	211,632	100.00%
Net assets:							
Invested in capital assets							
net of related debt	289,264	265,775	300,175	285,682	589,439	551,457	79.16%
Reserved/restricted	556	345	3,365	4,008	3,921	4,353	0.53%
Unrestricted	108,580	104,990	42,722	57,264	151,302	162,254	20.31%
Total net assets	\$ 398,400	\$ 371,110	\$ 346,262	\$ 346,954	\$ 744,662	\$ 718,064	100.00%

As can be seen from the above tabulation, 79.16% of the City's net assets are invested in capital assets (land, buildings, pipelines, streets and runways, etc., net of any related outstanding debt). 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.

Approximately 0.53% 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. The balance of net assets is available to meet the City's ongoing obligations to citizens and creditors.

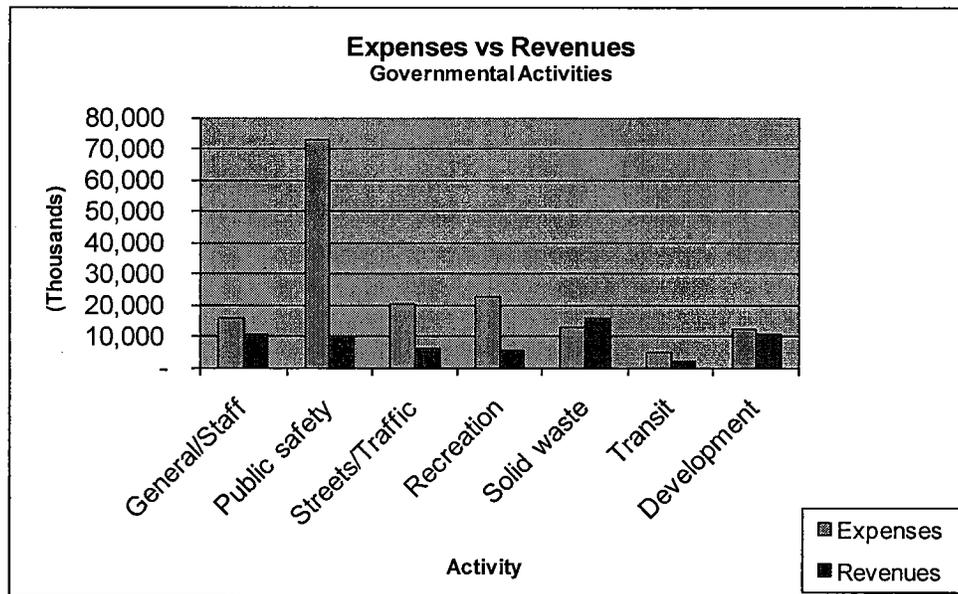
The City's net assets increased by \$26.60 million during the current fiscal year. The following table reflects the elements of this change:

City of Amarillo, Texas - Changes in Net Assets

(in thousands)

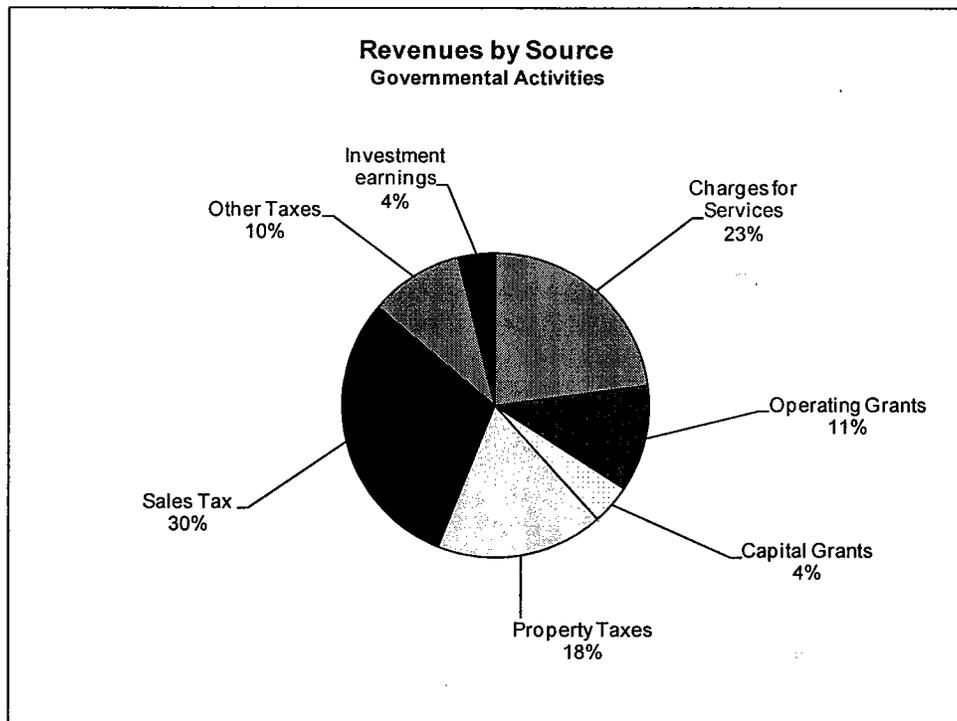
	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>		<i>Percent</i>
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	
Revenues							
Program Revenues:							
Charges for services	\$ 37,097	\$ 35,620	\$ 55,009	\$ 49,203	\$ 92,106	\$ 84,823	41.46%
Operating grants and contributions	18,384	18,141	-	-	18,384	18,141	8.28%
Capital grants and contributions	6,881	9,520	2,483	3,926	9,364	13,446	4.22%
General revenues:							
Property taxes	28,593	26,302	-	-	28,593	26,302	12.87%
Other taxes	65,107	59,467	-	-	65,107	59,467	29.31%
Investment earnings etc.	6,301	7,696	2,272	3,707	8,573	11,403	3.86%
Total revenues	162,363	156,746	59,764	56,836	222,127	213,582	100.00%
Expenses:							
General/Staff services	15,990	13,653	-	-	15,990	13,653	7.16%
Public safety	73,158	61,158	-	-	73,158	61,158	32.75%
Streets/Traffic	20,565	17,296	-	-	20,565	17,296	9.21%
Culture and recreation	22,674	18,815	-	-	22,674	18,815	10.15%
Solid waste	12,878	9,107	-	-	12,878	9,107	5.77%
Transit	4,920	4,054	-	-	4,920	4,054	2.20%
Tourism/ Urban development	12,484	12,488	-	-	12,484	12,488	5.59%
Interest on long-term debt	327	340	-	-	327	340	0.14%
Water and Sewer	-	-	51,854	43,531	51,854	43,531	23.22%
Airport	-	-	8,513	8,017	8,513	8,017	3.81%
Total expenses	162,996	136,911	60,367	51,548	223,363	188,459	100.00%
Change in net assets	(633)	19,835	(603)	5,288	(1,236)	25,123	
Internal transfers	89	190	(89)	(190)	-	-	
Other contributed capital	27,834	-	-	-	27,834	-	
Net assets, beginning	371,110	351,085	346,954	341,856	718,064	692,941	
Net assets, ending	\$ 398,400	\$ 371,110	\$ 346,262	\$ 346,954	\$ 744,662	\$ 718,064	

Governmental activities: Governmental activities increased the City's net assets by \$27.29 million. \$27.8 million of this increase was due to the contribution of the Amarillo Globe News Center building located just east of the Civic Center. This facility was constructed mainly from private funds and once completed was deeded to the City for operation. The City's sales tax collections increased by 5.47% over last year or \$2.28 million. Intergovernmental revenues continue to be an important revenue source for funding housing, health, and similar low-income assistance, as well as criminal justice activities, and this revenue source was comparable with prior years. Investment earnings have decreased as market rates of interest have decreased. Increases in expenses over the prior year are attributable to ordinary inflation pressures and high energy costs with gasoline and diesel being above \$4 per gallon for much of the summer months. Total expenditures were within budgeted appropriations.



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 \$162.99 million. Program revenues consisting of charges for services, operating grants, and capital grants were in the total amount of \$62.36 million, resulting in a net cost of governmental functions in the amount of \$100.63 million to be supported by general revenues of the City which include property taxes and sales tax revenue. General revenues totaled \$100.00 million. General revenues and program revenues combined were \$162.36 million representing total revenues derived from governmental activities.

The accompanying pie chart entitled *Revenues by Source – Governmental Activities* – reflects the major components of both revenues as described above (\$162.36 million).



Business-type activities: Business-type activities decreased the City's net assets by \$0.69 million

Water and Sewer System: Water metered sales increased by \$3.76 million. Water revenues are unpredictable because they are affected by the amount and timing of local rainfall. For fiscal year 2008 dry conditions existed throughout the Texas Panhandle area for most of the summer. These conditions resulted in more sales to customers in those months. This combined with rate increases implemented for fiscal year 2008 and a new rate tier for high consumption residential customers increased water sales over the previous year. Charges to the City by the Water Authority decreased mainly due to decreased demand on the water system as a whole. Changes in water usage have little effect on sewer revenues, however this revenue source increased by \$1.29 million due to rate changes and growth within the City.

Airport: The Airport has been in the process of expanding facilities, and a significant part of the cost of this expansion is funded by the Federal Aviation Administration. While the Airport generally attempts to operate on a break-even basis, its net assets decreased by \$0.42 million. The airport continues to apply for and receive AIP funding from the Federal Aviation Administration as major projects are identified for improvements. Funds received under this program require a 5% local match of expenditures which comes from accumulated Airport reserves. During the current fiscal year the Airport began the first phase of a major Terminal Building Improvement project, and, completed the demolition work on the East concourse. During the year, work also continued to identify additional grant funds and other financing resources, including issuance of debt and a passenger facilities charge, to complete an estimated \$48.3 million terminal building renovation. Construction phases for this project are expected to begin in mid fiscal year 2008/2009. Airport operating revenues decreased slightly from \$6.07 million to \$6.05 million. Operating revenues are derived from airlines, fees and commissions and other building rentals. Operating expenses increased by \$496,197 mainly due to increased depreciation charges on infrastructure and improvements.

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As 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 \$114.66 million, a decrease of \$7.71 million from the prior year. Of the unreserved balance, over 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 Projects 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. Substantially all of this undesignated 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 \$37.19 million, of which \$36.67 million was undesignated.

The fund balance of the General Fund decreased by \$482,168 during the current year. Actual revenues, expenditures, and transfers of the General Fund compared favorably with the original budgeted amounts.

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.

The capital projects funds had unreserved fund balances of \$57.44 million at September 30, 2008. These funds are committed on construction projects in progress, and for projects currently in the planning stages and in the City's five-year capital plan.

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 the amount of \$26.80 million. Of this amount, \$23.04 million is invested in capital assets. 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 \$14.78 million due in large part to recording the liability and related expense in compliance with GASB 45.

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, 2008, was \$728.66 million, net of accumulated depreciation. The following tabulation summarizes the City's capital assets at September 30, 2008:

City of Amarillo, Texas - Capital Assets

(in thousands - net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land, water rights	\$ 7,871	\$ 8,123	\$ 73,148	\$ 74,376	\$ 81,019	\$ 82,499
Infrastructure	136,226	132,971	-	-	136,226	132,971
Library resources	4,557	4,543	-	-	4,557	4,543
Water and Sewer other	-	-	266,665	258,317	266,665	258,317
Airport facilities	-	-	37,834	32,885	37,834	32,885
Buildings and other improvements	132,736	94,178	-	-	132,736	94,178
Machinery and Equipment	25,582	24,989	2,456	2,559	28,038	27,548
Construction in progress	15,626	8,072	25,963	27,548	41,589	35,620
Total capital assets	\$ 322,598	\$ 272,876	\$ 406,066	\$ 395,685	\$ 728,664	\$ 668,561

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 the notes of the basic financial statements, Note 6 - Capital Assets, for additional information related to capital assets.

Long-term debt: The City attempts to fund its capital needs on a pay-as-you-go basis to the extent possible. General Obligation Bonds Series 2001 were issued in the original amount of \$6.91 million for purposes of expansion of library facilities. In 2007 the City issued \$24.57 million in new Certificates of Obligation to fund needed infrastructure additions and improvements. The proceeds from this new debt will be used in the area of Fire, Police, Parks, and Street improvements. The City is one of 11 member cities of the Canadian River Municipal Water Authority, and is obligated on its proportionate share of the Authority's debt. The following table shows the City's total amounts due under bond agreements:

City of Amarillo, Texas - Outstanding Debt

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 5,240	\$ 5,505	\$ -	\$ -	\$ 5,240	\$ 5,505
Certificates of obligation	24,575	24,575	-	-	24,575	24,575
Special assessment debt	3,519	1,498	-	-	3,519	1,498
Water and Sewer revenue bonds	-	-	38,245	39,490	38,245	39,490
Water authority debt	-	-	66,002	68,847	66,002	68,847
Total outstanding debt	\$ 33,334	\$ 31,578	\$ 104,247	\$ 108,337	\$ 137,581	\$ 139,915

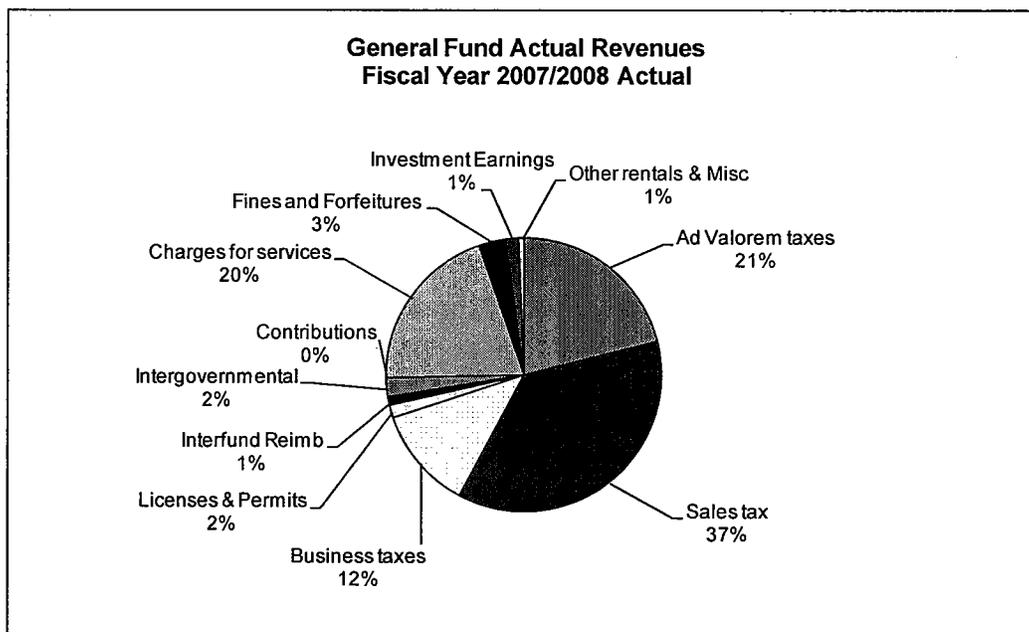
Refer to the notes of the basic financial statements, Note 10 - Long-Term Obligations, for additional information on long-term debt activity.

General Fund Budgetary Highlights

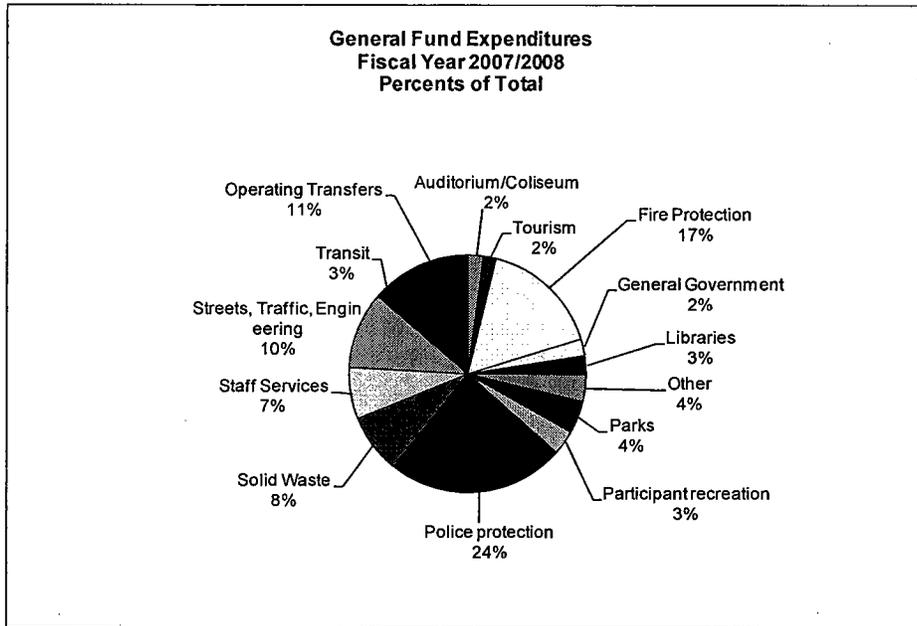
The primary purpose of the General Fund is to account for general revenues such as property taxes, sales taxes, and other taxes and expenditures related to essential city functions and programs. The General

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 2007/2008 was \$128,558,259. Certain reclassifications of interdepartmental reimbursements are made from the approved budget for financial reporting purposes; however, the General Fund revenue budget was not modified or amended during the fiscal year. Sales tax revenue accounts for 36% of the General Fund total revenue excluding transfers. Sales tax revenues, which include general sales tax, mixed beverage tax and hotel occupancy tax, were budgeted for \$46,800,344. Actual sales tax revenues for 2007/2008 were \$48,962,126 exceeding the budget by \$2,161,722. The City continues to see growth in sales tax revenues of approximately 5%. Another major component of General Fund revenues is ad valorem property taxes. Ad valorem taxes were budgeted at \$27,535,414. Actual ad valorem taxes were \$28,039,131. 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 \$4,657,315. This overage is mainly accounted for by the steady growth in sales tax, gross receipts business tax and charges for city services due to the growth and economic conditions of the City. 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 2007/2008 was \$123,283,935. Total actual expenditures and appropriations against the operating budget for 2007/2008 were \$120,159,907. This resulted in under-spending the budget by \$3,124,028. Police and Fire protection combined, account for 41% of the General Fund expenditure budget. Operating transfers to capital projects funds and other funds were budgeted for \$14,772,730. Actual transfers to capital projects funds during the year were \$14,490,773. The effect of these transfers was to lower the General Fund fund balance and provide needed funds in the capital projects funds. The original 2007/2008 expenditure budget was amended to include \$3,700,000 for the acquisition and remodeling of a downtown building to be used as an emergency communications center and other municipal functions. Certain adjustments to the original budget are made for financial statement presentation. These include adjusting departments' budgets at the beginning of each year for outstanding encumbrances from the previous year. The following chart shows the breakdown by functional area of the General Fund actual expenditures for 2007/2008:



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 budget was further amended to transfer \$5,675,232 of General Fund fund balances to the General Construction fund. 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 2008/2009 Budget. The following summary includes a brief discussion of these issues and how we are addressing these needs and challenges.

1) Ongoing Growth Pressures for Our Organization

Amarillo continues to experience a moderate 1.5% annual rate of growth. This growth has continued in all four quadrants of the City, with only a minor decrease in new residential construction. This fact is noteworthy when compared to the present statistical patterns of other Texas cities. To-date our community, has also appeared to have escaped much of the problematic financial mortgage and home foreclosure issues plaguing other cities. It is my hope these issues continue to be distant to our local economy and area. This budget not only continues to fund new infrastructure needs to accommodate Amarillo's pattern of growth, it also provides essential funding for existing infrastructure maintenance and repair needs. Although available funding will meet minimum needs, it does not however fully fund all new infrastructure demands. More importantly, our available funding unfortunately is requiring that needed infrastructure maintenance and repair needs be delayed or extended for completion at future dates.

Unlike the previous 2007/2008 fiscal year in which 53 new organizational positions were added due to growth demands, this 2008/2009 budget is much more reserved in terms of new employee growth. The budget adds fifteen (15) new firefighter positions, which will serve to staff and operate new Fire Station 12, to be completed by fall of 2009. This budget also includes the addition of five (5) new police officers, which will address an increase on calls for service from the public. Finally, this budget also includes one (1) new Residential Equipment Operator position for the Solid Waste

Collection Department. Although additional new positions are realistically justified throughout our City organization due to increasing demands for public services and programs, these potential positions are being delayed and a renewed emphasis is being made this fiscal year to more adequately compensate, retain, and recruit City employees.

2) Continued Enhancement of the City's Pay and Employment Classification Plan

This 2008/2009 budget reflects the fourth year in which the City has made it a priority to improve and enhance our Pay and Employment Classification Plan. Even with the infusion of additional funding for employee pay and benefit items the past two years, our existing plan is still behind the Texas municipal government labor market and our own regional market of public and private sector jobs. Throughout 2006 and 2007, the City experienced measurable success with employee recruitment and retention. The 2008 period to-date however has eroded some of these past Pay and Employment Classification Plan improvement milestones that we were achieving. A proven fact is increasing consumable goods costs are personally impacting some employees and potential applicants for open City positions. As a result, the number of applicants for various City jobs has decreased. More alarming, our employee turnover rate is again growing with existing employees leaving for other area jobs in which employers are showing the ability and flexibility to increase wages concurrently with the rise in consumer prices.

This 2008/2009 budget therefore allocates additional funding to further enhance our Pay and Employment Classification Plan and again address the local labor market conditions impacting our organization. These plan enhancements include continued funding of 4% wage increases for police officers and firefighters along with an average 4% Pay for Performance wage increase for civilian employees. For this budget, the Discretionary Retention Pay Program (DRP) for civilian employees is again continued for the fourth year with additional retention pay to recognize our more experienced and essential long-term employees. The budget also includes additional job position specific education and certification incentive pay for all employees; new shift differential pay, bilingual and sign language pay; one (1) additional holiday; one (1) additional employee personal leave day and full financial compensation for holiday hours worked

3) Continued Stabilization of Employee Health Care Costs

Approximately 3½ years ago, we implemented new and innovative strategies and programs to lead to the stabilization of our employee/retiree health care costs. Included in this effort has been the creation of a highly successful employee wellness program and the opening and operation of our own City health clinic. During this past 2007/2008 fiscal year, we re-invented and revitalized a comprehensive organizational employee and workplace safety program, which included the purchase and issuance of protective safety footwear and specialty clothing for field employees. These three major organizational efforts, along with other new programs have resulted in the important stabilization of expenses to our ongoing healthcare costs and a very welcome reduction in employee on-the-job injuries and associated workers' compensation claims. As with the previous fiscal year, this 2008/2009 budget does not include a financial supplement to our Health Plan. Whether we will be able to experience a third consecutive year of health plan stability in today's environment of rising medical and health care costs is uncertain. With our existing programs now in place, plus additional and new program and service ideas which we plan to explore and implement, we will continue to strive for health plan effectiveness and self controlled and managed costs.

4) Consumable Energy, Motor Fuel, Petroleum Related and Other Purchased Supplies and Materials

The 2008/2009 budget, like our previous 2007/2008 fiscal year budget, will be required to accommodate unplanned increases in the cost of goods and commodities essential for our

organization to perform and provide public services and programs. This budget includes increased funding for the purchase of essential supplies and materials, with special attention to the expected expense for motor fuel and other petroleum related products (oils, greases, asphaltic emulsion and cement, plastic piping and other associated products). Funding for volatile commodities has been increased in this budget to ensure that essential City operations and programs are not adversely impacted and that we may continue to maintain the level of public services, which our local citizens demand and expect. Any moderation or reduction of oil, petroleum and chemical commodity prices in our local, state or national economy will be beneficial and create an important budgetary cost savings.

In terms of consumable energy costs, the City's franchise electric utility provider has filed an electrical rate increase before the Public Utility Commission of Texas (PUCT). The City of Amarillo has exercised its original jurisdiction authority and denied the rate tariff increases proposed. This rate case will continue on for an ultimate resolution by the PUCT in the spring of 2009. The City is proceeding in its efforts to ensure any proposed electrical service rate increases are just and reasonable. In anticipation of final action on this pending rate case, the 2008/2009 budget includes a 5% increase in electrical consumption costs. The City staff is also working with the City's franchise natural gas provider to develop and enact a new uniform rate tariff agreement. This new model of rate regulation has recently been enacted by other Texas cities. This rate tariff agreement, as designed, is touted as a model to minimize the historical trend of natural gas utility companies filing numerous rate increase cases before the Texas Railroad Commission. This new rate tariff structure is designed to create a consistent and stable pattern of regulated natural gas utility costs for municipalities and consumers. It is anticipated this utility issue will also be resolved in the spring of 2009. Because of this effort, the 2008/2009 budget is prepared with no increase in natural gas consumption expense.

CONSOLIDATED BUDGET

The 2008/2009 fiscal year budget is \$336,602,073 which is a 30.1% or \$77,829,145 increase compared to our 2007/2008 budget of \$258,772,928. The areas of specific increase in this budget are as follows:

	<u>FY 2007 - 2008</u>	<u>FY 2008 - 2009</u>	<u>% Change</u>
General Fund M&O	\$ 126,552,259	\$ 134,572,736	6.3%
Water & Sewer M&O	39,900,230	41,746,373	4.6%
Capital	46,559,781	34,303,641	(26.3)%
Special Revenue M&O	17,584,285	19,097,720	8.6%
Municipal Garage M&O	7,606,900	8,537,944	12.2%
Insurance M&O	19,514,736	21,109,008	8.2%
Debt Service	8,197,162	9,351,985	14.1%
Airport M&O	5,885,397	6,317,144	7.3%
Info Technology M&O	3,330,708	3,571,695	7.2%
Interest Transfer to General Fund	755,000	765,000	1.3%
Less: Interfund Transfers	(41,713,530)	(43,210,266)	3.6%
Certificates of Obligation	24,600,000	-	(100.00)
Water & Sewer Bonds	-	83,244,535	-
Airport Bonds	-	17,194,558	-
Total Budget	<u>\$ 258,772,928</u>	<u>\$ 336,602,073</u>	<u>30.1%</u>

The City exists to provide essential and necessary services and programs to the public. With this daily mission, the predominant expense category in our budget is personnel and subsequent employee salary and benefit costs.

For this 2008/2009 budget, our largest expense category is Capital Improvements Project (CIP) funding, which consists of \$134.7 million or 40.0% of our budget. Our second largest category is personnel costs which comprises 35.1% or \$118.2 million of our total net budget. The third or next highest category of our municipal expenses is Insurance Maintenance and Operations, which accounts for \$21.1 million or 6.3% of our budget.

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.

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, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 32,485,235	\$ 12,642,272	\$ 45,127,507	\$ 34,712,598
Investments	115,806,947	36,340,255	152,147,202	211,371,133
Receivables, net	11,501,618	7,258,764	18,760,382	3,835,026
Internal balances	7,013,800	(7,013,800)	-	-
Inventories and prepaid expenses	2,471,791	21,535	2,493,326	11,288,850
Other current assets	-	-	-	2,265,126
Total current assets	<u>169,279,391</u>	<u>49,249,026</u>	<u>218,528,417</u>	<u>263,472,733</u>
NONCURRENT ASSETS				
Restricted cash and cash equivalents	-	4,655,463	4,655,463	18,112,313
Restricted investments	-	-	-	3,962,000
Receivables, net	-	-	-	37,278,095
Other noncurrent assets	-	-	-	2,627,180
Land held for future incentives	-	-	-	5,385,952
Capital assets:				
Land	7,870,503	4,003,815	11,874,318	-
Water rights and contracts, net of amortization	-	69,144,044	69,144,044	-
Infrastructure, net of depreciation	150,905,330	-	150,905,330	-
Buildings and improvements, net of depreciation	133,682,808	330,462,341	464,145,149	49,328,352
Equipment and vehicles, net of depreciation	25,581,946	2,455,660	28,037,606	219,443
Library resources, net of depreciation	4,557,303	-	4,557,303	-
Total noncurrent assets	<u>322,597,890</u>	<u>410,721,323</u>	<u>733,319,213</u>	<u>116,913,335</u>
TOTAL ASSETS	<u>\$ 491,877,281</u>	<u>\$ 459,970,349</u>	<u>\$ 951,847,630</u>	<u>\$ 380,386,068</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 12,795,054	\$ 6,322,825	\$ 19,117,879	\$ 4,736,865
Securities lending collateral	-	-	-	8,291,369
Current portion of long-term obligations	555,566	2,980,862	3,536,428	2,575,000
Estimated liability for self-insured losses, current portion	6,593,790	-	6,593,790	114,365
Postemployment benefits	3,331,708	-	3,331,708	-
Revenue bonds current maturity	-	1,290,000	1,290,000	-
Total current liabilities	<u>23,276,118</u>	<u>10,593,687</u>	<u>33,869,805</u>	<u>15,717,599</u>
NONCURRENT LIABILITIES				
Liabilities payable from restricted assets	-	-	-	319,488
Noncurrent portion of long-term obligations	32,778,092	101,619,851	134,397,943	55,922,468
Unamortized offering premium net of issuance cost	449,086	-	449,086	-
Estimated liabilities for:				
Compensated absences	15,494,333	1,494,168	16,988,501	93,223
Self-insured losses, net of current portion	8,667,692	-	8,667,692	284,919
Landfill closure and postclosure care	1,461,585	-	1,461,585	-
Postemployment benefits, net of current portion	11,350,872	-	11,350,872	-
Total noncurrent liabilities	<u>70,201,660</u>	<u>103,114,019</u>	<u>173,315,679</u>	<u>56,620,098</u>
TOTAL LIABILITIES	<u>\$ 93,477,778</u>	<u>\$ 113,707,706</u>	<u>\$ 207,185,484</u>	<u>\$ 72,337,697</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 289,264,232	\$ 300,175,147	\$ 589,439,379	\$ 35,404,607
Restricted for:				
Debt service	555,566	3,365,463	3,921,029	784,333
Capital outlay	17,886,769	-	17,886,769	-
Other purposes	-	-	-	21,677,079
Unrestricted (deficit)	90,992,936	42,722,033	133,714,969	250,182,352
TOTAL NET ASSETS	<u>\$ 398,399,503</u>	<u>\$ 346,262,643</u>	<u>\$ 744,662,146</u>	<u>\$ 308,048,371</u>

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

**CITY OF AMARILLO, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 3,497,938	\$ 4,883,145	\$ -	\$ -
Staff services	12,492,520	4,531,899	409,312	935,154
Public safety and health				
Police protection	38,520,374	1,587,295	170,204	-
Fire protection	24,930,235	1,605,971	-	-
Other	9,707,205	2,673,691	3,863,821	125,371
Streets, traffic and engineering	20,565,144	472,726	47,000	5,702,687
Culture and recreation				
Auditorium/Coliseum	4,319,458	1,570,530	298,000	-
Libraries	4,835,833	174,909	540,328	70,387
Parks	7,971,514	837,228	-	21,702
Participant recreation	5,547,189	2,288,243	-	1,000
Solid waste	12,878,205	16,110,978	28,472	-
Transit	4,920,015	197,306	2,310,428	-
Economic development	2,280,629	-	185,860	-
Urban redevelopment/housing	10,204,054	163,512	10,530,615	25,113
Interest on long-term debt	326,813	-	-	-
Total governmental activities	<u>162,997,126</u>	<u>37,097,433</u>	<u>18,384,040</u>	<u>6,881,414</u>
BUSINESS-TYPE ACTIVITIES				
Water and Sewer	51,853,812	48,941,541	-	1,106,357
Airport	8,512,889	6,067,346	-	1,377,146
Total business-type activities	<u>60,366,701</u>	<u>55,008,887</u>	<u>-</u>	<u>2,483,503</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 223,363,827</u>	<u>\$ 92,106,320</u>	<u>\$ 18,384,040</u>	<u>\$ 9,364,917</u>
COMPONENT UNITS				
Amarillo Hospital District	\$ 10,901,435	\$ -	\$ 1,591,851	\$ 10,866
Amarillo Economic Development Corporation	9,463,914	2,686,833	-	-
Amarillo-Potter Events District	2,540,572	-	-	-
Amarillo Housing Finance Corporation	2,466	1,776	-	-
Tax Increment Reinvestment Zone #1	10,421	-	-	-
TOTAL COMPONENT UNITS	<u>\$ 22,918,808</u>	<u>\$ 2,688,609</u>	<u>\$ 1,591,851</u>	<u>\$ 10,866</u>

GENERAL REVENUES

Property taxes, levied for general purposes
Property taxes, levied for debt services
Sales taxes
Gross receipts business taxes
Unrestricted investment earnings
Income (expense) from use and disposition of property

TRANSFERS

OTHER CONTRIBUTED CAPITAL

Total general revenues and transfers

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR

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
\$ 1,385,207	\$ -	\$ 1,385,207	\$ -
(6,616,155)	-	(6,616,155)	-
(36,762,875)	-	(36,762,875)	-
(23,324,264)	-	(23,324,264)	-
(3,044,322)	-	(3,044,322)	-
(14,342,731)	-	(14,342,731)	-
(2,450,928)	-	(2,450,928)	-
(4,050,209)	-	(4,050,209)	-
(7,112,584)	-	(7,112,584)	-
(3,257,946)	-	(3,257,946)	-
3,261,245	-	3,261,245	-
(2,412,281)	-	(2,412,281)	-
(2,094,769)	-	(2,094,769)	-
515,186	-	515,186	-
(326,813)	-	(326,813)	-
<u>(100,634,239)</u>	<u>-</u>	<u>(100,634,239)</u>	<u>-</u>
-	(1,805,914)	(1,805,914)	-
-	(1,068,397)	(1,068,397)	-
-	(2,874,311)	(2,874,311)	-
<u>(100,634,239)</u>	<u>(2,874,311)</u>	<u>(103,508,550)</u>	<u>-</u>
-	-	-	(9,298,718)
-	-	-	(6,777,081)
-	-	-	(2,540,572)
-	-	-	(690)
-	-	-	(10,421)
-	-	-	<u>(18,627,482)</u>
28,061,014	-	28,061,014	231,844
532,309	-	532,309	-
48,962,126	-	48,962,126	14,686,781
16,144,044	-	16,144,044	2,070,185
6,006,138	2,241,158	8,247,296	12,524,066
294,710	30,888	325,598	-
89,376	(89,376)	-	-
27,834,149	-	27,834,149	-
<u>127,923,866</u>	<u>2,182,670</u>	<u>130,106,536</u>	<u>29,512,876</u>
27,289,627	(691,641)	26,597,986	10,885,394
371,109,876	346,954,284	718,064,160	297,162,977
<u>\$ 398,399,503</u>	<u>\$ 346,262,643</u>	<u>\$ 744,662,146</u>	<u>\$ 308,048,371</u>

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

**CITY OF AMARILLO, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2008**

	<u>General Fund</u>	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,127,385	\$ 16,116,780	\$ 8,193,174	\$ 26,437,339
Investments, at fair values	33,990,456	42,619,412	10,685,476	87,295,344
Receivables, net of allowances for uncollectibles				
Property taxes	286,976	-	5,321	292,297
Accounts	1,028,003	-	266,622	1,294,625
Accrued interest	483,543	298,350	91,168	873,061
Other accrued revenue	1,789,388	-	228,977	2,018,365
Due from other funds unrestricted	2,489,918	-	841,509	3,331,427
Due from other governments	3,923,613	224,734	1,389,356	5,537,703
Inventory of supplies	1,272,455	-	-	1,272,455
Prepaid items	6,742	1,000	542,263	550,005
TOTAL ASSETS	<u>\$ 47,398,479</u>	<u>\$ 59,260,276</u>	<u>\$ 22,243,866</u>	<u>\$ 128,902,621</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Vouchers payable	\$ 1,510,254	\$ 467,837	\$ 179,819	\$ 2,157,910
Accounts payable	1,656,329	270,135	388,318	2,314,782
Accrued expenses	4,550,459	-	-	4,550,459
Securities lending collateral	-	-	-	-
Deposits	545,823	-	-	545,823
Due to other funds - unrestricted	878,796	1,085,000	1,417,656	3,381,452
Due to other governments	746,668	-	126,572	873,240
Deferred revenues - property taxes	202,871	-	3,626	206,497
Deferred revenues - other	115,398	-	93,906	209,304
Total liabilities	<u>10,206,598</u>	<u>1,822,972</u>	<u>2,209,897</u>	<u>14,239,467</u>
FUND BALANCES				
Reserved				
Encumbrances	427,261	-	-	427,261
Prepaid items	6,742	-	542,263	549,005
Uncollected taxes	84,105	-	1,695	85,800
Grant donor purposes	-	-	538,992	538,992
Sick and annual leave	-	-	52,991	52,991
Unreserved				
Debt Service Fund	-	-	10,167	10,167
Capital Projects	-	57,437,304	-	57,437,304
Designated for other specific purposes				
Special revenue funds	-	-	4,037,138	4,037,138
Compensated absences fund	-	-	14,850,723	14,850,723
Undesignated	36,673,773	-	-	36,673,773
Total fund balances	<u>37,191,881</u>	<u>57,437,304</u>	<u>20,033,969</u>	<u>114,663,154</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 47,398,479</u>	<u>\$ 59,260,276</u>	<u>\$ 22,243,866</u>	<u>\$ 128,902,621</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, 2008**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	<u>\$ 114,663,154</u>												
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.	3,754,397												
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.	339,820,889												
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:	(49,645,966)												
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Long-term debt</td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 30%; text-align: right;">33,333,658</td> </tr> <tr> <td>Compensated absence</td> <td></td> <td style="text-align: right;">14,850,723</td> </tr> <tr> <td>Landfill closure and postclosure</td> <td></td> <td style="text-align: right;"><u>1,461,585</u></td> </tr> <tr> <td></td> <td style="text-align: center;">\$</td> <td style="text-align: right;"><u><u>49,645,966</u></u></td> </tr> </table>	Long-term debt	\$	33,333,658	Compensated absence		14,850,723	Landfill closure and postclosure		<u>1,461,585</u>		\$	<u><u>49,645,966</u></u>	
Long-term debt	\$	33,333,658											
Compensated absence		14,850,723											
Landfill closure and postclosure		<u>1,461,585</u>											
	\$	<u><u>49,645,966</u></u>											
The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(17,222,999)												
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.	7,030,028												
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 398,399,503</u></u>												

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, 2008**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes				
Ad valorem taxes	\$ 28,039,131	\$ -	\$ 532,309	\$ 28,571,440
Sales taxes	48,962,126	-	-	48,962,126
Gross receipts business taxes	16,144,044	-	-	16,144,044
License and permits	2,015,135	-	-	2,015,135
Interfund revenues	1,320,395	-	-	1,320,395
Intergovernmental revenues	2,972,670	862,270	14,846,359	18,681,299
Grants-in-aid	-	-	-	-
Citizen contributions	7,300	-	-	7,300
Construction participation	-	5,790,974	25,582	5,816,556
Other entity participations	-	-	690,382	690,382
Charges for services	26,585,802	74,333	854,572	27,514,707
Fines and forfeitures	4,239,595	-	865,254	5,104,849
Investment earnings	2,006,914	2,010,241	660,337	4,677,492
Other rentals and commissions	338,058	131,555	-	469,613
Miscellaneous	584,404	22,074	87,860	694,338
Total revenues	<u>133,215,574</u>	<u>8,891,447</u>	<u>18,562,655</u>	<u>160,669,676</u>
EXPENDITURES				
Current				
General government	3,077,009	-	-	3,077,009
Staff services	9,458,256	43,034	495,818	9,997,108
Public safety and health				
Police protection	32,524,412	-	463,541	32,987,953
Fire protection	22,095,334	-	-	22,095,334
Other	4,994,124	-	3,795,593	8,789,717
Streets, traffic and engineering	13,979,037	-	-	13,979,037
Culture and recreation				
Auditorium - Coliseum	2,793,432	-	-	2,793,432
Libraries	3,365,228	-	508,503	3,873,731
Parks	5,946,379	-	388,370	6,334,749
Participant recreation	4,424,589	-	-	4,424,589
Solid waste	10,881,683	-	-	10,881,683
Transit system	3,937,106	-	-	3,937,106
Urban redevelopment and housing	-	-	10,009,916	10,009,916
Tourism	2,280,629	-	-	2,280,629
Capital outlay	257,561	28,849,137	2,392,421	31,499,119
Debt service				
Principal retirement	-	-	344,615	344,615
Interest and fiscal charges	-	-	326,813	326,813
Termination vacation and sick leave pay	-	-	1,753,114	1,753,114
Total expenditures	<u>120,014,779</u>	<u>28,892,171</u>	<u>20,478,704</u>	<u>169,385,654</u>
Excess (deficit) of revenues over (under) expenditures	<u>13,200,795</u>	<u>(20,000,724)</u>	<u>(1,916,049)</u>	<u>(8,715,978)</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	807,810	14,017,687	1,649,283	16,474,780
Transfers to other funds	(14,490,773)	(2,304,532)	(742,708)	(17,538,013)
Issuance of long-term debt	-	-	2,064,425	2,064,425
Bond premium	-	-	-	-
Total other financing sources (uses)	<u>(13,682,963)</u>	<u>11,713,155</u>	<u>2,971,000</u>	<u>1,001,192</u>
Net change in fund balances	(482,168)	(8,287,569)	1,054,951	(7,714,786)
FUND BALANCES, BEGINNING OF YEAR	<u>37,674,049</u>	<u>65,724,873</u>	<u>18,979,018</u>	<u>122,377,940</u>
FUND BALANCES, END OF YEAR	<u>\$ 37,191,881</u>	<u>\$ 57,437,304</u>	<u>\$ 20,033,969</u>	<u>\$ 114,663,154</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, 2008**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (7,714,786)

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 increase net assets. (14,784,674)

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 2008 capital outlays, issuance of long-term debt, and debt principal payments is to decrease net assets. 58,050,418

Capital outlay	\$	31,936,079
Contributed capital		27,834,149
Issuance of long-term debt		(2,064,425)
Long-term debt principal payments		344,615
	<u>\$</u>	<u>58,050,418</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. (12,046,969)

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. 3,785,638

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 27,289,627

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

**CITY OF AMARILLO, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

ASSETS	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Water and Sewer	Airport	Total	
CURRENT ASSETS				
Cash and cash equivalents	\$ 8,528,047	\$ 4,114,225	\$ 12,642,272	\$ 6,047,896
Investments, at fair values	23,442,437	12,897,818	36,340,255	28,511,603
Accounts receivable	3,716,402	82,978	3,799,380	1,248,424
Accrued interest receivable	150,298	137,305	287,603	237,124
Other accrued revenue	2,581,211	170,422	2,751,633	-
Due from other funds	-	-	-	194,675
Due from other governments	-	420,148	420,148	-
Inventory of supplies	-	-	-	285,275
Prepaid expenses	21,535	-	21,535	314,542
	<u>38,439,930</u>	<u>17,822,896</u>	<u>56,262,826</u>	<u>36,839,539</u>
NONCURRENT ASSETS				
Cash and cash equivalents	4,655,463	-	4,655,463	-
Capital assets				
Land	1,254,474	2,749,341	4,003,815	-
Underground water rights	36,706,908	-	36,706,908	-
Accumulated depletion water rights	(1,903,803)	-	(1,903,803)	-
Water supply contract	50,336,389	-	50,336,389	-
Accumulated amortization - water supply contract	(15,995,450)	-	(15,995,450)	-
Pipelines and plant	379,991,136	-	379,991,136	-
Accumulated depreciation - pipelines and plant	(113,326,071)	-	(113,326,071)	-
Runway, buildings and improvements	-	93,596,187	93,596,187	-
Accumulated depreciation - runways, buildings and improvements	-	(55,762,286)	(55,762,286)	-
Improvements	-	-	-	3,397,522
Accumulated depreciation improvements	-	-	-	(1,614,982)
Equipment and vehicles	3,670,463	5,478,901	9,149,364	48,328,791
Accumulated depreciation - equipment and vehicles	(2,924,562)	(3,769,142)	(6,693,704)	(28,015,233)
Construction in progress	21,367,938	4,595,437	25,963,375	946,400
	<u>359,177,422</u>	<u>46,888,438</u>	<u>406,065,860</u>	<u>23,042,498</u>
Total capital assets, net of accumulated depreciation	<u>359,177,422</u>	<u>46,888,438</u>	<u>406,065,860</u>	<u>23,042,498</u>
Total noncurrent assets	<u>363,832,885</u>	<u>46,888,438</u>	<u>410,721,323</u>	<u>23,042,498</u>
TOTAL ASSETS	<u>\$ 402,272,815</u>	<u>\$ 64,711,334</u>	<u>\$ 466,984,149</u>	<u>\$ 59,882,037</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, 2008**

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities Internal Service Funds
	<u>Water and Sewer</u>	<u>Airport</u>	<u>Total</u>	
LIABILITIES				
CURRENT LIABILITIES				
Vouchers payable	\$ 1,291,941	\$ 231,916	\$ 1,523,857	\$ 1,582,317
Accounts payable	659,793	25,368	685,161	536,934
Accrued expenses	1,079,137	101,987	1,181,124	233,589
Deposits	37,671	80,407	118,078	-
Consumer security deposits	2,814,605	-	2,814,605	-
Share of Water Authority debt - current	2,980,862	-	2,980,862	-
Due to other funds - unrestricted	-	-	-	144,630
Estimated liability for incurred losses	-	-	-	6,593,790
Postemployment benefits	-	-	-	3,331,708
Revenue bonds current maturity	1,290,000	-	1,290,000	-
Total current liabilities	<u>10,154,009</u>	<u>439,678</u>	<u>10,593,687</u>	<u>12,422,968</u>
NONCURRENT LIABILITIES				
Revenue bonds, net of current portion	35,820,349	-	35,820,349	-
Water authority debt net of current portion	65,799,502	-	65,799,502	-
Provision for compensated absences	1,351,662	142,506	1,494,168	643,610
Estimated liabilities for incurred loss, net	-	-	-	8,667,692
Postemployment benefits, net	-	-	-	11,350,872
Total noncurrent liabilities	<u>102,971,513</u>	<u>142,506</u>	<u>103,114,019</u>	<u>20,662,174</u>
TOTAL LIABILITIES	<u>\$ 113,125,522</u>	<u>\$ 582,184</u>	<u>\$ 113,707,706</u>	<u>\$ 33,085,142</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 253,286,709	\$ 46,888,438	\$ 300,175,147	\$ 23,042,498
Restricted for debt service	3,365,463	-	3,365,463	-
Unrestricted	32,495,121	17,240,712	49,735,833	3,754,397
TOTAL NET ASSETS	<u>\$ 289,147,293</u>	<u>\$ 64,129,150</u>	353,276,443	<u>\$ 26,796,895</u>
Amounts due governmental activities for allocable share of net expenses of certain internal service funds			<u>(7,013,800)</u>	
TOTAL NET ASSETS OF BUSINESS-TYPE ACTIVITIES IN STATEMENT OF NET ASSETS			<u>\$ 346,262,643</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, 2008**

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities Internal Service Funds
	<u>Water and Sewer</u>	<u>Airport</u>	<u>Total</u>	
OPERATING REVENUES				
Airfield fees and commissions	\$ -	\$ 580,242	\$ 580,242	\$ -
Charges for services	-	-	-	1,018,634
Employees' benefit plan contributions	-	-	-	4,263,634
Internal charges	-	-	-	29,947,866
Miscellaneous revenues	-	-	-	396
Other building and ground rentals	-	1,048,537	1,048,537	-
Rents and miscellaneous	546,657	-	546,657	-
Tap fees and frontage charges	324,869	-	324,869	-
Terminal building area rental	-	4,425,504	4,425,504	-
Utility sales and service	47,620,874	-	47,620,874	-
Total operating revenues	<u>48,492,400</u>	<u>6,054,283</u>	<u>54,546,683</u>	<u>35,230,530</u>
OPERATING EXPENSES				
Salaries, wages and fringe benefits	10,509,419	1,984,829	12,494,248	4,327,863
Supplies	1,252,065	169,631	1,421,696	1,696,422
Fuel and oil	-	-	-	3,554,416
Fuel and power	6,555,099	600,841	7,155,940	-
Contractual services	4,577,276	539,081	5,116,357	1,480,116
Water Authority charges	4,314,844	-	4,314,844	-
Other charges	6,591,912	1,897,573	8,489,485	2,428,959
Claim and loss adjustments	-	-	-	17,435,774
Postemployment expense	-	-	-	16,761,974
Depreciation	9,348,296	3,320,934	12,669,230	5,176,030
Total operating expenses	<u>43,148,911</u>	<u>8,512,889</u>	<u>51,661,800</u>	<u>52,861,554</u>
Operating income (loss)	<u>5,343,489</u>	<u>(2,458,606)</u>	<u>2,884,883</u>	<u>(17,631,024)</u>
NONOPERATING REVENUES (EXPENSES)				
Gain (loss) in disposal of property	30,888	-	30,888	294,710
Grants-in-aid	-	-	-	-
Interfund reimbursement	449,141	-	449,141	-
Interest earnings	1,590,376	654,587	2,244,963	1,416,021
Change in value of investments	-	(3,805)	(3,805)	(87,375)
Other miscellaneous revenues	-	13,063	13,063	-
Interest expense and fiscal charges	(4,303,033)	-	(4,303,033)	-
Total nonoperating revenues (expenses)	<u>(2,232,628)</u>	<u>663,845</u>	<u>(1,568,783)</u>	<u>1,623,356</u>
Income (loss) before contributions and transfers	3,110,861	(1,794,761)	1,316,100	(16,007,668)

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, 2008**

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Water and Sewer	Airport	Total	
NONOPERATING REVENUES (EXPENSES), CONTINUED				
Capital contributions	\$ 1,106,357	\$ 1,377,146	\$ 2,483,503	\$ -
Transfers from other funds	-	-	-	1,289,660
Transfers to other funds	<u>(89,376)</u>	<u>-</u>	<u>(89,376)</u>	<u>(66,666)</u>
Change in net assets	4,127,842	(417,615)	3,710,227	(14,784,674)
NET ASSETS, BEGINNING OF YEAR	<u>285,019,451</u>	<u>64,546,765</u>	<u>349,566,216</u>	<u>41,581,569</u>
NET ASSETS, END OF YEAR	<u><u>\$ 289,147,293</u></u>	<u><u>\$ 64,129,150</u></u>	353,276,443	<u><u>\$ 26,796,895</u></u>
Allocation of net expenses of certain internal service funds to business-type activities			<u>(7,013,800)</u>	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES IN STATEMENT OF NET ASSETS			<u><u>\$ 346,262,643</u></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			\$ 3,710,227	
Internal service fund allocation for proprietary funds			<u>(4,401,868)</u>	
Change in net assets for Primary government business-type activities			<u><u>\$ (691,641)</u></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, 2008**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities Internal Service Funds</u>
	<u>Water and Sewer</u>	<u>Airport</u>	<u>Total</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from third parties	\$ 48,875,924	\$ 6,504,479	\$ 55,380,403	\$ -
Cash received from City departments	-	-	-	34,188,697
Cash payments to suppliers for goods and services	(23,628,130)	(3,167,867)	(26,795,997)	(8,054,324)
Cash payments to employees	(9,693,179)	(2,027,577)	(11,720,756)	(4,166,138)
Cash payments for claims and loss adjustments	-	-	-	(16,503,847)
Net cash provided by operating activities	<u>15,554,615</u>	<u>1,309,035</u>	<u>16,863,650</u>	<u>5,464,388</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (to) from other funds	(89,376)	-	(89,376)	1,222,994
Amounts borrowed from or repaid by other funds	40,996	934,917	975,913	(48,768)
Amounts repaid or loaned to other funds	-	-	-	(993)
Other	-	13,064	13,064	-
Net cash provided (used) by noncapital financing activities	<u>(48,380)</u>	<u>947,981</u>	<u>899,601</u>	<u>1,173,233</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(20,086,197)	(2,141,488)	(22,227,685)	(7,861,646)
Capital grants received	1,106,357	1,377,146	2,483,503	-
Proceeds from issuance of bonds	-	-	-	-
Bond issuance cost	-	-	-	-
Principal paid on revenue bond maturities	(1,245,000)	-	(1,245,000)	-
Principal paid on proportionate share of Water Authority debt	(2,844,331)	-	(2,844,331)	-
Interest expense	(4,661,499)	-	(4,661,499)	-
Proceeds from sale of equipment	31,736	-	31,736	649,334
Net cash used for capital and related financing activities	<u>\$ (27,698,934)</u>	<u>\$ (764,342)</u>	<u>\$ (28,463,276)</u>	<u>\$ (7,212,312)</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, 2008**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities Internal Service Funds</u>
	<u>Water and Sewer</u>	<u>Airport</u>	<u>Total</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investment securities	\$ 35,438,030	\$ 10,750,000	\$ 46,188,030	\$ 27,250,000
Purchase of investment securities	(25,544,191)	(9,134,126)	(34,678,317)	(27,027,311)
Interest and gains on investments	1,728,450	647,744	2,376,194	1,370,099
Net cash provided by investing activities	<u>11,622,289</u>	<u>2,263,618</u>	<u>13,885,907</u>	<u>1,592,788</u>
Net increase (decrease) in cash and cash equivalents	(570,410)	3,756,292	3,185,882	1,018,097
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	<u>13,753,920</u>	<u>357,933</u>	<u>14,111,853</u>	<u>5,029,799</u>
CASH AND CASH EQUIVALENTS, AT END OF YEAR (RESTRICTED AND UNRESTRICTED)	<u>\$ 13,183,510</u>	<u>\$ 4,114,225</u>	<u>\$ 17,297,735</u>	<u>\$ 6,047,896</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 5,343,489	\$ (2,458,606)	\$ 2,884,883	\$ (17,631,024)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	9,348,296	3,320,934	12,669,230	5,176,030
(Increase) decrease in accounts receivable	336,281	(69,879)	266,402	(1,039,843)
(Increase) decrease in other accrued revenue	47,243	520,075	567,318	(16,241)
(Increase) decrease in prepaid expenses	1,301	-	1,301	-
(Increase) decrease in inventories	-	-	-	(90,557)
Increase (decrease) in vouchers payable	(535,073)	30,337	(504,736)	1,210,896
Increase (decrease) in accounts payable	313,710	5,871	319,581	223,229
Increase (decrease) in accrued operating expenses	505,661	(52,769)	452,892	(90,301)
Increase (decrease) in customer deposits	196,838	8,922	205,760	-
Increase (decrease) in provision for compensated absences	(3,131)	4,150	1,019	28,298
Increase (decrease) in estimated claims liabilities	-	-	-	17,693,901
Net cash provided by operating activities	<u>\$ 15,554,615</u>	<u>\$ 1,309,035</u>	<u>\$ 16,863,650</u>	<u>\$ 5,464,388</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Amortization of bond issuance costs	\$ 102,865	\$ -	\$ 102,865	\$ -
Decreases (increases) in fair values of investments	(79,319)	3,805	(75,514)	87,375
Interest expense capitalized	748,708	-	748,708	-

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

**CITY OF AMARILLO, TEXAS
STATEMENT OF FIDUCIARY ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2008**

	Trust Funds
ASSETS	
Cash and cash equivalents	\$ 2,794,805
Accounts receivable	-
Accrued interest receivable	-
Investments, at fair values	28,408,160
Other	-
TOTAL ASSETS	\$ 31,202,965
LIABILITIES	
Due to other funds	\$ 20
Held for other governments, individuals, entities	31,202,945
TOTAL LIABILITIES	\$ 31,202,965

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

**CITY OF AMARILLO, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2008**

	Trust Funds
ADDITIONS	
Contributions from citizens	\$ 9,561
Charges for services	4,579,659
Intergov revenue	41,755
Other rentals and commissions	20,245
Miscellaneous revenues	24,966
Investment earnings	63,565
Total additions	4,739,751
 DEDUCTIONS	
Capital outlay	26,429
Salaries and wages	483,212
Contractual services	3,779,887
Supplies	46,574
Operating transfers to other funds	70,385
Total deductions	4,406,487
Change in net assets	333,264
ASSETS, BEGINNING OF YEAR	30,869,701
ASSETS, END OF YEAR	\$ 31,202,965

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

CITY OF AMARILLO, TEXAS
STATEMENT OF NET ASSETS - COMPONENT UNITS
SEPTEMBER 30, 2008

	Amarillo Hospital District	Amarillo Economic Development Corporation	Amarillo- Potter Events Venue District	Amarillo Housing Finance Corporation	Tax Increment Investment Zone #1	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 15,778,981	\$ 17,345,288	\$ 1,310,706	\$ 83,365	\$ 194,258	\$ 34,712,598
Investments	202,661,633	7,969,600	739,900	-	-	211,371,133
Receivables, net	-	3,664,620	170,406	-	-	3,835,026
Inventories and prepaid expenses	11,288,850	-	-	-	-	11,288,850
Other current assets	2,244,794	20,332	-	-	-	2,265,126
Total current assets	<u>231,974,258</u>	<u>28,999,840</u>	<u>2,221,012</u>	<u>83,365</u>	<u>194,258</u>	<u>263,472,733</u>
NONCURRENT ASSETS						
Restricted cash and cash equivalents	-	18,112,313	-	-	-	18,112,313
Restricted investments	-	3,962,000	-	-	-	3,962,000
Receivables, net	-	37,278,095	-	-	-	37,278,095
Unamortized bond issuance costs	-	-	252,056	-	-	252,056
Other assets	2,353,099	-	22,025	-	-	2,375,124
Land held for future incentives	-	5,385,952	-	-	-	5,385,952
Capital assets:						
Buildings and improvements, net of depreciation	119,897	4,858,677	17,036,651	-	-	22,015,225
Equipment and vehicles, net of depreciation	-	42,978	176,465	-	-	219,443
Construction in process	-	27,313,127	-	-	-	27,313,127
Total noncurrent assets	<u>2,472,996</u>	<u>96,953,142</u>	<u>17,487,197</u>	<u>-</u>	<u>-</u>	<u>116,913,335</u>
TOTAL ASSETS	<u>\$ 234,447,254</u>	<u>\$ 125,952,982</u>	<u>\$ 19,708,209</u>	<u>\$ 83,365</u>	<u>\$ 194,258</u>	<u>\$ 380,386,068</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	\$ 169,015	\$ 4,318,025	\$ 249,825	\$ -	\$ -	\$ 4,736,865
Current portion of long-term obligations	-	2,200,000	375,000	-	-	2,575,000
Estimated liability for incurred losses - current portion	114,365	-	-	-	-	114,365
Securities lending collateral	8,291,369	-	-	-	-	8,291,369
Total current liabilities	<u>8,574,749</u>	<u>6,518,025</u>	<u>624,825</u>	<u>-</u>	<u>-</u>	<u>15,717,599</u>
NONCURRENT LIABILITIES						
Liabilities payable from restricted assets - accrued interest	-	319,488	-	-	-	319,488
Noncurrent portion of long-term obligations	-	42,132,223	13,790,245	-	-	55,922,468
Estimated liabilities						
Compensated absences	-	93,223	-	-	-	93,223
Self-insured losses, net of current portion	284,919	-	-	-	-	284,919
Total noncurrent liabilities	<u>284,919</u>	<u>42,544,934</u>	<u>13,790,245</u>	<u>-</u>	<u>-</u>	<u>56,620,098</u>
TOTAL LIABILITIES	<u>8,859,668</u>	<u>49,062,959</u>	<u>14,415,070</u>	<u>-</u>	<u>-</u>	<u>72,337,697</u>
NET ASSETS						
Invested in capital assets, net of related debt	139,722	32,214,783	3,050,102	-	-	35,404,607
Restricted for:						
Debt service	-	129,378	654,955	-	-	784,333
Other purposes	51,632	21,625,447	-	-	-	21,677,079
Unrestricted	225,396,232	22,920,415	1,588,082	83,365	194,258	250,182,352
TOTAL NET ASSETS	<u>225,587,586</u>	<u>76,890,023</u>	<u>5,293,139</u>	<u>83,365</u>	<u>194,258</u>	<u>308,048,371</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 234,447,254</u>	<u>\$ 125,952,982</u>	<u>\$ 19,708,209</u>	<u>\$ 83,365</u>	<u>\$ 194,258</u>	<u>\$ 380,386,068</u>

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, 2008

	Amarillo Hospital District	Amarillo Economic Development Corporation	Amarillo- Potter Events Venue District	Amarillo Housing Finance Corporation	Tax Increment Reinvestment Zone #1	Total
REVENUES						
Property taxes, levied for general purposes	\$ 6,175	\$ -	\$ -	\$ -	\$ -	\$ 6,175
Sales taxes	-	14,686,781	-	-	-	14,686,781
Gross receipts business taxes	-	-	2,070,185	-	-	2,070,185
Grant revenues	824,510	-	-	-	-	824,510
Revenue from participating taxing entities	-	-	-	-	225,669	225,669
Intergovernmental revenues - operating	767,341	-	-	-	-	767,341
Charges for services	-	2,614,417	-	-	-	2,614,417
Investment earnings	11,204,260	1,279,020	39,563	1,223	-	12,524,066
Miscellaneous	10,866	72,416	-	1,776	-	85,058
Total revenues	<u>12,813,152</u>	<u>18,652,634</u>	<u>2,109,748</u>	<u>2,999</u>	<u>225,669</u>	<u>33,804,202</u>
EXPENSES						
Functions:						
Public Health	10,901,435	-	-	-	-	10,901,435
Urban redevelopment and housing	-	-	-	2,466	-	2,466
Economic development - industrial	-	7,457,747	-	-	-	7,457,747
Economic development - tourism	-	-	1,840,409	-	-	1,840,409
General Government	-	-	-	-	10,421	10,421
Debt service:						
Interest and fiscal charges	-	2,006,167	700,163	-	-	2,706,330
Total expenses	<u>10,901,435</u>	<u>9,463,914</u>	<u>2,540,572</u>	<u>2,466</u>	<u>10,421</u>	<u>22,918,808</u>
Excess of revenues over expenses	1,911,717	9,188,720	(430,824)	533	215,248	10,885,394
NET ASSETS, BEGINNING OF YEAR	<u>223,675,869</u>	<u>67,701,303</u>	<u>5,723,963</u>	<u>82,832</u>	<u>(20,990)</u>	<u>297,162,977</u>
NET ASSETS, END OF YEAR	<u>\$ 225,587,586</u>	<u>\$ 76,890,023</u>	<u>\$ 5,293,139</u>	<u>\$ 83,365</u>	<u>\$ 194,258</u>	<u>\$ 308,048,371</u>

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

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CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

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 into parts of Colorado. 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 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 15 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 continues to exist as a governmental entity, but no future ad valorem taxes are anticipated, as the investment yield from the sales proceeds are expected to be sufficient to fund the specified indigent care payments. Effective October 1, 1996, the City assumed responsibility for serving the District as its fiscal agent for purposes of maintaining its financial records.

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.

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 accomplishments. 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.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Debt service is provided by a 2% hotel occupancy tax and a 5% 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 (the Corporation) 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, \$15,000,000 and \$10,450,000 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 this Corporation.

The Corporation 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 the Corporation.

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

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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 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. It is the City's policy to fund pension costs as they accrue.

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.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major governmental funds:

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

The *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 *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 the capacity of a fiduciary for others and cannot be used to support the City's own programs. Activities include the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The only fiduciary funds held by the City are agency funds. Agency fund are used to account for situations where the City's role is purely custodial.

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.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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* 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, 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.

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

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Interfund Receivables and Payables (Continued)

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.

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.

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Restricted Assets

Certain resources of the *Water and Sewer Fund* are set aside for the 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 \$1,000 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
Streets and related infrastructure	50 years
Traffic signals	30 years
Landfill improvements	40 years
Water supply contract	85 years
Water rights	20-100 years
Water pipelines	50 years
Sewer pipelines	75 years
Runways and related improvements	10-30 years
Motor buses	7 years
Automobiles, vans	3-7 years
Data processing equipment	5 years
Machinery and other equipment	7-30 years
Office equipment	5-10 years
Library books	15 years

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Fund Equity

The unreserved fund balances of governmental funds represent the amounts available for budgeting future operations. Unreserved net assets of proprietary funds represent the net assets available for future operations or distribution. In instances in which plans have been made by management for portions of unreserved fund equities, the amounts are identified as designated. Reserved fund balances of governmental funds and reserved net assets of proprietary funds represent net assets that are legally restricted to specific purposes.

Postemployment Benefits

For the year ended September 30, 2008, the City implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB Statement 45). GASB Statement 45 requires the recording of an other postemployment benefit (OPEB) liability that relates to the City's future liability for current and future retirees of the City for benefits other than pensions, such as medical insurance. The statement is recorded prospectively in the first year of implementation. Details relating to the City's OPEB liability and its calculation are provided at Note 8 - Postemployment Benefits.

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 not less than 15 days subsequent to the time

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

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

Budgetary Information (Continued)

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, 2008 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

A deficit was accumulated in the Quail Creek Public Improvement District Fund through September 30, 2008 in the amount of \$937. The Quail Creek Public Improvements District was created during the 2007 fiscal year. Upon completion of the development, the assessment process will be presented to the City Commission for approval. There is a deficit fund balance of \$15 reported in the Women, Infants, and Children Fund through September 30, 2008. During the fiscal year ending September 30, 2008, the City adjusted for postemployment health benefits as required by GASB Statement 45. This adjustment is \$14,682,580 and results in a deficit fund balance of \$9,075,267 in the Employee Insurance Fund.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

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, must be collateralized by securities or insured by a bond. At September 30, 2008, demand deposit and time deposits held by the depository institution, before reduction for checks issued and not presented, were in the total amount of \$11,807,048 and the accounts are collateralized by securities in the amount of \$15,782,766.

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

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 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.

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, 2008, the weighted average maturity of the City's investment securities was 0.91 years, excluding the securities lending investments.

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 70% of the portfolio reduced by the percentage invested in commercial paper.
- Commercial paper with stated maturities of 270 days or less meeting specified rating criteria, limited to 15% of the portfolio.
- Highly rated investment pools and no-load money market mutual funds.
- Taxable municipal bonds, limited to 10% of the portfolio.
- 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

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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>Cash Collateral Received/Securities Collateral Value</u>	<u>Cash Collateral Investment Value</u>
Lent for cash collateral	\$ -	\$ -	\$ -
Lent for securities collateral - fixed income securities	138,819,347	142,081,469	-
	<u>\$ 138,819,347</u>	<u>\$ 142,081,469</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, 2008, the City did not have cash collateral. These investments in the money market mutual fund 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 liability for the return of the cash collateral shown as collateral held for securities lending in the statement of net assets.

At September 30, 2008, 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 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. These investments are AAA rated (or equivalent by a nationally recognized credit rating agency). The Investment Policy also allows for investment in commercial paper that is rated not less than A-1, P-1 or the equivalent by at least two nationally recognized credit rating agencies. 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 no-load money market mutual fund that is continuously rated AAA or AAAM (or equivalent).

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 a tri-party agreement with the depository 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, 2008 and the corresponding weighted average maturity is shown in Table 1 below:

	Fair Value		Total	Weighted Average Maturity (Years)
	Unrestricted Assets	Restricted Assets		
Investment Securities				
U.S. Government and government-sponsored agencies	\$ 148,611,981	\$ -	\$ 148,611,981	1.16
Municipal Bond securities	3,363,826		3,363,826	1.20
Total investment securities	151,975,807	-	151,975,807	1.16
No-load U.S. Treasury-only mutual funds	38,177,775	4,655,463	42,833,238	
Total investments	190,153,582	4,655,463	194,809,045	0.91
Add: Time deposits with original maturities over three months	171,395	-	171,395	0.32
Total investments	190,324,977	4,655,463	194,980,440	0.91
Deduct: Cash equivalents	(38,177,775)	(4,655,463)	(42,833,238)	
Net investments for financial reporting	<u>\$ 152,147,202</u>	<u>\$ -</u>	<u>\$ 152,147,202</u>	1.16

Table 1 – Investment Securities and Corresponding Weighted Average Maturity

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 2007 tax roll for the 2007/08 fiscal year was \$0.28371 per \$100 of assessed valuation, resulting in a tax levy in the amount of \$25,933,603 on taxable value of \$9,140,884,515. The \$0.28371 rate is the same rate assessed for the year 2006/2007.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 4 - TAXES (CONTINUED)

Property taxes receivable at September 30, 2008 are reflected in Table 2 below:

<u>Year of Levy</u>	
2007	\$ 384,490
2006	171,033
2005	106,899
2004	74,525
2003	65,218
2002	94,251
2001	64,011
2000	58,490
1999	41,856
1998	35,058
1997	25,336
1996	14,465
1995	14,906
Prior	<u>63,918</u>
Total taxes receivable	1,214,456
Less: Allowance for estimated uncollectible portion	<u>(922,159)</u>
Net taxes receivable	292,297
Less: Provisions for collections deferred over 60 days	<u>(206,497)</u>
Amount available (reserved in accordance with City ordinances)	<u>\$ 85,800</u>

Table 2 – Taxes Receivable at September 30, 2008

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, the Water Sewer System maintains 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:

	<u>Restricted Assets</u>	<u>Related Liabilities</u>	<u>Restricted Net Assets</u>
Revenue bond interest and redemption	\$ 2,181,534	\$ 1,290,000	\$ 891,534
Revenue bond reserve	<u>2,473,929</u>	<u>–</u>	<u>2,473,929</u>
Total bond debt service/retirement	<u>\$ 4,655,463</u>	<u>\$ 1,290,000</u>	<u>\$ 3,365,463</u>

Table 3 – Water and Sewer Restricted Funds/Reserved Retained Earnings

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

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 was as follows:

	Balances October 1, 2007	Additions	Deletions	Balances September 30, 2008
Capital assets used by governmental activities, at cost				
Capital assets, not being depreciated				
Land	\$ 8,122,963	\$ -	\$ 252,460	\$ 7,870,503
Capital projects in process	8,071,718	57,632,770	50,078,560	15,625,928
Total capital assets, not being depreciated	<u>16,194,681</u>	<u>57,632,770</u>	<u>50,331,020</u>	<u>23,496,431</u>
Capital assets, being depreciated				
Infrastructure	211,873,446	7,760,427	358,132	219,275,741
Building and other improvements	152,046,866	44,369,357	42,611	196,373,612
Equipment and vehicles	69,169,292	7,645,987	5,094,645	71,720,634
Library collections	7,276,471	436,960	300,934	7,412,497
Total capital assets, being depreciated	<u>440,366,075</u>	<u>60,212,731</u>	<u>5,796,322</u>	<u>494,782,484</u>
Less accumulated depreciation for:				
Infrastructure	78,901,874	4,318,765	170,700	83,049,939
Buildings and other improvements	57,869,579	5,810,238	42,612	63,637,205
Equipment and vehicles	44,179,706	6,671,227	4,712,246	46,138,687
Library collections	2,733,360	422,769	300,935	2,855,194
Total accumulated depreciation	<u>183,684,519</u>	<u>17,222,999</u>	<u>5,226,493</u>	<u>195,681,025</u>
Total capital assets, being depreciated, net	<u>256,681,556</u>	<u>42,989,732</u>	<u>569,829</u>	<u>299,101,459</u>
Net capital assets used by governmental activities	<u>272,876,237</u>	<u>100,622,502</u>	<u>50,900,849</u>	<u>322,597,890</u>
Capital assets used by business-type activities, at cost:				
Enterprise funds				
Water and sewer utility plant	472,492,401	20,914,974	80,069	493,327,306
Airport assets	104,278,379	2,141,488	-	106,419,867
Total cost	<u>576,770,780</u>	<u>23,056,462</u>	<u>80,069</u>	<u>599,747,173</u>
Less accumulated depreciation for				
Water and sewer utility plant	124,874,763	9,348,296	73,175	134,149,884
Airport assets	56,210,495	3,320,934	-	59,531,429
Total accumulated depreciation	<u>181,085,258</u>	<u>12,669,230</u>	<u>73,175</u>	<u>193,681,313</u>
Net capital assets used by business-type activities	<u>395,685,522</u>	<u>10,387,232</u>	<u>6,894</u>	<u>406,065,860</u>
Government-wide net capital assets	<u>\$ 668,561,759</u>	<u>\$ 111,009,734</u>	<u>\$ 50,907,743</u>	<u>\$ 728,663,750</u>

Table 4 - Capital Asset Activity

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

Governmental activities	
General government	\$ 64,876
Staff services	1,228,301
Police protections	667,632
Fire protection	410,596
Other public safety and health	333,501
Streets, traffic and engineering	4,931,675
Culture and recreation	3,575,513
Solid waste services	488,897
Transit services	345,978
Total governmental fund departments	<u>12,046,969</u>
Internal service fund depreciation allocable to governmental activities based on predominant usage	<u>5,176,030</u>
Total governmental activities	<u>\$ 17,222,999</u>

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Business-type activities	
Water and sewer system	\$ 9,348,296
Airport	<u>3,320,934</u>
Total business-type activities	<u>\$ 12,669,230</u>

Water and Sewer System Capital Assets

The City of Amarillo is one of 11 cities that 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 related infrastructure recorded on the City's books for CRMWA assets at September 30, 2008 is \$50.3 million. The related amortized cost of these assets is \$15.9 million.

In order to enhance supply and improve taste the City blends its 11,117 acre feet of surface water with underground water pumped out of the Ogallala Aquifer by its wells located in Carson, Randall and Roberts counties.

The City owns \$36,680,349 of underground water rights in Roberts, 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 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.

During the 2004-05 fiscal year, the City entered into an agreement with the CRMWA to swap water rights in Roberts County for water rights in Potter and Carson counties adjacent to the City's existing water rights in Potter and Carson counties. The swap is on an estimated gallon for gallon basis. The CRMWA is procuring water rights in those counties for the swap. The actual swap took place in 2007.

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	\$ 5,043,232
Interest expenses capitalized	\$ 748,708

The interest expense not meeting the capitalization criteria represents the \$3,277,990 of CRMWA charges associated with that entity's bonded indebtedness and \$1,016,534 of Water and Sewer Revenue Bond interest not subject to the capitalization requirements.

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.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Airport Capital Assets (Continued)

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.

NOTE 7 - 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.

The City's total payroll for the fiscal year ended September 30, 2008 was \$78,070,354 and the portion covered by the two plans was as follows:

Texas Municipal Retirement System (TMRS)	\$ 61,157,698
Firemen's Relief and Retirement System (FRRF)	<u>13,834,073</u>
Total covered payroll	<u>\$ 74,991,771</u>

Including current employees, annuitants and terminated employees entitled to future benefits, the City had 2,229 members of TMRS and 373 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

All permanent, full-time City employees who are not firefighters are covered by the state-wide Texas Municipal Retirement System (TMRS) through a nontraditional, joint-contributory, hybrid defined benefit plan. The City's plan is one of 827 administered by TMRS, an agent, multiple-employer, public-employee retirement system. It 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.

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, 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

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 7 - RETIREMENT BENEFITS (CONTINUED)

Plan Description (Continued)

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. The City also provides on an annually repeating basis, annuity increases for retirees equal to 70% of the change in the consumer price index (CPI).

Members can retire at ages 60 and above with 10 or more years of service or at any age with 20 years or more 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.

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. This rate consists of the normal, cost-contribution rate and the prior-service, contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal, cost-contribution rate finances the currently accruing, monetary credits due to the City's matching percent (currently 2 times 7%, or 14%), which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal, cost-contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior-service, contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The City annually adopts updated service credits and increases in annuities, which increased the unfunded actuarial liability that is amortized over a new 25-year period.

Because the actuary determines contribution rates on an annual basis and the City pays the calculated rate each month, the City's net pension obligation is always zero and, similarly, the annual pension cost, the annual contributions required, and the contributions made are always equal.

Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2007 valuation is effective for rates beginning January 2009).

The City's total payroll in fiscal year 2008, exclusive of firefighters, was \$63,549,832 and the City's contributions were based on a covered payroll of \$61,157,698. Both the City and the covered employees made the required contributions. The City's contribution was \$9,428,418. The employees' contributions of 7% of payroll amounted to \$4,281,039.

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 7 - RETIREMENT BENEFITS (CONTINUED)

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)	Percentage of APC Contributed	Net Pension Obligation
9/30/08	\$9,428,418	100%	\$ -
9/30/07	8,829,849	100%	-
9/30/06	8,376,175	100%	-

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of the actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report.

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumption or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate). Using the phase-in period, the City's rate will increase at January 1, 2009 to 16.58% with a full rate of 22.34%.

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation the City's unfunded actuarial accrued liability would have been \$76,864,125 and the funded ratio would have been 64.1%. However, with the changes in funding methods and assumptions, the City's unfunded actuarial accrued liability increases to \$115,005,191 and the funded ratio drops to 54.4%.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in City contribution rates, following the December 31, 2009 actuarial valuation.

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 7 - RETIREMENT BENEFITS (CONTINUED)

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 December 31, 2007 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 December 31, 2007, 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	146
Current employees:	
Vested	74
Partially vested	63
Nonvested active employees	90
Total	373

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.

Because City contribution rates are determined by ordinance, and the City always pays the calculated rate each month, the City always has a net pension obligation of zero; consequently, the annual pension cost, the annual required contributions, and the contributions made are equal.

The firefighters' total payroll in fiscal year 2008 was \$14,520,522 and the City's contributions were based on a covered payroll of \$13,834,073. The City made the required contributions of \$2,115,467,

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 7 - RETIREMENT BENEFITS (CONTINUED)

Funding Policy and Contribution (Continued)

\$1,904,915, and \$1,759,963 for fiscal years ending 2008, 2007, and 2006, respectively. The firefighters made required contributions of \$1,515,992, \$1,363,976, and \$1,215,361 for the fiscal years ending 2008, 2007, and 2006, respectively.

Funding Status

The most recent actuarial valuation was performed as of December 31, 2007. Valuations are performed biennially. The actuarial accrued liability is the actuarial present value of credited projected benefits, prorated on service, and discounted at a rate equal to the expected return on present and future plan assets. 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. 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 15.48% by the City and 11% by employees, 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 starting age for benefits of terminated members to average age 50.

The amortization of the unfunded actuarial accrued liability was determined as a level percentage of projected payroll. As of December 31, 2007 the amortization period of the unfunded actuarial accrued liability is 22.5 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 December 31, 2007 of 22.5 years meets the Pension Review Board Guidelines. The City of Amarillo has always met the contribution requirements during the required look-back period and, accordingly, the net transition obligation and the net pension obligation as of the date of implementation of GASB Statement No. 27 were zero.

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 December 31, 2007, the actuarial value of plan assets was \$112,656,382 and the fair market value was \$116,023,723.

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.

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

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/08	\$ 2,115,467	100%	\$ -
9/30/07	1,904,915	100%	-
9/30/06	1,759,963	100%	-

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 7 - RETIREMENT BENEFITS (CONTINUED)

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:

	TMRS	FRRF	Totals
	Dec 31 2007	Dec 31 2007	
Actuarial accrued liability	\$252,373,671	\$122,323,458	\$374,697,129
Net assets available for benefits			
asset valuation based on cost or adjustment cost	(137,368,480)	-	(137,368,480)
Net asset available for benefits			
asset valuation based on smoothed market	-	(112,656,382)	(112,656,382)
Unfunded (overfunded) actuarial accrued liability	\$115,005,191	\$ 9,667,076	\$124,672,267

Table 5 – Unfunded (Overfunded) Actuarial Accrued Liability

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 as amended by GASB Statement No. 50, may be found in the Required Supplementary Information section of this report on page 94 (TMRS plan) and page 95 (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. The TMRS Comprehensive Annual Financial Report and other information concerning this plan may be obtained from Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153, or at <http://www.tmr.org>.

Salaries for City personnel who help administer the Firemen's Relief and Retirement Fund (FRRF) 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.

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 7 - RETIREMENT BENEFITS (CONTINUED)

Deferred Compensation Plan (Continued)

At September 30, 2008, there was \$22,912,196 in the plan administered by Nationwide Retirement Solutions, Inc., \$934,052 in the plan being administered by ICMA Retirement Corporation, and \$2,923,751 in the plan administered by Valic Retirement Solutions, Inc. Under IRC 457(g), the assets in these plans are held in trust for the exclusive benefit of the participants and their beneficiaries.

NOTE 8 - POSTEMPLOYMENT BENEFITS

The City of Amarillo is required to implement 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.

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, 2008, 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.

Plan Description

The City currently pays for postemployment healthcare benefits on a pay-as-you-go basis.

Annual Other Postemployment Benefit Cost (OPEB)

For the fiscal year ended September 30, 2008, the City's annual OPEB cost (expense) of \$16,671,974 was equal to the annual required contribution (ARC). Considering the annual expense less pay-as-you-go cost of \$2,079,394 for retirees, the result was an increase in the net OPEB obligation of \$14,682,580 for the year ended September 30, 2008.

Benefit Obligation and Normal Cost

Actuarial present value of benefits	<u>\$ 307,427,321</u>
Unfunded actuarial accrued liability	
Actuarial accrued liability	\$ 188,899,159
Actuarial value of assets	<u> —</u>
Unfunded actuarial accrued liability	<u>\$ 188,899,159</u>
Present value of future normal costs	<u>\$ 118,528,162</u>
Annual required contribution	
Normal cost	\$ 8,898,984
Amortization of UAAL	7,218,299
Interest on above amounts to end of year	<u>644,691</u>
Annual required contribution	<u>\$ 16,761,974</u>

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 8 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Obligation

Annual required contribution	\$ 16,761,974
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	16,761,974
Employer contributions with interest	<u>(2,079,394)</u>
Increase in net OPEB obligation	14,682,580
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u>\$ 14,682,580</u>

Schedule of Employer Contributions

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Employer</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
9/30/08	\$16,761,974	\$ 2,079,394	12%	\$ 14,682,580

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.

During the last fiscal year, the City hired an actuary to estimate the liability of the City's current retiree health program and the impact of GASB Statement No. 45. The date of this study is January 1, 2006. The actuarial liability was determined under the projected unit credit actuary cost method. Using a 4% discount rate, the actuarial liability for the retiree health program for both active and retired members is \$188,899,159. The annual required contribution to fund this actuarial liability is \$16,761,974.

NOTE 9 - 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.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 9 - COMMITMENTS (CONTINUED)

The blending of the groundwater with the lake water increased both the quantity and quality of the water. CRMWA is developing additional water rights in their Phase III well field project. The Phase III well field area is located about 18 miles northeast of Pampa, Texas. It will be comprised of multiple high capacity wells and a transmission pipeline. The Phase III well field is expected to be operational by early 2010. The City's portion of the CRMWA phase III project is estimated to be about \$8.7 million and will require additional annual payments of approximately \$781,000 from our Water and Sewer System for about 20 years.

The City leases facilities adjoining to the City's Civic Center from the Amarillo-Potter Events 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 2008-09. However, the City has appropriated \$1,110,841 of its available Fund Balance in the City's 2008-09 budget for it's 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, 2008, the City had commitments with respect to completion of various capital projects, as 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, additionally 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. Additionally, at the end of the fiscal year ending September 30, 2007, the City issued \$24,575,000 in Combination Tax and Revenue Certificates of Obligation Bonds. Proceeds from these bonds have been reserved in a separate capital projects fund to account for specific construction projects. However, commitments of this fund are included in Table 6 below under General Construction commitments.

	<u>Project Authorizations</u>	<u>Expected Outside Funding Sources</u>	<u>Outside Funding Received</u>	<u>Complete at September 30, 2008</u>	<u>City's Remaining Committed</u>
Governmental activities					
Street improvements	\$ 8,326,129	\$ 7,263,609	\$ -	\$ 814,289	\$ 248,231
General construction	64,090,774	28,421,761	5,676,262	9,362,147	31,983,128
Solid Waste improvements	13,366,350	-	-	3,483,232	9,883,118
Golf course improvement	95,000	-	-	-	95,000
Civic Center improvements	1,923,834	-	-	946,738	977,096
Total - governmental fund activities	<u>87,802,087</u>	<u>35,685,370</u>	<u>5,676,262</u>	<u>14,606,406</u>	<u>43,186,573</u>
Internal service fund projects					
Information services	3,837,251	1,098,500	98,500	938,954	1,898,297
Municipal garage	1,650,000	-	-	7,446	1,642,554
Total - all governmental-type activities	<u>93,289,338</u>	<u>36,783,870</u>	<u>5,774,762</u>	<u>15,552,806</u>	<u>46,727,424</u>
Business-type activities					
Water and sewer system improvements	58,305,034	20,683,018	340,989	21,367,938	16,595,067
Airport	20,586,047	15,203,915	4,011,847	4,595,437	4,798,542
Total - all business-type activities	<u>78,891,081</u>	<u>35,886,933</u>	<u>4,352,836</u>	<u>25,963,375</u>	<u>21,393,609</u>
Total - all city project	<u><u>\$ 172,180,419</u></u>	<u><u>\$ 72,670,803</u></u>	<u><u>\$ 10,127,598</u></u>	<u><u>\$ 41,516,181</u></u>	<u><u>\$ 68,121,033</u></u>

Table 6 - Unfinished Construction Projects

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 9 - COMMITMENTS (CONTINUED)

Subsequent to year end, the City's application to the Texas Water Development Board for financial assistance from the Water Infrastructure Fund was approved. Funding assistance is being requested in connection with the development of a new well field to be located in Potter County northeast of the City. The total estimated cost of this project is \$89.27 million. \$5.69 million is included as commitments in the above table in the Water and Sewer Fund. These funds are committed to the project from Water and Sewer reserves and include pre-construction and design cost. Application to the Texas Water Development Board is in the amount of \$83.58 million. At the December 15, 2008 meeting, the Texas Water Development Board will provide funding of \$38,885,000 in the form of Combination Tax and Revenue Bonds at a favorable interest rate of two percentage points below market. The additional \$44.7 million needed for the project will be provided by another debt issuance by the City. The \$83.58 million commitment is not included in the above table.

Subsequent to year end, the City 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 \$40 million. Funding for the project will be derived from \$17.1 million in combination revenue bonds, \$15.2 million in AIP FAA entitlement grants, \$900,000 from passenger facilities charges, and \$6.6 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 landscaping, 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 on-going 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 2008, there was approximately \$49,000 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 2009 fiscal year are \$150,000.

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, 2008 there was approximately \$864,000 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

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 9 - COMMITMENTS (CONTINUED)

amenities at the Colonies were originally estimated to be approximately \$4.6 million and estimated expenditures for the 2009 fiscal year are approximately \$200,000. The other PIDs are fully developed and there is not an amount to be paid to the developer.

NOTE 10 - LONG-TERM OBLIGATIONS

Tax Supported Debt

The City issued \$6,910,000 of general obligation bonds dated July 17, 2001 for the purpose of constructing and equipping two new library facilities, including the acquisition of the necessary sites. Debt service is to be funded out of ad valorem tax levies. Interest is payable in semi-annual installments which began February 15, 2002, at rates ranging from 4.25% to 5.125%, and the serial bonds mature annually to August 15, 2022 in amounts ranging from \$275,000 to \$500,000. The City has reserved the right to redeem the bonds with maturities on or after August 15, 2011 on August 15, 2010 or any date thereafter. The bonds are insured by the Financial Guaranty Insurance Company (FGIC). In January 2008 Standard & Poor's Ratings Services (S&P) downgraded the Insurer Financial Strength rating of FGIC from AAA to AA. This rating action has no affect on the City's underlying rating, nor does it affect the original terms of the bonds. The City still has remaining proceeds from the 2001 issue that the City intends to spend during the 2008/2009 fiscal year; however the earnings on the remaining proceeds have been yield restricted.

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 to meet public facility and infrastructure needs. Interest is payable in semi-annual installments which begin 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 \$130,000 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.

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 were 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 \$40,000 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 \$25,000 to \$45,000. Final maturity is August 15, 2023.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

Special Assessment Debt (Continued)

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 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 \$20,000 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 \$45,000 to \$110,000. The final maturity is February 15, 2028.

Water and Sewer Revenue 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 \$915,000 to \$1,415,000 and provide for interest rates ranging from 4% to 5%.

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. The outstanding bonds mature annually through 2023 in principal amounts ranging from \$375,000 to \$625,000 and provide for interest rates ranging from 3.00% to 4.40%.

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 4.0% to 4.50%.

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

Water and Sewer Revenue Bonds (Continued)

A summary of changes in Water and Sewer System bonded debt for the year ended September 30, 2008, is as follows:

Principal balances outstanding, October 1, 2007	\$ 39,490,000
Principal maturities	<u>(1,245,000)</u>
Balances, September 30, 2008	38,245,000
Balance of unamortized refunding and issuance costs	<u>(1,134,651)</u>
Net balances, September 30, 2008	<u>\$ 37,110,349</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. At September 30, 2008, this obligation was \$2,905,376 and the amount available in this account was \$2,181,534.
- 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, 2008, the combined requirement amounted to \$2,473,929 and the amount available in this account was \$2,473,929.

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 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.

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. The bonds are secured by a lien on contract revenues, consisting of the member cities' project agreement payments. At September 30, 2008, the City's

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

Water Authority Obligations (Continued)

proportionate share of this indebtedness was \$4,752,517 and its share of the unamortized discount obtained for early retirement of the Bureau of Reclamation debt was \$3,003,926.

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. At September 30, 2008, the City's proportionate share of this indebtedness was \$224,878.

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.

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.

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. At September 30, 2008, the City's portion of the outstanding remaining principal for the 1999 issue is \$3,895,965 and the City's portion of the 2005 Refunding bonds is \$18,367,003. The refunding was undertaken to reduce total debt service payments over the next sixteen years by approximately \$1,215,000 and resulted in an economic gain of approximately \$986,000. This issue will be amortized by future payments, including interest, of approximately \$3,000,000 per annum through 2014 followed by lesser amounts through 2020. 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, 2008. 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 be paying 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. In total the payments to CRMWA will remain constant through out 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 \$19,294,221 at September 30, 2008.

During 2009, CRMWA will be issuing debt in the amount \$23,525,000. The City has agreed to participate in this issue and the City's proportionate share of this indebtedness will be \$8.7 million. The City anticipates annual debt service payments of approximately \$781,000.

Bonds are secured by a lien on the participating member cities' project payments.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 10 - 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, 2008, is reflected in the following table:

Principal outstanding, October 1, 2007	\$ 68,846,778
Principal maturities	<u>(2,844,608)</u>
Principal outstanding, September 30, 2008	66,002,170
Proportionate share of related reserves, unamortized issuance cost, and gain on refunding	(3,453,158)
Unamortized redemption discount/premium	<u>6,231,352</u>
Net balances, September 30, 2008	<u>\$ 68,780,364</u>

Bond issues outstanding at September 30, 2008 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 2001	4.25 - 5.125%	2022	\$ 5,240,000	\$ 275,000 - \$ 500,000
Combination tax/revenue certificates of obligation, series 2007	4.00 - 5.25%	2027	24,575,000	130,000 - 2,000,000
Payable from special assessments				
Combination tax/revenue certificates of obligation, series 2001	4.45%	2016	365,000	40,000 - 55,000
Combination tax/revenue certificates of obligation, series 2003	3.70%	2023	510,000	25,000 - 45,000
Combination tax/revenue certificates of obligation, series 2006	4.75%	2026	543,658	18,920 - 43,909
Combination tax/revenue certificates of obligation, series 2008A	4.28%	2028	600,000	20,000 - 45,000
Combination tax/revenue certificates of obligation, series 2008B	4.08%	2028	1,500,000	45,000 - 110,000
Waterworks and Sewer Revenue Bonds				
2003 revenue issuance	3.00 - 4.40%	2023	7,250,000	375,000 - 625,000
2005 revenue issuance	4.00 - 5.00%	2019	12,505,000	915,000 - 1,415,000
2006 revenue issuance	4.00 - 4.50%	2032	9,120,000	305,000 - 655,000
2006A revenue issuance	4.25 - 4.38%	2027	<u>9,370,000</u>	1,010,000 - 1,350,000
Total City of Amarillo issuances			71,578,658	
Canadian River Water Authority indebtedness				
1999 conjunctive use water supply issuance	4.60 - 5.63%	2020	3,895,965	109,976 - 734,985
1999 refunding issuance	4.00 - 5.00%	2018	4,752,517	389,439 - 534,729
1999 salinity control project issuance	3.80 - 4.40%	2010	224,878	56,735 - 168,143
2005 refunding issuance	3.00 - 5.00%	2020	18,367,003	601,054 - 1,858,695
2005 revenue issuance	3.00 - 5.25%	2025	19,467,586	370,012 - 3,558,140
2006 revenue issuance	4.25 - 5.00%	2027	<u>19,294,221</u>	673,472 - 1,529,487
Total City share of Water Authority indebtedness			<u>66,002,170</u>	
Total bond issues outstanding			<u>\$ 137,580,828</u>	

Table 7 - Description of Individual Bond Issues Outstanding

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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 Debt		Water & Sewer Revenue Debt		Water Authority Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2009	\$ 405,000	\$ 2,222,016	\$ 150,566	\$ 152,784	\$ 1,290,000	\$ 1,615,376	\$ 2,980,862	\$ 3,276,339	\$ 4,826,428
2010	1,190,000	1,437,049	156,563	139,529	1,335,000	1,566,676	2,994,841	3,141,108	5,676,404	6,284,362
2011	1,240,000	1,388,380	162,611	132,780	1,390,000	1,515,801	3,071,551	3,013,230	5,864,162	6,050,191
2012	1,295,000	1,337,580	173,708	125,877	1,440,000	1,462,183	3,218,447	2,870,345	6,127,155	5,795,985
2013	1,345,000	1,284,205	184,860	118,304	1,800,000	1,399,345	3,373,008	2,721,713	6,702,868	5,523,567
2014-2018	7,690,000	5,452,686	923,617	469,597	10,220,000	5,692,048	19,384,269	10,874,416	38,217,886	22,488,747
2019-2023	9,230,000	3,390,062	962,029	277,600	10,685,000	3,303,341	21,322,585	5,797,083	42,199,614	12,768,086
2024-2028	7,420,000	998,812	804,704	81,625	7,625,000	1,281,572	9,656,607	846,630	25,506,311	3,208,639
2029-2033	-	-	-	-	2,460,000	227,475	-	-	2,460,000	227,475
	<u>\$ 29,815,000</u>	<u>\$ 17,510,790</u>	<u>\$ 3,518,658</u>	<u>\$ 1,498,096</u>	<u>\$ 38,245,000</u>	<u>\$ 18,063,817</u>	<u>\$ 66,002,170</u>	<u>\$ 32,540,864</u>	<u>\$ 137,580,828</u>	<u>\$ 69,613,567</u>

Table 8 – Annual Debt Service Requirements, Including Interest

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, 2008, under the annual leave policy was \$7,177,398 and compensated time policy was \$817,017 and under the sick leave policy was \$8,994,086.

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

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Balances at October 1, 2007	\$ 15,274,772	\$ 1,493,149
Terminations paid	(1,753,114)	-
Leave accrued	<u>1,972,675</u>	<u>1,019</u>
Balances at September 30, 2008	<u>\$ 15,494,333</u>	<u>\$ 1,494,168</u>

Substantially all of the above obligations are estimated to be noncurrent.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

Provision for Compensated Absences (Continued)

In 1997 the City established a debt service fund to provide for the portion of the liability applicable to the General fund. The net assets in the fund at September 30, 2008 were approximately \$14,851,000; \$643,610 of the obligation is funded in separate internal service funds and is accrued as a liability of these funds.

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, which is an increase from 16,859,000 tons. It is estimated that 14% of the revised capacity was filled at September 30, 2008, and that the landfill has a projected remaining life of approximately 102 years. 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. Four cells, representing 215 acres with a total capacity of 14,186,300 tons or approximately 33% of the total site capacity, are currently open. It is estimated that at September 30, 2008, these four cells were approximately 42% 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.

Based on the cumulative usage of 5,987,000 tons at September 30, 2008, 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	\$ 1,200,245
Cost of postclosure care and monitoring	<u>261,340</u>
Total estimated accrued liability	<u>\$ 1,461,585</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 bond rating of Aa2, 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

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 10 - LONG-TERM OBLIGATIONS (CONTINUED)

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.

Long-term liabilities activity for the year ended September 30, 2008 was as follows:

	Balance Sept. 30, 2007	Amortization/ Accretion	Additions	Reductions	Balance Sept. 30, 2008	Due within One year
Bonds Payable:						
Governmental Activities						
General Obligation Bonds	\$ 5,505,000	\$ -	\$ -	\$ (265,000)	\$ 5,240,000	\$ 275,000
Tax Supported Certificates of Obligation	24,575,000	-	-	-	24,575,000	130,000
Unamortized Offering Premium	427,012	22,074	-	-	449,086	-
Special Assessment Debt	1,498,273	-	2,100,000	(79,615)	3,518,658	150,566
Total Governmental Activities	<u>32,005,285</u>	<u>22,074</u>	<u>2,100,000</u>	<u>(344,615)</u>	<u>33,782,744</u>	<u>555,566</u>
Business -Type Activities						
Revenue Bonds	38,257,208	98,141	-	(1,245,000)	37,110,349	1,290,000
Water Authority Obligations	71,746,062	(121,090)	-	(2,844,608)	68,780,364	2,980,862
Total Business-Type Activities	<u>110,003,270</u>	<u>(22,949)</u>	<u>-</u>	<u>(4,089,608)</u>	<u>105,890,713</u>	<u>4,270,862</u>
Total	<u>142,008,555</u>	<u>(875)</u>	<u>2,100,000</u>	<u>(4,434,223)</u>	<u>139,673,457</u>	<u>4,826,428</u>
Other liabilities:						
Governmental Activities						
Compensated Absences	15,274,772	-	1,972,675	(1,753,114)	15,494,333	-
Self-Insurance liability	12,250,161	-	3,011,321	-	15,261,482	6,593,790
Provision for landfill and postclosure care costs	1,369,913	-	91,672	-	1,461,585	-
Postemployment benefits	-	-	16,761,974	(2,079,394)	14,682,580	3,331,708
Total Governmental Activities	<u>28,894,846</u>	<u>-</u>	<u>21,837,642</u>	<u>(3,832,508)</u>	<u>46,899,980</u>	<u>9,925,498</u>
Business -Type Activities						
Compensated Absences	1,493,149	-	1,019	-	1,494,168	-
Total Business-Type Activities	<u>1,493,149</u>	<u>-</u>	<u>1,019</u>	<u>-</u>	<u>1,494,168</u>	<u>-</u>
Total	<u>30,387,995</u>	<u>-</u>	<u>21,838,661</u>	<u>(3,832,508)</u>	<u>48,394,148</u>	<u>9,925,498</u>
Total long-term liabilities	<u>\$ 172,396,550</u>	<u>\$ (875)</u>	<u>\$ 23,938,661</u>	<u>\$ (8,266,731)</u>	<u>\$ 188,067,605</u>	<u>\$ 14,751,926</u>

NOTE 11 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following tabulation reflects the composition of interfund balances at September 30, 2008.

<u>Receivable Fund</u>		<u>Payable Funds</u>	
General Fund	\$ 2,489,918	Capital Projects	\$ 1,085,000
		Fiduciary	20
		Internal Service	1,630
		Nonmajor Govt. Funds	1,403,268
	<u>\$ 2,489,918</u>		<u>\$ 2,489,918</u>
Nonmajor Govt. Funds	\$ 841,509	General Fund	\$ 827,228
		Nonmajor Govt. Funds	14,281
	<u>\$ 841,509</u>		<u>\$ 841,509</u>
Internal Service Funds	\$ 194,675	General Fund	\$ 51,568
		Internal Service	143,000
		Nonmajor Govt. Funds	107
	<u>\$ 194,675</u>		<u>\$ 194,675</u>

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 11 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

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	\$ 14,490,773	Capital Projects	\$ 12,964,034
		Internal Service	121,739
		Nonmajor Govt. Units	1,405,000
	<u>\$ 14,490,773</u>		<u>\$ 14,490,773</u>
Capital Projects	\$ 2,304,532	General Fund	\$ 769,358
		Capital Projects	522,911
		Internal Service	1,012,263
	<u>\$ 2,304,532</u>		<u>\$ 2,304,532</u>
Nonmajor Govt. Funds	\$ 742,708	General Fund	\$ 16,981
		Capital Projects	415,162
		Nonmajor Govt. Units	243,283
		Proprietary Funds	-
		Internal Services	67,282
	<u>\$ 742,708</u>		<u>\$ 742,708</u>
Proprietary Funds	\$ 89,376	Nonmajor Govt. Units	\$ 1,000
		Internal Services	88,376
	<u>\$ 89,376</u>		<u>\$ 89,376</u>
Internal Service	<u>\$ 66,666</u>	Capital Projects	<u>\$ 66,666</u>
Trusts and Agency	\$ 70,385	General Fund	\$ 21,471
		Capital Projects	48,914
	<u>\$ 70,385</u>		<u>\$ 70,385</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.

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 12 - ASSETS HELD FOR SPECIFIC PURPOSES

The following tabulation summarizes various designations imposed on the use of governmental fund balances:

Reserve for Encumbrances	\$ 427,261
Reserve for Prepaid Items	549,005
Reserve for Sick and Annual Leave	52,991
Reserve for Uncollected Taxes	85,800
Fund balances of grant funds reserved for grant purposes	538,992
Unreserved Designated for Debt Service	10,167
Unreserved Designated for Capital Projects	57,437,304
Unreserved Designated for other specific purposes	4,037,138
Unreserved Designated for sick and annual leave	<u>14,850,723</u>
Total designations on use of governmental fund balances	<u>\$ 77,989,381</u>

Net assets of business-type activities (Water and Sewer System Fund) in the amount of \$ 3,365,463 are restricted as provided by the ordinances under which the Water and Sewer Revenue bonds were issued.

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.

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, 2008 and for its fiscal year then ended, reflect the following:

Assets

Cash and cash equivalents	\$ 29,959,115
Due from member cities and other receivable	5,541,119
Inventory	72,346

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 13 - WATER SUPPLY CONTRACT (CONTINUED)

Debt Service Funds	
Restricted cash and cash equivalents	15,019,489
Due from cities	133,725,000
Bond issuance costs, net of amortization	1,387,898
Property, plant and equipment, net of accumulated depreciation	215,639,551
Liabilities and Deferred Revenues	
Current liabilities	8,559,848
Noncurrent liabilities	140,377,869
Net Assets	<u>\$ 252,406,801</u>
Revenues	
User assessments for operations	\$ 13,179,294
Other	43,382
Expenditures	
Operating expenses	15,491,540
Other Financing Sources (Uses)	
Nonoperating revenues (expenses)	1,461,784
Transfer	(35,004)
Net Decrease in Net Assets	<u>\$ (842,084)</u>

CRMWA's debt consists of the approximately \$11.1 million related to bonds issued to refund the construction obligation to the Bureau of Reclamation, \$.5 million related to debt issued to fund its share of an upriver salinity control project, and \$130.20 million related to the underground water project. The CRMWA's annual debt services requirements, including interest, range from \$3.8 million to \$12.7 million with final repayment in 2027. 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 water is 37.09%, its share of this debt is approximately \$66,802,000. 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.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 14 - HARRINGTON LIBRARY CONSORTIUM (CONTINUED)

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, 2008, the Consortium served approximately 60 libraries in addition to its members. The audited financial statements of the Consortium at September 30, 2008 and for the year then ended are summarized in the table below.

Balance Sheet

Capital assets, net of depreciation	\$ 64,618
Cash and other assets, net	1,042,573
Current liabilities	<u>20,386</u>
Net assets	<u>\$ 1,086,805</u>

Revenues

Operating revenues	\$ 314,922
Nonoperating revenues	<u>78,551</u>
Total revenues	393,473

Expenses

Operating expenses	<u>401,843</u>
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Change in net assets

\$ (8,370)

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.

Health and Accident: The City self-insures medical benefits of up to \$1,000,000 overall lifetime maximum for employees, retirees, and their covered dependents.

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 \$519,767,154. The property insurance policy also includes 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 \$1.5 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 the \$1,000,000 self-insurance retention; the City experienced an accident that did exceed the \$1,000,000 self-insurance retention during the 2007 fiscal year.

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 15 - CONTINGENCIES AND RISK MANAGEMENT (CONTINUED)

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 nor employee dishonesty, except for the minimal bonds required by law.

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. 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 \$50,000 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, 2008 related to incurred but not reported (IBNR) claims was \$2,193,184. 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, 2008. Management's estimate of the liability by the City was within recommended funding ranges of that study. A provision is also made for estimated future costs of known loss events. This provision at September 30, 2008, was \$1,291,310 and was calculated by management based on historical costs associated with similar health conditions. The post employment health benefit adjustment is \$14,682,580, which includes the annual required contribution of \$16,761,974 less the pay as you go cost of \$2,079,394.

After providing for incurred losses, the Employee Insurance Trust had net assets of \$(9,075,267) at September 30, 2008. Included in the net asset calculation is the adjustment discussed in the previous paragraph for post employment health benefits as required Governmental Accounting Standards Number 45. This adjustment is \$14,682,580 for the 2007/2008 fiscal year.

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

	<u>2008</u>	<u>2007</u>
Estimated liabilities at beginning of year	\$ 2,926,879	\$ 3,172,662
Post employment health benefits annual required contribution	16,761,974	-
Post employment health benefits pay as you go cost	(2,079,394)	-
Claims during year and changes in estimates	14,874,842	13,504,079
Payments during year	<u>(14,317,227)</u>	<u>(13,749,862)</u>
Estimated liabilities at end of year	<u>\$ 18,167,074</u>	<u>\$ 2,926,879</u>

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 15 - CONTINGENCIES AND RISK MANAGEMENT (CONTINUED)

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, airport boiler and machinery, police, auto, and excess liability; workers compensation; unemployment; property; crime/fidelity/burglary; 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.

An actuarial study of the self-insurance liability was done as of September 30, 2008. 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, 2008 to be \$11,776,988.

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 \$1.5 million.

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

	<u>2008</u>	<u>2007</u>
Estimated liability at beginning of year	\$ 9,323,282	\$ 10,840,402
Claims during year and changes in estimates	4,640,326	362,070
Payments during year	<u>(2,186,620)</u>	<u>(1,879,190)</u>
Estimated liability at end of year	<u>\$ 11,776,988</u>	<u>\$ 9,323,282</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, 2008.

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.

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 16 - CONDUIT DEBT OBLIGATIONS (CONTINUED)

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 Industrial Development Corporation	23	\$ 47,936,000
Amarillo Health Facilities Corporation	27	287,545,000
Amarillo Housing Finance Corporation	5	35,086,708
Amarillo Housing Corporation	1	<u>2,460,000</u>
		<u>\$ 373,027,708</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.

On May 7, 1996 the 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*. 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.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 17 - AMARILLO HOSPITAL DISTRICT (CONTINUED)

Agreements with Respect to Hospital Sale (Continued)

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, 2008 and 2007, the District recognized approximately \$6,356,000 and \$6,437,000, respectively, in indigent care expenses relating to the agreement.

Effective November 9, 2006, an agreement was entered into by and between the District and UHS to temporarily suspend the indigent care agreement dated May 7, 1996 for the period from November 9, 2006 through November 8, 2008. 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. In addition, the parties entered into a Healthcare Services Agreement (HCA), also effective November 9, 2006, whereby UHS will provide health care services to indigent and needy persons residing in the district for a term of two years. This agreement was also amended in October 2007 and again in June 2008. The amendment extends the HCA until August 8, 2010. This old agreement called for a payment of approximately \$12,712,000 for the two-year term of the contract. This payment was remitted by the District on November 20, 2006. Under the new agreements the District made additional prepaid payments of \$10,617,911. The agreements were amended a third time in October 2008 suspending the indigent care agreement to August 2011 and a payment of \$5,526,945 was made on December 1, 2008.

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, 2008 are as follows:

	Fair Value			Weighted Average Maturity (Years) (excluding securities lending)
	Unrestricted Assets	Restricted Assets	Total	
Investment Securities				
U.S. Treasury obligations	\$ 11,670,858	\$ -	\$ 11,670,858	6.69
U.S. Government and government-sponsored agencies	173,045,111	-	173,045,111	28.33
Municipal bonds	9,654,295	-	9,654,295	4.12
Total investment securities	194,370,264	-	194,370,264	39.14
No-load U.S. Treasury-only mutual funds	15,722,699	-	15,722,699	-
Total investments	210,092,963	-	210,092,963	39.14
Deduct: Cash equivalents	(15,722,699)	-	(15,722,699)	-
Add: Secured lending transactions	8,291,369	-	8,291,369	-
Net investments for financial reporting	\$ 202,661,633	\$ -	\$ 202,661,633	39.14

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 17 - AMARILLO HOSPITAL DISTRICT (CONTINUED)

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 \$6,175 for the year ended September 30, 2008 represents collections of delinquent taxes.

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. The District received distributions under this provision in the amount of approximately \$767,000 in 2008.

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, 2007 reflected an actuarial accrued liability of approximately \$31,030,000 and net assets available for benefits, at "smoothed" market, of approximately \$18,999,000, resulting in an unfunded liability of approximately \$12,031,000. 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, 2008, a contribution of \$1,915,336 was made to the plan by the District.

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, 2007, the plan had 282 participants classified as "active" under this provision, although the plan was "frozen" as it relates to District participants, as well as 390 retirees and 235 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.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 17 - AMARILLO HOSPITAL DISTRICT (CONTINUED)

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.

The District has a contract with Texas Tech University (Texas Tech) to manage the Poison Center in Amarillo. The Poison Center is entirely grant funded and the District remits 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, 2008 and 2007, the District paid approximately \$1,117,000 and \$1,241,000, respectively, for pediatric subspecialty care. The District funded the Community Dental Clinic for approximately \$247,000 for the year ended September 30, 2007. For the year ended September 30, 2008, the District paid Regence Health Network, Inc. approximately \$286,000 to provide dental services. Also in 2008 and 2007, the District spent \$291,000 and \$252,000, respectively, on the Tobacco Free Amarillo program.

For the year ended September 30, 2009, the District has committed to fund pediatric services, dental services and tobacco prevention services for approximately \$1,366,000.

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

The 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.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 18 - AMARILLO ECONOMIC DEVELOPMENT CORPORATION (CONTINUED)

Operations (Continued)

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.

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.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 18 - AMARILLO ECONOMIC DEVELOPMENT CORPORATION (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Preparation

A summary of the AEDC's investment securities at September 30, 2008 is as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Investments		
Federal agencies	\$ 19,920,000	.14
Money market mutual funds	<u>28,286,367</u>	<u>-</u>
Total investments at fair value	46,206,367	.07
Deductions		
Classified as cash equivalents for financial reporting	<u>(34,274,767)</u>	<u>.02</u>
Net investments	<u>\$ 11,931,600</u>	<u>.22</u>

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, 2008 is as follows:

Principal balances	\$ 118,348
Allowance for job credits	(2,016)
Allowance for uncollectible accounts	<u>(47,298)</u>
Loans net of allowances	<u>\$ 69,034</u>

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, 2008, AEDC had increased the total funding capacity under the location incentive agreement to \$85 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

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 18 - AMARILLO ECONOMIC DEVELOPMENT CORPORATION (CONTINUED)

Direct Financing Leases (Continued)

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, 2008, AEDC's net investment in this lease was \$16,954,088.

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, 2008, AEDC's net investment, less discount for jobs credits, in this lease was \$5,444,427.

The expansion to the Hanger 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, 2008, AEDC's net investment in this lease, less discount for jobs credits, was \$7,796,227.

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, 2008, AEDC's net investment in this lease, less discount for jobs credits was \$8,135,805.

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 two other direct financing leases, with a total carrying value of \$1,473,681 as of September 30, 2008. 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>
2009	\$ 4,155,167	\$ 162,767
2010	4,155,167	165,267
2011	4,155,167	165,267
2012	4,155,167	165,267
2013	4,155,167	165,266
Future years	<u>34,826,586</u>	<u>319,314</u>
	<u>\$ 55,602,421</u>	<u>\$ 1,143,148</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.

**CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008**

NOTE 18 - AMARILLO ECONOMIC DEVELOPMENT CORPORATION (CONTINUED)

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, 2008, AEDC received rentals in the amount of \$11,792 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 sufficient to amortize AEDC's costs over the lease term. During the year ended September 30, 2008, AEDC received rentals in the amount of \$184,770 and paid \$86,197 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, 2008, the AEDC's property, plant, and equipment were as follows:

Buildings and improvements	\$ 9,295,624
Equipment	131,392
Construction in progress	27,313,127
Accumulated depreciation	<u>(4,525,361)</u>
Total capital assets	<u>\$ 32,214,782</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, 2008 was \$57,461.

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. December 2008, 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: 2009, \$2,200,000; 2010, \$2,290,000; 2011, \$2,400,000; 2012, \$2,510,000; 2013, \$2,625,000; and thereafter \$34,035,000. The principal outstanding at September 30, 2008 was \$46,060,000. These bonds were rated "Aaa" by Moody's Investors Service, Inc. and "AAA" by Standard & Poor's Ratings Services.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 18 - AMARILLO ECONOMIC DEVELOPMENT CORPORATION (CONTINUED)

Commitments

The bond-related incentive package to Bell Helicopter was approximately \$42 million to be funded by the issuance of sales tax revenue and industrial development bonds, of which \$23,430,000 has been issued. In addition to the balance of bond-financed construction, AEDC's total commitment for employee relocation and training, together with site acquisition, is approximately \$85 million. In 2007, AEDC approved an additional expansion agreement for Bell Helicopter. Bonds in the amount of \$48,915,000 were issued to refund the prior bond issue, finance this commitment and finance a \$15 million building for Pacific Cheese.

At September 30, 2008, AEDC had other outstanding commitments to make grants or extend credit to qualifying enterprises, generally effective for a five-year period, in the amount of approximately \$14 million, of which approximately \$7.8 million had been committed during the latest fiscal year. Because of the lapse of time, management expects few, if any, of the older commitments to be exercised.

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.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

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

Significant Accounting Policies (Continued)

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.

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, 2008 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. As of September 30, 2008, the amount of defeased debt outstanding, but removed from the Venue District's financial statements, amounted to \$5,970,000. The principal amount outstanding at September 30, 2008 on the bond issues was \$6,300,000.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

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

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 February 2008, the Venue District increased its management fee for operating the Amarillo National Center from \$20,000 per month to \$22,000 per month and agreed to reimburse the operator \$66,716 in operating losses and other capital expenditures. The total management fees paid during the fiscal year ended September 30, 2008 were \$620,716, which exceeded the original budget of \$538,000. The Venue District has committed \$562,000 in management fees in fiscal year 2009.

The District has purchased a reserve fund surety bond on its 1998 bond issue, which freed up the reserve fund to be used to service the debt. Subsequent to the purchase of this insurance, the insurer, MBIA Insurance Corporation, has been downgraded by Moody's from Aaa to Baa1 and by Standard and Poor's from AAA to AA-. The District was required to utilize a surety bond from an insurer having a rating in the highest rating category by two nationally recognized rating agencies or services, which the District met. There is no requirement to maintain the rating standard; the fact that the entity qualified when the surety bond was issued is sufficient. There is no obligation to find another AAA rated insurer or replenish the reserve fund.

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 the Amarillo Housing Finance Corporation (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 \$10,450,000 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. Through September 30, 2008 \$543 thousand of the \$4 million in MCCs had been utilized. The Housing Finance Corporation's MCC program terminates on the earlier of complete utilization of the MCC program funds or December 31, 2009.

CITY OF AMARILLO, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2008

NOTE 20 - AMARILLO HOUSING FINANCE CORPORATION (CONTINUED)

Financial Statements

This organization does not publish separate financial statements, but its non-trusted cash balance, used for miscellaneous operating expenses, is accounted for as an Agency Fund of the City. 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.

The TIRZ has agreed support the Potter County Courthouse renovation project with a debt issuance up to \$1,234,605. However, Potter County has not requested any funding and the issuance would have to be approved by the City Commission. The TIRZ has also agreed to rebate a portion of the taxes paid on the value of improvements for two projects. The TIRZ has agreed to rebate 90% of the taxes paid due to the increase in value on the Barfield Building not to exceed 20 years or \$1,006,715. Similarly, the TIRZ has agreed to rebate 90% of the taxes paid due to the increase in value on the Fisk Building not to exceed 20 years or \$1,657,716.

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
FUND BALANCE, OCTOBER 1, 2007 (GAAP BASIS)	\$ 24,337,834	\$ 26,351,353	\$ 37,674,049	\$ 11,322,696
Less encumbrance outstanding October 1, 2007	(282,133)	(282,133)	(282,133)	-
FUND BALANCE, OCTOBER 1, 2007 (BUDGETARY BASIS)	24,055,701	26,069,220	37,391,916	11,322,696
RESOURCES				
Ad valorem taxes	27,535,420	27,535,414	28,039,131	503,717
Sales taxes	46,800,346	46,800,344	48,962,126	2,161,782
Gross receipts bus. taxes	14,351,719	14,351,729	16,144,044	1,792,315
Licenses and permits	1,749,644	1,749,643	2,015,135	265,492
Interfund reimbursement	1,311,981	1,311,996	1,320,395	8,399
Intergovernmental revenue	2,727,301	2,761,900	2,972,670	210,770
Contributions from citizens	6,000	36,000	7,300	(28,700)
Charges for services	26,677,649	26,677,651	26,585,802	(91,849)
Fines and forfeitures	4,068,487	4,068,486	4,239,595	171,109
Investment earnings	2,480,424	2,480,422	2,006,914	(473,508)
Other rentals and commissions	373,973	373,972	338,058	(35,914)
Miscellaneous revenues	410,700	410,702	584,404	173,702
Amounts available for appropriation	128,493,644	128,558,259	133,215,574	4,657,315
CHARGES TO APPROPRIATIONS				
Auditorium/Coliseum	3,039,433	3,133,658	2,821,192	312,466
Tourism	2,301,729	2,387,729	2,280,629	107,100
Fire protection	21,561,313	22,182,420	22,085,890	96,530
General government	3,183,626	3,261,732	3,076,149	185,583
Libraries	3,658,108	3,606,960	3,372,564	234,396
Other	4,987,148	5,059,231	4,994,289	64,942
Parks	6,084,274	6,149,517	5,940,750	208,767
Participant recreation	4,416,344	4,539,532	4,480,669	58,863
Police protection	32,172,982	33,161,950	32,713,007	448,943
Solid waste	11,024,659	11,259,394	10,941,466	317,928
Staff services	9,617,255	9,873,020	9,444,117	428,903
Streets traffic and engineering	14,287,767	14,850,042	14,043,378	806,664
Transit	3,755,959	3,818,750	3,965,807	(147,057)
Total expenditures	120,090,597	123,283,935	120,159,907	3,124,028

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
TRANSFERS				
Transfers from other funds	(755,000)	(809,441)	(807,810)	(1,631)
Transfers to other funds	<u>7,773,642</u>	<u>14,772,730</u>	<u>14,490,773</u>	<u>281,957</u>
Total charges to appropriations	<u>127,109,239</u>	<u>137,247,224</u>	<u>133,842,870</u>	<u>3,404,354</u>
FUND BALANCE, SEPTEMBER 30, 2008 (Budgetary Basis)	<u>\$ 25,440,106</u>	<u>\$ 17,380,255</u>	36,764,620	<u>\$ 19,384,365</u>
Encumbrances outstanding, September 30, 2008			<u>427,261</u>	
FUND BALANCE, SEPTEMBER 30, 2008 (GAAP Basis)			<u>\$ 37,191,881</u>	

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS
 SEPTEMBER 30, 2008**

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]
12/31/07	\$ 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%

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
 FIREMEN'S RELIEF AND RETIREMENT FUND
 SCHEDULE OF FUNDING PROGRESS
 SEPTEMBER 30, 2008**

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]
12/31/07	\$ 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, 2008**

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]
10/1/08	\$ -	\$ 203,630,675	\$ 206,630,675	0.0%	\$ 80,412,465	253.2%
10/1/07	-	188,899,159	\$ 188,899,159	0.0%	78,070,354	242.0%

⁽¹⁾ 2008 employer contributions are based on actual fiscal year ending 2008 Pay-As-You-Go payments (retiree costs less contributions paid by retirees) made by the City, accumulated with interest to the end of the fiscal year. 2009 employer contributions (Pay-As-You-Go costs) are estimates and will be determined at the end of the year.

⁽²⁾ The 2008-2009 liabilities and annual costs are based on the same population as the 2007-2008 liabilities and annual costs.

See Independent Auditor's Report.

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.

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

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.

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 Greenways 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, 2008**

	Special Revenue Funds				
	Housing and Urban Development Grants	Other Grant Funds	Public Improvement Districts	Seizures Funds	Other
ASSETS					
Cash and cash equivalents	\$ 2,001,250	\$ 541,383	\$ 288,956	\$ 1,440,637	\$ 626,462
Investments, at fair values	-	-	-	-	-
Receivables, net of allowances for uncollectibles					
Property taxes	-	-	-	-	-
Accounts	106,696	65,781	-	94,145	-
Accrued Interest	-	-	-	-	-
Other accrued revenue	33,204	188,308	-	-	7,465
Due from other funds unrestricted	30,687	-	-	822	-
Due from other governments	241,509	867,464	-	-	280,383
Prepaid items	541,658	-	-	605	-
TOTAL ASSETS	\$ 2,955,004	\$ 1,662,936	\$ 288,956	\$ 1,536,209	\$ 914,310
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Vouchers payable	\$ 76,220	\$ 55,302	\$ 150	\$ 4,498	\$ 43,649
Accounts payable	164,048	129,540	-	-	91,986
Due to other funds - unrestricted	263,615	956,598	1,000	1,443	195,000
Due to other governments	21,409	-	-	105,163	-
Deferred revenues - other	93,906	-	-	-	-
Deferred revenues - property taxes	-	-	-	-	-
Total liabilities	619,198	1,141,440	1,150	111,104	330,635
FUND BALANCES					
Reserved for uncollected taxes	-	-	-	-	-
Reserved for grant donor purposes	-	521,496	-	-	-
Reserved for sick and annual leave	52,991	-	-	-	-
Reserved for prepaid items	541,658	-	-	605	-
Unreserved:					
Designated for debt service	-	-	-	-	-
Designated for other specific purposes					
Compensated absences	-	-	-	-	-
Special revenues	1,741,157	-	287,806	1,424,500	583,675
Total fund balances	2,335,806	521,496	287,806	1,425,105	583,675
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,955,004	\$ 1,662,936	\$ 288,956	\$ 1,536,209	\$ 914,310

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>
\$ 12,911	\$ 3,264,079	\$ 17,496	\$ 8,193,174
-	10,685,476	-	10,685,476
5,321	-	-	5,321
-	-	-	266,622
-	91,168	-	91,168
-	-	-	228,977
-	810,000	-	841,509
-	-	-	1,389,356
-	-	-	542,263
<u>\$ 18,232</u>	<u>\$ 14,850,723</u>	<u>\$ 17,496</u>	<u>\$ 22,243,866</u>
\$ -	\$ -	\$ -	\$ 179,819
2,744	-	-	388,318
-	-	-	1,417,656
-	-	-	126,572
-	-	-	93,906
<u>3,626</u>	<u>-</u>	<u>-</u>	<u>3,626</u>
<u>6,370</u>	<u>-</u>	<u>-</u>	<u>2,209,897</u>
1,695	-	-	1,695
-	-	17,496	538,992
-	-	-	52,991
-	-	-	542,263
10,167	-	-	10,167
-	14,850,723	-	14,850,723
-	-	-	4,037,138
<u>11,862</u>	<u>14,850,723</u>	<u>17,496</u>	<u>20,033,969</u>
<u>\$ 18,232</u>	<u>\$ 14,850,723</u>	<u>\$ 17,496</u>	<u>\$ 22,243,866</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, 2008**

	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	10,530,615	3,805,527	-	-	510,217
Construction participation	25,582	-	-	-	-
Other entity participations	-	690,382	-	-	-
Charges for services	75,182	14,615	592,202	-	172,573
Fines and forfeitures	-	-	-	481,905	383,349
Investment earnings	33,795	-	15,057	23,838	1,970
Miscellaneous	87,860	-	-	-	-
Total revenues	<u>10,753,034</u>	<u>4,510,524</u>	<u>607,259</u>	<u>505,743</u>	<u>1,068,109</u>
EXPENDITURES					
Police protection	-	289,217	-	174,324	-
Other public safety and health	-	3,238,051	-	-	557,542
Staff services	-	487,303	-	-	-
Library	-	505,503	-	-	-
Parks	-	-	388,370	-	-
Urban redevelopment and housing	10,009,916	-	-	-	-
Capital outlay	50,212	19,754	2,070,747	60,743	190,965
Debt service principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Termination vacation and sick leave pay	-	-	-	-	-
Total expenditures	<u>10,060,128</u>	<u>4,539,828</u>	<u>2,459,117</u>	<u>235,067</u>	<u>748,507</u>
Excess (deficit) of revenues over (under) expenditures	<u>692,906</u>	<u>(29,304)</u>	<u>(1,851,858)</u>	<u>270,676</u>	<u>319,602</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	97,444	44,747	-	1,000	-
Transfers to other funds	(85,645)	(63,733)	(145,839)	(334,638)	(67,282)
Proceeds from issuance of long-term debt	-	-	2,064,425	-	-
Excess (deficit) of revenues and other sources over (under) expenditures	<u>704,705</u>	<u>(48,290)</u>	<u>66,728</u>	<u>(62,962)</u>	<u>252,320</u>
FUND BALANCES, BEGINNING OF YEAR	<u>1,631,101</u>	<u>569,786</u>	<u>221,078</u>	<u>1,488,067</u>	<u>331,355</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,335,806</u>	<u>\$ 521,496</u>	<u>\$ 287,806</u>	<u>\$ 1,425,105</u>	<u>\$ 583,675</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>
\$ 532,309	\$ -	\$ -	\$ 532,309
-	-	-	14,846,359
-	-	-	25,582
-	-	-	690,382
-	-	-	854,572
-	-	-	865,254
1,136	583,407	1,134	660,337
-	-	-	87,860
533,445	583,407	1,134	18,562,655
-	-	-	463,541
-	-	-	3,795,593
8,515	-	-	495,818
-	-	3,000	508,503
-	-	-	388,370
-	-	-	10,009,916
-	-	-	2,392,421
344,615	-	-	344,615
326,813	-	-	326,813
-	1,753,114	-	1,753,114
679,943	1,753,114	3,000	20,478,704
(146,498)	(1,169,707)	(1,866)	(1,916,049)
145,839	1,360,253	-	1,649,283
-	-	(45,571)	(742,708)
-	-	-	2,064,425
(659)	190,546	(47,437)	1,054,951
12,521	14,660,177	64,933	18,979,018
\$ 11,862	\$ 14,850,723	\$ 17,496	\$ 20,033,969

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
OTHER GRANT FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2008**

	<u>Special Revenue Funds</u>			<u>Total Other Grant Funds</u>
	<u>Public Health Grants</u>	<u>Justice Grants</u>	<u>Miscellaneous Grants</u>	
ASSETS				
Cash and cash equivalents	\$ 24,285	\$ 61,965	\$ 455,133	\$ 541,383
Receivables, net of allowances for uncollectibles				
Accounts	65,781	-	-	65,781
Other accrued revenue	-	-	188,308	188,308
Due from other governments	515,194	22,032	330,238	867,464
TOTAL ASSETS	<u>\$ 605,260</u>	<u>\$ 83,997</u>	<u>\$ 973,679</u>	<u>\$ 1,662,936</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Vouchers payable	\$ 54,401	\$ -	\$ 901	\$ 55,302
Accounts payable	95,874	-	33,666	129,540
Due to other funds - unrestricted	455,000	23,389	478,209	956,598
Total liabilities	<u>605,275</u>	<u>23,389</u>	<u>512,776</u>	<u>1,141,440</u>
FUND BALANCES				
Reserved for grant donor purposes	<u>(15)</u>	<u>60,608</u>	<u>460,903</u>	<u>521,496</u>
Total fund balances	<u>(15)</u>	<u>60,608</u>	<u>460,903</u>	<u>521,496</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 605,260</u>	<u>\$ 83,997</u>	<u>\$ 973,679</u>	<u>\$ 1,662,936</u>

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, 2008**

	Special Revenue Funds			Total Other Grants Funds
	Public Health Grants	Justice Funds	Miscellaneous Grants	
REVENUES				
Intergovernmental revenues	\$ 2,155,205	\$ 288,713	\$ 1,361,609	\$ 3,805,527
Other entity participations	690,382	-	-	690,382
Charges for services	10,572	-	4,043	14,615
Total revenues	<u>2,856,159</u>	<u>288,713</u>	<u>1,365,652</u>	<u>4,510,524</u>
EXPENDITURES				
Other public safety and health	2,840,321	-	397,730	3,238,051
Libraries	-	-	505,503	505,503
Other	-	-	-	-
Staff Services	-	-	487,303	487,303
Police	-	289,217	-	289,217
Capital outlay	15,838	-	3,916	19,754
Total expenditures	<u>2,856,159</u>	<u>289,217</u>	<u>1,394,452</u>	<u>4,539,828</u>
Excess (deficit) of revenues over (under) expenditures	<u>-</u>	<u>(504)</u>	<u>(28,800)</u>	<u>(29,304)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	33,931	10,816	44,747
Operating transfers to other funds	-	-	(63,733)	(63,733)
Excess (deficit) of revenues and other sources over (under) expenditures	<u>-</u>	<u>33,427</u>	<u>(81,717)</u>	<u>(48,290)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>(15)</u>	<u>27,181</u>	<u>542,620</u>	<u>569,786</u>
FUND BALANCES, END OF YEAR	<u>\$ (15)</u>	<u>\$ 60,608</u>	<u>\$ 460,903</u>	<u>\$ 521,496</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
PUBLIC IMPROVEMENT DISTRICTS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2008**

	Greenways at Hillside	Brennan Boulevard	The Colonies	Tutbury	Point West	Quail Creek	Total
ASSETS							
Cash and cash equivalents	\$ 85,716	\$ 7,339	\$ 180,415	\$ 15,346	\$ 77	\$ 63	\$ 288,956
TOTAL ASSETS	\$ 85,716	\$ 7,339	\$ 180,415	\$ 15,346	\$ 77	\$ 63	\$ 288,956
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Due to other funds - unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
Vouchers payable	150	-	-	-	-	-	150
Total liabilities	150	-	-	-	-	1,000	1,150
FUND BALANCES							
Unreserved fund balances (deficit)							
Designated for specific purposes	85,566	7,339	180,415	15,346	77	(937)	287,806
Total fund balances	85,566	7,339	180,415	15,346	77	(937)	287,806
TOTAL LIABILITIES AND FUND BALANCES	\$ 85,716	\$ 7,339	\$ 180,415	\$ 15,346	\$ 77	\$ 63	\$ 288,956

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, 2008**

	Greenways at Hillside	Brennan Boulevard	The Colonies	Tutbury	Point West	Quail Creek	Total
REVENUES							
Charges for services	\$ 310,388	\$ 13,055	\$ 215,175	\$ 11,736	\$ 41,848	\$ -	\$ 592,202
Interest earnings	5,389	176	9,107	385	-	-	15,057
Total revenues	<u>315,777</u>	<u>13,231</u>	<u>224,282</u>	<u>12,121</u>	<u>41,848</u>	<u>-</u>	<u>607,259</u>
EXPENDITURES							
Parks	158,895	10,584	160,047	13,548	44,837	459	388,370
Capital outlay	587,494	-	1,483,253	-	-	-	2,070,747
Total expenditures	<u>746,389</u>	<u>10,584</u>	<u>1,643,300</u>	<u>13,548</u>	<u>44,837</u>	<u>459</u>	<u>2,459,117</u>
Excess (deficiency) of revenues over expenditures	(430,612)	2,647	(1,419,018)	(1,427)	(2,989)	(459)	(1,851,858)
OTHER FINANCING SOURCES							
Proceeds from issuance of long-term debt	585,700	-	1,478,725	-	-	-	2,064,425
Transfer to other funds	(99,892)	-	(45,947)	-	-	-	(145,839)
Excess (deficiency) of revenues and other sources over (under) expenditures	55,196	2,647	13,760	(1,427)	(2,989)	(459)	66,728
FUND BALANCES, BEGINNING OF YEAR	<u>30,370</u>	<u>4,692</u>	<u>166,655</u>	<u>16,773</u>	<u>3,066</u>	<u>(478)</u>	<u>221,078</u>
FUND BALANCES, END OF YEAR	<u>\$ 85,566</u>	<u>\$ 7,339</u>	<u>\$ 180,415</u>	<u>\$ 15,346</u>	<u>\$ 77</u>	<u>\$ (937)</u>	<u>\$ 287,806</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
SEIZURE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2008**

	<u>Federal SWAT seized property</u>	<u>Local seized property</u>	<u>Texas Narcotics seized property</u>	<u>Federal Narcotics seized property</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 690,431	\$ 516,269	\$ 229,536	\$ 4,401	\$ 1,440,637
Accounts receivable	-	94,145	-	-	94,145
Prepaid items	-	-	605	-	605
Due from other funds	-	822	-	-	822
TOTAL ASSETS	<u>\$ 690,431</u>	<u>\$ 611,236</u>	<u>\$ 230,141</u>	<u>\$ 4,401</u>	<u>\$ 1,536,209</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds - unrestricted	\$ -	\$ 1,443	\$ -	\$ -	\$ 1,443
Due to other governments	-	1,890	103,273	-	105,163
Vouchers payable	4,492	6	-	-	4,498
Total liabilities	<u>4,492</u>	<u>3,339</u>	<u>103,273</u>	<u>-</u>	<u>111,104</u>
FUND BALANCES					
Reserved for prepaid items	-	-	605	-	605
Unreserved fund balance					
Designated for law enforcement activities	685,939	607,897	126,263	4,401	1,424,500
Total fund balances	<u>685,939</u>	<u>607,897</u>	<u>126,868</u>	<u>4,401</u>	<u>1,425,105</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 690,431</u>	<u>\$ 611,236</u>	<u>\$ 230,141</u>	<u>\$ 4,401</u>	<u>\$ 1,536,209</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, 2008**

	<u>Federal SWAT seized property</u>	<u>Local seized property</u>	<u>Texas Narcotics seized property</u>	<u>Federal Narcotics seized property</u>	<u>Total</u>
REVENUES					
Investment earnings	\$ 9,783	\$ 8,597	\$ 5,458	\$ -	\$ 23,838
Seized property revenue	71,432	410,473	-	-	481,905
Total revenues	<u>81,215</u>	<u>419,070</u>	<u>5,458</u>	<u>-</u>	<u>505,743</u>
EXPENDITURES					
Police protection	-	174,324	-	-	174,324
Capital outlay	4,492	56,251	-	-	60,743
Total expenditures	<u>4,492</u>	<u>230,575</u>	<u>-</u>	<u>-</u>	<u>235,067</u>
Excess (deficiency) of revenues over expenditures	<u>76,723</u>	<u>188,495</u>	<u>5,458</u>	<u>-</u>	<u>270,676</u>
OTHER FINANCING SOURCES (USES)					
Transfer to other fund	(334,638)	-	-	-	(334,638)
Operating transfer from other fund	-	1,000	-	-	1,000
Total other financing sources and (uses)	<u>(334,638)</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>(333,638)</u>
Net change in fund balances	<u>(257,915)</u>	<u>189,495</u>	<u>5,458</u>	<u>-</u>	<u>(62,962)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>943,854</u>	<u>418,402</u>	<u>121,410</u>	<u>4,401</u>	<u>1,488,067</u>
FUND BALANCES, END OF YEAR	<u>\$ 685,939</u>	<u>\$ 607,897</u>	<u>\$ 126,868</u>	<u>\$ 4,401</u>	<u>\$ 1,425,105</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
MISCELLANEOUS SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2008**

	<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>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 145,169	\$ 158,678	\$ 112,024	\$ 6,445	\$ 19,673	\$ 184,473	\$ 626,462
Other accrued revenue	-	-	-	-	-	7,465	7,465
Due from other governments	-	-	-	280,383	-	-	280,383
Total assets	<u>\$ 145,169</u>	<u>\$ 158,678</u>	<u>\$ 112,024</u>	<u>\$ 286,828</u>	<u>\$ 19,673</u>	<u>\$ 191,938</u>	<u>\$ 914,310</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Vouchers payable	\$ 38	\$ -	\$ 311	\$ 14,800	\$ -	\$ 28,500	\$ 43,649
Accounts Payable	-	5,111	-	10,352	-	76,523	91,986
Due to other funds - unrestricted	-	-	-	195,000	-	-	195,000
Total liabilities	<u>38</u>	<u>5,111</u>	<u>311</u>	<u>220,152</u>	<u>-</u>	<u>105,023</u>	<u>330,635</u>
FUND BALANCES							
Unreserved fund balance							
Designated for specific purposes	145,131	153,567	111,713	66,676	19,673	86,915	583,675
Total fund balances	<u>145,131</u>	<u>153,567</u>	<u>111,713</u>	<u>66,676</u>	<u>19,673</u>	<u>86,915</u>	<u>583,675</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 145,169</u>	<u>\$ 158,678</u>	<u>\$ 112,024</u>	<u>\$ 286,828</u>	<u>\$ 19,673</u>	<u>\$ 191,938</u>	<u>\$ 914,310</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, 2008**

	<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>	<u>Total</u>
REVENUES							
Charges for services	\$ 147,319	\$ -	\$ 25,254	\$ -	\$ -	\$ -	\$ 172,573
Fines and forfeitures	-	106,641	-	-	-	276,708	383,349
Intergovernmental revenues - operating	-	-	-	510,217	-	-	510,217
Investment earnings	-	-	1,970	-	-	-	1,970
Total revenues	<u>147,319</u>	<u>106,641</u>	<u>27,224</u>	<u>510,217</u>	<u>-</u>	<u>276,708</u>	<u>1,068,109</u>
EXPENDITURES							
Other public safety and health	450	82,922	12,688	273,270	-	188,212	\$ 557,542
Capital outlay	-	-	-	189,384	-	1,581	\$ 190,965
Total expenditures	<u>450</u>	<u>82,922</u>	<u>12,688</u>	<u>462,654</u>	<u>-</u>	<u>189,793</u>	<u>748,507</u>
Excess (deficiency) of revenues over expenditures	146,869	23,719	14,536	47,563	-	86,915	319,602
OTHER FINANCING SOURCES (USES)							
Transfers to other funds	(19,000)	-	(718)	(47,564)	-	-	\$ (67,282)
Total other financing sources and uses	<u>(19,000)</u>	<u>-</u>	<u>(718)</u>	<u>(47,564)</u>	<u>-</u>	<u>-</u>	<u>(67,282)</u>
Net change in fund balances	127,869	23,719	13,818	(1)	-	86,915	252,320
FUND BALANCES, BEGINNING OF YEAR	<u>17,262</u>	<u>129,848</u>	<u>97,895</u>	<u>66,677</u>	<u>19,673</u>	<u>-</u>	<u>331,355</u>
FUND BALANCES, END OF YEAR	<u>\$ 145,131</u>	<u>\$ 153,567</u>	<u>\$ 111,713</u>	<u>\$ 66,676</u>	<u>\$ 19,673</u>	<u>\$ 86,915</u>	<u>\$ 583,675</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2008**

	<u>General Construction Fund</u>	<u>Street Improvement Fund</u>	<u>Street and Drainage Improvement Fund</u>	<u>Golf Course Improvement Fund</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 955,288	\$ 340,616	\$ 231,863	\$ 796,122
Investments, at fair values	19,272,560	348,180	499,800	-
Due from other governments	224,734	-	-	-
Accrued interest receivable	191,558	-	-	-
Prepaid items	1,000	-	-	-
TOTAL ASSETS	<u>\$ 20,645,140</u>	<u>\$ 688,796</u>	<u>\$ 731,663</u>	<u>\$ 796,122</u>
 LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Vouchers payable	\$ 304,995	\$ -	\$ -	\$ -
Accounts payable	49,580	-	-	-
Due to other funds - unrestricted	400,000	-	-	-
Total liabilities	<u>754,575</u>	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCES				
Unreserved, reported in:				
Capital Projects	<u>19,890,565</u>	<u>688,796</u>	<u>731,663</u>	<u>796,122</u>
Total fund balances	<u>19,890,565</u>	<u>688,796</u>	<u>731,663</u>	<u>796,122</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,645,140</u>	<u>\$ 688,796</u>	<u>\$ 731,663</u>	<u>\$ 796,122</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>
\$ 2,164,879	\$ 316,402	\$ 992,432	\$ 3,207	\$ 199,161	\$ 10,116,810	\$ 16,116,780
9,027,452	-	2,002,820	-	497,400	10,971,200	42,619,412
-	-	-	-	-	-	224,734
92,532	-	14,260	-	-	-	298,350
-	-	-	-	-	-	1,000
<u>\$ 11,284,863</u>	<u>\$ 316,402</u>	<u>\$ 3,009,512</u>	<u>\$ 3,207</u>	<u>\$ 696,561</u>	<u>\$ 21,088,010</u>	<u>\$ 59,260,276</u>
\$ 17,968	\$ -	\$ -	\$ -	\$ -	\$ 144,874	\$ 467,837
128,451	-	67,539	-	-	24,565	270,135
-	-	-	-	-	685,000	1,085,000
<u>146,419</u>	<u>-</u>	<u>67,539</u>	<u>-</u>	<u>-</u>	<u>854,439</u>	<u>1,822,972</u>
<u>11,138,444</u>	<u>316,402</u>	<u>2,941,973</u>	<u>3,207</u>	<u>696,561</u>	<u>20,233,571</u>	<u>57,437,304</u>
<u>11,138,444</u>	<u>316,402</u>	<u>2,941,973</u>	<u>3,207</u>	<u>696,561</u>	<u>20,233,571</u>	<u>57,437,304</u>
<u>\$ 11,284,863</u>	<u>\$ 316,402</u>	<u>\$ 3,009,512</u>	<u>\$ 3,207</u>	<u>\$ 696,561</u>	<u>\$ 21,088,010</u>	<u>\$ 59,260,276</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2008**

	<u>General Construction Fund</u>	<u>Street Improvement Fund</u>	<u>Street and Drainage Improvement Fund</u>	<u>Golf Course Improvement Fund</u>
REVENUES				
Intergovernmental revenues	\$ 862,270	\$ -	\$ -	\$ -
Charges for services	-	-	-	74,333
Construction participations	67,885	5,702,687	-	-
Miscellaneous	-	-	-	-
Other rentals and commissions	131,555	-	-	-
Interest earnings	609,119	21,484	17,228	25,174
Total revenues	<u>1,670,829</u>	<u>5,724,171</u>	<u>17,228</u>	<u>99,507</u>
EXPENDITURES				
Staff services	-	-	-	-
Capital outlay	10,859,854	5,750,148	819,402	14,177
Total expenditures	<u>10,859,854</u>	<u>5,750,148</u>	<u>819,402</u>	<u>14,177</u>
Excess (deficiency) of revenues over expenditures	<u>(9,189,025)</u>	<u>(25,977)</u>	<u>(802,174)</u>	<u>85,330</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(1,757,253)	-	(400,147)	(28,800)
Transfers from other funds	10,384,477	48,700	1,000,000	-
Total other financing sources and uses	<u>8,627,224</u>	<u>48,700</u>	<u>599,853</u>	<u>(28,800)</u>
Net change in fund balances	(561,801)	22,723	(202,321)	56,530
FUND BALANCES, BEGINNING OF YEAR	<u>20,452,366</u>	<u>666,073</u>	<u>933,984</u>	<u>739,592</u>
FUND BALANCES, END OF YEAR	<u>\$ 19,890,565</u>	<u>\$ 688,796</u>	<u>\$ 731,663</u>	<u>\$ 796,122</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 862,270
-	-	-	-	-	-	74,333
-	-	-	-	-	20,402	5,790,974
-	-	-	-	-	22,074	22,074
-	-	-	-	-	-	131,555
<u>423,916</u>	<u>10,409</u>	<u>153,437</u>	<u>-</u>	<u>20,135</u>	<u>729,339</u>	<u>2,010,241</u>
<u>423,916</u>	<u>10,409</u>	<u>153,437</u>	<u>-</u>	<u>20,135</u>	<u>771,815</u>	<u>8,891,447</u>
-	43,034	-	-	-	-	43,034
<u>2,738,172</u>	<u>428</u>	<u>3,014,856</u>	<u>-</u>	<u>-</u>	<u>5,652,100</u>	<u>28,849,137</u>
<u>2,738,172</u>	<u>43,462</u>	<u>3,014,856</u>	<u>-</u>	<u>-</u>	<u>5,652,100</u>	<u>28,892,171</u>
<u>(2,314,256)</u>	<u>(33,053)</u>	<u>(2,861,419)</u>	<u>-</u>	<u>20,135</u>	<u>(4,880,285)</u>	<u>(20,000,724)</u>
-	-	(98,000)	-	(20,332)	-	(2,304,532)
<u>999,996</u>	<u>-</u>	<u>1,391,971</u>	<u>-</u>	<u>-</u>	<u>192,543</u>	<u>14,017,687</u>
<u>999,996</u>	<u>-</u>	<u>1,293,971</u>	<u>-</u>	<u>(20,332)</u>	<u>192,543</u>	<u>11,713,155</u>
<u>(1,314,260)</u>	<u>(33,053)</u>	<u>(1,567,448)</u>	<u>-</u>	<u>(197)</u>	<u>(4,687,742)</u>	<u>(8,287,569)</u>
<u>12,452,704</u>	<u>349,455</u>	<u>4,509,421</u>	<u>3,207</u>	<u>696,758</u>	<u>24,921,313</u>	<u>65,724,873</u>
<u>\$ 11,138,444</u>	<u>\$ 316,402</u>	<u>\$ 2,941,973</u>	<u>\$ 3,207</u>	<u>\$ 696,561</u>	<u>\$ 20,233,571</u>	<u>\$ 57,437,304</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, 2008**

	<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	\$ 2,433,899	\$ 1,239,351	\$ 1,301,086	\$ 1,073,560	\$ 6,047,896
Investments at fair value	7,029,670	1,774,375	12,015,858	7,691,700	28,511,603
Receivables (net of allowances for uncollectibles)					
Accounts	28	-	470,054	778,342	1,248,424
Accrued interest	46,119	19,606	118,290	53,109	237,124
Due from other funds	107	-	-	194,568	194,675
Inventory of supplies at cost	285,275	-	-	-	285,275
Prepaid Expenses	-	-	314,542	-	314,542
Total current assets	<u>9,795,098</u>	<u>3,033,332</u>	<u>14,219,830</u>	<u>9,791,279</u>	<u>36,839,539</u>
NONCURRENT ASSETS					
Capital assets					
Improvements	136,946	3,260,576	-	-	3,397,522
Accumulated depreciation	(99,892)	(1,515,090)	-	-	(1,614,982)
Equipment	382,380	5,321,397	53,196	8,475	5,765,448
Accumulated depreciation	(297,348)	(3,498,630)	(47,585)	(4,328)	(3,847,891)
Vehicles	42,563,343	-	-	-	42,563,343
Accumulated depreciation	(24,167,342)	-	-	-	(24,167,342)
Construction in progress	7,446	938,954	-	-	946,400
Total capital assets, net of accumulated depreciation	<u>18,525,533</u>	<u>4,507,207</u>	<u>5,611</u>	<u>4,147</u>	<u>23,042,498</u>
TOTAL ASSETS	<u>\$ 28,320,631</u>	<u>\$ 7,540,539</u>	<u>\$ 14,225,441</u>	<u>\$ 9,795,426</u>	<u>\$ 59,882,037</u>
LIABILITIES					
CURRENT LIABILITIES					
Vouchers payable	\$ 835,993	\$ 586,255	\$ 138,513	\$ 21,556	\$ 1,582,317
Accounts payable	1,491	-	(1,990)	537,433	536,934
Accrued expenses	118,976	114,613	-	-	233,589
Due to other funds	-	-	-	144,630	144,630
Estimated liability for incurred losses	-	-	4,400,606	2,193,184	6,593,790
Postemployment benefit	-	-	-	3,331,708	3,331,708
Total current liabilities	<u>956,460</u>	<u>700,868</u>	<u>4,537,129</u>	<u>6,228,511</u>	<u>12,422,968</u>
OTHER LIABILITIES					
Provision for compensated absences	258,299	385,311	-	-	643,610
Estimated liability for incurred losses, net of current portion	-	-	7,376,382	1,291,310	8,667,692
Postemployment benefit, net	-	-	-	11,350,872	11,350,872
Total other liabilities	<u>258,299</u>	<u>385,311</u>	<u>7,376,382</u>	<u>12,642,182</u>	<u>20,662,174</u>
TOTAL LIABILITIES	<u>\$ 1,214,759</u>	<u>\$ 1,086,179</u>	<u>\$ 11,913,511</u>	<u>\$ 18,870,693</u>	<u>\$ 33,085,142</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 18,525,533	\$ 4,507,207	\$ 5,611	\$ 4,147	\$ 23,042,498
Unreserved	8,580,339	1,947,153	2,306,319	(9,079,414)	3,754,397
TOTAL NET ASSETS	<u>\$ 27,105,872</u>	<u>\$ 6,454,360</u>	<u>\$ 2,311,930</u>	<u>\$ (9,075,267)</u>	<u>\$ 26,796,895</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, 2008**

	<u>Municipal Garage</u>	<u>Information Services</u>	<u>Risk Management</u>	<u>Employee Insurance</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$ -	\$ -	\$ 53,054	\$ 965,580	\$ 1,018,634
Internal charges	11,729,158	3,751,657	3,609,939	10,857,112	29,947,866
Employee contributions	-	-	-	4,263,634	4,263,634
Miscellaneous	-	75	-	321	396
Total operating revenues	<u>11,729,158</u>	<u>3,751,732</u>	<u>3,662,993</u>	<u>16,086,647</u>	<u>35,230,530</u>
OPERATING EXPENSES					
Salaries, wages, fringes	2,210,466	2,117,397	-	-	4,327,863
Supplies	1,257,526	98,322	326,774	13,800	1,696,422
Fuel and oil	3,554,416	-	-	-	3,554,416
Other contractual	85,458	628,702	225,489	540,467	1,480,116
Claims net of settlements	-	-	4,640,326	12,795,448	17,435,774
Postemployment expense	-	-	-	16,761,974	16,761,974
Other charges	1,090,378	272,519	678,480	387,582	2,428,959
Depreciation	4,379,838	794,471	332	1,389	5,176,030
Total operating expenses	<u>12,578,082</u>	<u>3,911,411</u>	<u>5,871,401</u>	<u>30,500,660</u>	<u>52,861,554</u>
Operating income (loss)	<u>(848,924)</u>	<u>(159,679)</u>	<u>(2,208,408)</u>	<u>(14,414,013)</u>	<u>(17,631,024)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest earnings	409,934	92,322	545,571	368,194	1,416,021
Changes in value of investments	6,556	(8,697)	(34,642)	(50,592)	(87,375)
Gain (loss) on property sales	282,490	(23,356)	-	35,576	294,710
Total nonoperating revenues (expenses)	<u>698,980</u>	<u>60,269</u>	<u>510,929</u>	<u>353,178</u>	<u>1,623,356</u>
Income (loss) before contributions and transfers	<u>(149,944)</u>	<u>(99,410)</u>	<u>(1,697,479)</u>	<u>(14,060,835)</u>	<u>(16,007,668)</u>
TRANSFERS					
TO MUNICIPALITY - CASH	(66,666)	-	-	-	(66,666)
FROM MUNICIPALITY - CASH	1,154,314	135,346	-	-	1,289,660
Change in net assets	937,704	35,936	(1,697,479)	(14,060,835)	(14,784,674)
NET ASSETS AT BEGINNING OF YEAR	<u>26,168,168</u>	<u>6,418,424</u>	<u>4,009,409</u>	<u>4,985,568</u>	<u>41,581,569</u>
NET ASSETS AT END OF YEAR	<u>\$ 27,105,872</u>	<u>\$ 6,454,360</u>	<u>\$ 2,311,930</u>	<u>\$ (9,075,267)</u>	<u>\$ 26,796,895</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2008**

	<u>Municipal Garage</u>	<u>Information Services</u>	<u>Risk Management</u>	<u>Employee Insurance</u>	<u>Totals</u>
CASH FLOWS FROM					
OPERATING ACTIVITIES					
Cash received from other funds	\$ 11,729,158	\$ 3,751,732	\$ 3,230,630	\$ 15,477,177	\$ 34,188,697
Cash payments for goods and services	(5,317,435)	(606,506)	(1,159,412)	(970,971)	(8,054,324)
Cash payments to employees	(2,317,244)	(2,072,622)	-	223,728	(4,166,138)
Cash payments for claims and loss adjustments	-	-	(2,186,620)	(14,317,227)	(16,503,847)
Net cash provided (used) by operating activities	<u>4,094,479</u>	<u>1,072,604</u>	<u>(115,402)</u>	<u>412,707</u>	<u>5,464,388</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	1,154,314	135,346	-	-	1,289,660
Transfers to other funds	(66,666)	-	-	-	(66,666)
Amounts borrowed from or repaid by other funds	-	-	-	(48,768)	(48,768)
Amounts loaned to or repaid to other funds	106	-	-	(1,099)	(993)
Net cash provided (used) by noncapital financing activities	<u>1,087,754</u>	<u>135,346</u>	<u>-</u>	<u>(49,867)</u>	<u>1,173,233</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(6,557,149)	(1,302,850)	-	(1,647)	(7,861,646)
Proceeds from disposition of property, plant and equipment	613,758	-	-	35,576	649,334
Net cash used for capital financing activities	<u>(5,943,391)</u>	<u>(1,302,850)</u>	<u>-</u>	<u>33,929</u>	<u>(7,212,312)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investment securities	6,250,000	2,500,000	9,000,000	9,500,000	27,250,000
Purchase of investment securities	(4,510,503)	(2,785,805)	(9,521,708)	(10,209,295)	(27,027,311)
Interest and gains (losses) on investments	366,620	83,887	508,657	410,935	1,370,099
Net cash provided (used) by investing activities	<u>2,106,117</u>	<u>(201,918)</u>	<u>(13,051)</u>	<u>(298,360)</u>	<u>1,592,788</u>
Net increase (decrease) in cash and cash equivalents	1,344,959	(296,818)	(128,453)	98,409	1,018,097
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	<u>1,088,940</u>	<u>1,536,169</u>	<u>1,429,539</u>	<u>975,151</u>	<u>5,029,799</u>
CASH AND CASH EQUIVALENTS, AT END OF YEAR	<u>\$ 2,433,899</u>	<u>\$ 1,239,351</u>	<u>\$ 1,301,086</u>	<u>\$ 1,073,560</u>	<u>\$ 6,047,896</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
INTERNAL SERVICE FUNDS
STATEMENT OF CASH FLOWS, CONTINUED
YEAR ENDED SEPTEMBER 30, 2008**

	<u>Municipal Garage</u>	<u>Information Services</u>	<u>Risk Management</u>	<u>Employee Insurance</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (848,924)	\$ (159,679)	\$ (2,208,408)	\$ (14,414,013)	\$ (17,631,024)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	4,379,838	794,471	332	1,389	5,176,030
(Increase) decrease in accounts receivable	-	-	(430,373)	(609,470)	(1,039,843)
(Increase) decrease in accrued operating revenues	-	-	(16,241)	-	(16,241)
(Increase) decrease in inventories	(90,557)	-	-	-	(90,557)
Increase (decrease) in vouchers payable	759,409	393,037	87,572	(29,122)	1,210,896
Increase (decrease) in accounts payable	1,491	-	(1,990)	223,728	223,229
Increase (decrease) in accrued expense	(107,507)	17,206	-	-	(90,301)
Increase (decrease) in provision for compensated absences	729	27,569	-	-	28,298
Increase (decrease) in estimated claims liabilities	-	-	2,453,706	15,240,195	17,693,901
Net cash provided (used) by operating activities	<u>\$ 4,094,479</u>	<u>\$ 1,072,604</u>	<u>\$ (115,402)</u>	<u>\$ 412,707</u>	<u>\$ 5,464,388</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Decreases (increases) in fair values of investments	\$ (6,556)	\$ 8,697	\$ 34,642	\$ 50,592	\$ 87,375

See Independent Auditor's Report.

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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, 2008**

ASSETS

Cash and cash equivalents	\$	2,127,385
Investments at fair value		33,990,456
Receivables (net of allowances for uncollectibles)		
Property taxes		286,976
Solid waste and other		1,028,003
Accrued interest		483,543
Other accrued revenue		1,789,388
Due from other funds		2,489,918
Due from other governments		3,923,613
Inventory of supplies		1,272,455
Prepaid items		6,742
TOTAL ASSETS	\$	<u>47,398,479</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Vouchers payable	\$	1,510,254
Accounts payable		1,656,329
Accrued expenses		4,550,459
Deposits		545,823
Due to other funds		878,796
Due to other governments		746,668
Deferred revenue property taxes		202,871
Deferred revenues other		115,398
Total liabilities		<u>10,206,598</u>

FUND BALANCE

Reserved for encumbrances		427,261
Reserved for prepaid items		6,742
Reserved for uncollected taxes		84,105
Unreserved		
Undesignated		<u>36,673,773</u>
Total fund balance		<u>37,191,881</u>

TOTAL LIABILITIES AND FUND BALANCE	\$	<u>47,398,479</u>
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See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2008**

REVENUES

Taxes	\$ 93,145,301
License and permits	2,015,135
Interfund revenues	1,320,395
Intergovernmental revenues	2,972,670
Contributions - citizens	7,300
Charges for services	26,585,802
Fines and forfeitures	4,239,595
Investment earnings	2,006,914
Other rentals and commissions	338,058
Miscellaneous	584,404
	133,215,574
Total revenues	133,215,574

EXPENDITURES

Current	
General government	3,077,009
Staff services	9,458,256
Public safety and health	
Police protection	32,524,412
Fire protection	22,095,334
Other	4,994,124
Streets, traffic and engineering	13,979,037
Culture and recreation	
Auditorium-colliseum	2,793,432
Libraries	3,365,228
Parks	5,946,379
Participant recreation	4,424,589
Solid waste	10,881,683
Transit system	3,937,106
Tourism	2,280,629
Capital outlay	257,561
	120,014,779
Total expenditures	120,014,779

**EXCESS OF REVENUES OVER
EXPENDITURES**

13,200,795

OTHER FINANCING SOURCES (USES)

Transfers from other funds	807,810
Transfers to other funds	(14,490,773)
	(482,168)
Net change in fund balance	(482,168)

FUND BALANCE, BEGINNING OF YEAR

37,674,049

FUND BALANCE, END OF YEAR

\$ 37,191,881

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
GENERAL FUND
COMPARATIVE SCHEDULE OF REVENUES
YEAR ENDED SEPTEMBER 30, 2008**

	<u>Actual revenue</u>	<u>Budget</u>	<u>Variance with final budget positive (negative)</u>
TAXES			
General property taxes			
Ad valorem tax collections	\$ 25,303,685	\$ 24,813,137	\$ 490,548
Penalty and interest on delinquent taxes	292,354	279,197	13,157
Water & sewer utility	2,443,092	2,443,080	12
Sales tax			
General sales tax	44,060,343	42,134,000	1,926,343
Mixed beverage tax	570,334	540,845	29,489
Hotel occupancy tax	4,331,449	4,125,499	205,950
Gross receipts bus taxes:			
Electric utility	7,622,589	6,200,000	1,422,589
Telephone utility	1,593,481	1,646,664	(53,183)
Gas utility	3,950,522	3,654,772	295,750
Cable television	1,347,124	1,230,950	116,174
Water & Sewer utility	1,630,328	1,619,343	10,985
Total taxes	<u>93,145,301</u>	<u>88,687,487</u>	<u>4,457,814</u>
LICENSES AND PERMITS			
Food and beverage establishments			
Liquor, beer and wine licenses	54,230	46,999	7,231
Restaurant permits	407,102	388,552	18,550
Food handler permits	29,225	27,652	1,573
Miscellaneous occupational			
Occupational and business	32,363	29,870	2,493
Transient bus licenses	425	275	150
Solicitation permits	470	570	(100)
Building and structures			
Building permits	1,238,689	1,017,686	221,003
Electrical permits	26,770	24,700	2,070
Plumbing and gas permits	106,688	94,000	12,688
Heating and air permits	29,984	34,600	(4,616)
Sewage disposal permits	77,675	67,739	9,936
Mobile home parks	11,514	17,000	(5,486)
Total licenses and permits	<u>2,015,135</u>	<u>1,749,643</u>	<u>265,492</u>
INTERFUND REVENUES			
Airport fire services	12,000	12,000	-
Communication services	775,009	787,830	(12,821)
Sales to other funds	442,165	415,506	26,659
Other interfund reimbursements	91,221	96,660	(5,439)
Total interfund revenue	<u>1,320,395</u>	<u>1,311,996</u>	<u>8,399</u>
INTERGOVERNMENTAL REVENUES			
General Government			
Auditorium Operating Assistance	298,000	297,999	1
Public safety and health			
Emergency Management Participations	276,886	241,276	35,610
Solid Waste	28,472	34,600	(6,128)
State shared revenues	58,884	56,600	2,284
Transit			
Federal/state operating assistance	2,310,428	2,131,425	179,003
Total intergovernmental revenues	<u>2,972,670</u>	<u>2,761,900</u>	<u>210,770</u>
CONTRIBUTIONS FROM CITIZENS			
Donations unrestricted	7,300	36,000	(28,700)

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
GENERAL FUND
COMPARATIVE SCHEDULE OF REVENUES, CONTINUED
YEAR ENDED SEPTEMBER 30, 2008**

	<u>Actual revenue</u>	<u>Budget</u>	<u>Variance with final budget positive (negative)</u>
CHARGES FOR SERVICES			
General government			
Zoning, planning application fees	56,398	54,489	1,909
Sale of city publications	751	2,067	(1,316)
Staff services			
Indirect cost reimbursement	1,553,263	1,581,780	(28,517)
Business type fund administrative fees			
Water & sewer administrative	1,135,008	1,136,845	(1,837)
Airport	144,630	127,145	17,485
Other administrative fees			
Weed mowing contract	443,363	290,002	153,361
Weed bad debt adjustment	(507,309)	(300,000)	(207,309)
Wrecker service contract	180,745	313,500	(132,755)
Fiscal agent fees	111,968	109,004	2,964
Public safety and health			
Police liaison officer	698,050	669,717	28,333
Warrant fees	472,632	324,000	148,632
Traffic accident reports	60,892	70,416	(9,524)
Airport fire service fee	1,445,016	1,445,015	1
Fire inspections	13,404	13,643	(239)
Animal shelter fees	60,910	67,135	(6,225)
Vital statistics fee	435,142	422,000	13,142
Miscellaneous health department fees	8,100	7,652	448
Culture & recreation			
Auditorium rentals	753,953	876,001	(122,048)
Auditorium concessions	522,125	579,121	(56,996)
Auditorium advertising	7,930	17,115	(9,185)
Auditorium Box Office	286,522	300,000	(13,478)
Library late fees	137,418	122,001	15,417
Library copy charges	22,572	26,000	(3,428)
Non resident library fees	10,806	10,999	(193)
Baseball field rentals	52,751	44,000	8,751
Golf green fees	1,096,760	1,078,003	18,757
Golf membership fees	348,773	357,483	(8,710)
Golf other	91,256	88,226	3,030
Swimming pool fees	143,397	170,613	(27,216)
Tennis center fees	4,281	6,050	(1,769)
Rifle range fees	37,333	29,280	8,053
Entry and tournament fees	431,810	447,370	(15,560)
Admission fees	6,094	4,600	1,494
Solid waste			
Collection & disposal fees	14,431,373	14,340,340	91,033
Landfill charges	1,291,277	1,316,000	(24,723)
Recyclable materials	92,551	55,000	37,551
Forfeited discounts	306,552	274,000	32,552
Transit			
Passenger revenue	121,651	113,999	7,652
Demand response	28,748	37,239	(8,491)
Advertising	16,800	16,800	-
Miscellaneous transit revenue	30,106	33,001	(2,895)
Total charges for services	<u>26,585,802</u>	<u>26,677,651</u>	<u>(91,849)</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
GENERAL FUND
COMPARATIVE SCHEDULE OF REVENUES, CONTINUED
YEAR ENDED SEPTEMBER 30, 2008**

	Actual revenue	Budget	Variance with final budget positive (negative)
FINES AND FORFEITURES			
Traffic fines	2,678,483	2,608,000	70,483
Misdemeanor fees	744,235	722,000	22,235
Parking fines	90,927	97,999	(7,072)
Court Fees	37,627	43,132	(5,505)
Other court revenue	85,327	78,000	7,327
Miscellaneous Fines	83,736	51,357	32,379
State court costs	519,260	467,998	51,262
Total fines and forfeitures	<u>4,239,595</u>	<u>4,068,486</u>	<u>171,109</u>
INVESTMENT EARNINGS			
Interest earnings	2,111,780	2,480,422	(368,642)
Change in fair value of investments	(104,866)	-	(104,866)
Total investment earnings	<u>2,006,914</u>	<u>2,480,422</u>	<u>(473,508)</u>
OTHER RENTALS AND COMMISSIONS			
Amusement park commissions	96,406	81,729	14,677
Municipal building rents	188,749	223,680	(34,931)
Surface land rents	15,600	15,600	-
Miscellaneous concessions	37,303	52,963	(15,660)
Total rental/commissions	<u>338,058</u>	<u>373,972</u>	<u>(35,914)</u>
MISCELLANEOUS REVENUES			
Use of money and property:			
Miscellaneous Revenues	247,527	167,865	79,662
Discount Card Sales	37,455	27,500	9,955
Sales to Outside Utilities	74,305	76,762	(2,457)
Workshop Revenue	196	-	196
Return Check Fees	1,770	1,600	170
PID reimbursements	34,788	103,734	(68,946)
Appraisal Dist Refunds	1,439	-	1,439
Discounts Earned	3,608	2,300	1,308
Telephone Commissions	18,358	20,570	(2,212)
Sale of Property and Gains	178,430	10,371	168,059
Bad Debt/ Exp Recovery	(13,472)	-	(13,472)
Total miscellaneous revenues	<u>584,404</u>	<u>410,702</u>	<u>173,702</u>
TOTAL REVENUES	<u>\$ 133,215,574</u>	<u>\$ 128,558,259</u>	<u>\$ 4,657,315</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT (GAAP BASIS)
YEAR ENDED SEPTEMBER 30, 2008**

	Salaries, wages and fringe benefits	Supplies	Contractual services
GENERAL GOVERNMENT			
Mayor and commission	\$ 2,530	\$ 5,695	\$ 41,405
City manager	521,032	1,882	4,153
City secretary	223,139	16,562	718
Municipal court	1,073,433	50,329	229,557
Teen court	39,075	490	236
Planning and zoning	506,516	9,496	18,586
Total general government	<u>2,365,725</u>	<u>84,454</u>	<u>294,655</u>
STAFF SERVICES			
Financial administration			
Director of Finance	500,899	4,113	423,525
Accounting	904,561	29,176	153,427
Purchasing	340,063	17,762	30,120
Central stores	370,977	3,637	11,243
Municipal office services	145,663	(1,841)	10,648
Legal	696,080	40,704	11,409
Personnel			
Human Resources	881,398	105,844	209,655
Safety and training	290,812	18,862	23,360
Communications	332,439	30,233	400,752
Occupancy			
Custodial operations	642,437	458,525	87,932
Building maintenance	1,016,531	20,425	430,257
Total staff services	<u>6,121,860</u>	<u>727,440</u>	<u>1,792,328</u>
PUBLIC SAFETY AND HEALTH			
Police			
Police	24,216,478	1,122,154	2,171,891
Civilian personnel	3,953,968	-	30,230
COPS Hiring Program	-	-	-
COPS in School	-	-	-
Tobacco Senate Bill	7,331	64	773
Total police protection	<u>28,177,777</u>	<u>1,122,218</u>	<u>2,202,894</u>
Fire Protection			
Fire operations	17,585,972	62,516	31,396
Civilian personnel	1,392,928	10,425	4,504
Fire support	681,208	1,130,166	827,197
Fire safety	-	-	-
Total fire protection	<u>19,660,108</u>	<u>1,203,107</u>	<u>863,097</u>
Other			
Code enforcement	1,546,969	29,307	461,061
Animal control	1,101,468	107,766	124,342
Emergency services	222,167	31,231	26,630
Environmental health	604,266	9,598	75,945
Vital statistics	46,494	7,955	2,017
Total other	<u>3,521,364</u>	<u>185,857</u>	<u>689,995</u>
Total public safety and health	<u>51,359,249</u>	<u>2,511,182</u>	<u>3,755,986</u>

See Independent Auditor's Report.

Other charges	Total	Capital outlay	Total (GAAP) basis
\$ 27,497	\$ 77,127	\$ -	\$ 77,127
17,284	544,351	-	544,351
11,439	251,858	-	251,858
194,957	1,548,276	-	1,548,276
555	40,356	-	40,356
80,443	615,041	-	615,041
<u>332,175</u>	<u>3,077,009</u>	<u>-</u>	<u>3,077,009</u>
32,835	961,372	-	961,372
246,918	1,334,082	-	1,334,082
58,520	446,465	-	446,465
82,928	468,785	-	468,785
7,902	162,372	-	162,372
30,441	778,634	-	778,634
197,198	1,394,095	-	1,394,095
14,561	347,595	-	347,595
66,050	829,474	43	829,517
4,566	1,193,460	-	1,193,460
74,709	1,541,922	13,228	1,555,150
<u>816,628</u>	<u>9,458,256</u>	<u>13,271</u>	<u>9,471,527</u>
1,013,236	28,523,759	76,054	28,599,813
8,221	3,992,419	-	3,992,419
-	-	-	-
-	-	-	-
66	8,234	-	8,234
<u>1,021,523</u>	<u>32,524,412</u>	<u>76,054</u>	<u>32,600,466</u>
70,319	17,750,203	-	17,750,203
35,580	1,443,437	-	1,443,437
263,123	2,901,694	1,379	2,903,073
-	-	-	-
<u>369,022</u>	<u>22,095,334</u>	<u>1,379</u>	<u>22,096,713</u>
345,535	2,382,872	-	2,382,872
49,020	1,382,596	-	1,382,596
104,545	384,573	-	384,573
91,123	780,932	-	780,932
6,685	63,151	-	63,151
<u>596,908</u>	<u>4,994,124</u>	<u>-</u>	<u>4,994,124</u>
<u>1,987,453</u>	<u>59,613,870</u>	<u>77,433</u>	<u>59,691,303</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT (GAAP BASIS), CONTINUED
YEAR ENDED SEPTEMBER 30, 2008**

	<u>Salaries, wages and fringe benefits</u>	<u>Supplies</u>	<u>Contractual services</u>
STREETS, TRAFFIC & ENGINEERING			
Street maintenance	3,328,489	321,907	4,844,026
Traffic engineering	497,865	1,881,873	130,640
Traffic field operations	771,933	25,379	572,193
Engineering	1,148,227	99,401	62,219
Total streets, traffic, engineering	<u>5,746,514</u>	<u>2,328,560</u>	<u>5,609,078</u>
CULTURE & RECREATION			
Auditorium Coliseum			
Civic Center operations	905,853	697,018	51,249
Civic Center promotions	155,338	37,804	35,886
Box office operations	179,822	2,150	97,203
Ice hockey	44,276	86,182	60,375
Globe News Center	63,075	157,222	38,194
Library operations	2,286,981	727,821	124,921
Parks			
Parks administration	405,072	43,019	19,308
Park maintenance	2,936,118	1,156,080	1,278,133
Participant recreation			
Ross Rogers Golf Course	584,488	526,064	246,385
Comanche Trail	643,324	260,407	366,035
Zoo	184,639	56,985	20,610
Swimming pools	276,324	174,931	42,624
Tennis center	4,604	27,334	30,049
Parks and recreation programs	295,784	36,517	15,931
Athletic administration	133,171	-	-
Softball	147,930	22,818	62,025
Basketball	6,400	274	3,640
Track	600	2,320	-
Volleyball	58,348	7,095	30,103
Flag football	-	-	-
Baseball	-	3,112	-
Soccer	-	-	-
Total culture and recreation	<u>9,312,147</u>	<u>4,025,153</u>	<u>2,522,671</u>
SOLID WASTE			
Solid waste collection	4,267,352	273,456	2,977,910
Solid waste disposal	1,322,700	92,720	1,563,390
Total solid waste	<u>5,590,052</u>	<u>366,176</u>	<u>4,541,300</u>
TRANSIT			
Fixed Route	1,566,766	961,466	22,022
Demand response	722,425	182,063	42,311
Total transit	<u>2,289,191</u>	<u>1,143,529</u>	<u>64,333</u>
ECONOMIC DEVELOPMENT			
Tourism support	-	-	2,280,629
Total economic development	<u>-</u>	<u>-</u>	<u>2,280,629</u>
TOTAL GENERAL FUND EXPENDITURES	<u>\$ 82,784,738</u>	<u>\$ 11,186,494</u>	<u>\$ 20,860,980</u>

See Independent Auditor's Report.

<u>Other charges</u>	<u>Total</u>	<u>Capital outlay</u>	<u>Total (GAAP) basis</u>
84,210	8,578,632	5,315	8,583,947
70,851	2,581,229	-	2,581,229
32,937	1,402,442	33,682	1,436,124
106,887	1,416,734	5,505	1,422,239
<u>294,885</u>	<u>13,979,037</u>	<u>44,502</u>	<u>14,023,539</u>
113,408	1,767,528	-	1,767,528
23,111	252,139	42,945	295,084
35,028	314,203	-	314,203
2,645	193,478	-	193,478
7,593	266,084	-	266,084
225,505	3,365,228	2,731	3,367,959
51,979	519,378	-	519,378
56,670	5,427,001	2,683	5,429,684
13,172	1,370,109	6	1,370,115
27,217	1,296,983	-	1,296,983
3,168	265,402	2,765	268,167
23,690	517,569	13,050	530,619
3,488	65,475	-	65,475
71,262	419,494	-	419,494
5,789	138,960	-	138,960
5,657	238,430	-	238,430
28	10,342	-	10,342
6	2,926	-	2,926
220	95,766	-	95,766
17	17	-	17
4	3,116	-	3,116
-	-	-	-
<u>669,657</u>	<u>16,529,628</u>	<u>64,180</u>	<u>16,593,808</u>
71,024	7,589,742	25,000	7,614,742
313,131	3,291,941	33,175	3,325,116
<u>384,155</u>	<u>10,881,683</u>	<u>58,175</u>	<u>10,939,858</u>
354,371	2,904,625	-	2,904,625
85,682	1,032,481	-	1,032,481
<u>440,053</u>	<u>3,937,106</u>	<u>-</u>	<u>3,937,106</u>
-	2,280,629	-	2,280,629
-	2,280,629	-	2,280,629
<u>\$ 4,925,006</u>	<u>\$ 119,757,218</u>	<u>\$ 257,561</u>	<u>\$ 120,014,779</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
YEAR ENDED SEPTEMBER 30, 2008**

	Net Current	Capital Outlay	Total Current Year (GAAP Basis)	Paid Prior Year Encumbrances
GENERAL GOVERNMENT				
Mayor and Commission	\$ 77,127	\$ -	\$ 77,127	\$ -
City manager	544,351	-	544,351	-
City secretary	251,858	-	251,858	-
Municipal court	1,548,276	-	1,548,276	860
Teen court	40,356	-	40,356	-
Planning and zoning	615,041	-	615,041	-
Total general government	<u>3,077,009</u>	<u>-</u>	<u>3,077,009</u>	<u>860</u>
STAFF SERVICES				
Financial administration				
Director of Finance	961,372	-	961,372	17,800
Accounting	1,334,082	-	1,334,082	-
Purchasing	446,465	-	446,465	2,898
Central stores	468,785	-	468,785	-
Municipal office services	162,372	-	162,372	-
Legal	778,634	-	778,634	-
Personnel				
Human Resources	1,394,095	-	1,394,095	19,701
Safety and training	347,595	-	347,595	6,572
Communications	829,474	43	829,517	-
Occupancy				
Custodial operations	1,193,460	-	1,193,460	-
Building maintenance	1,541,922	13,228	1,555,150	7,111
Total staff services	<u>9,458,256</u>	<u>13,271</u>	<u>9,471,527</u>	<u>54,082</u>
PUBLIC SAFETY AND HEALTH				
Police				
Police	28,523,759	76,054	28,599,813	81,605
Civilian Personnel	3,992,419	-	3,992,419	-
COPS Hiring Program	-	-	-	-
COPS in School	-	-	-	-
Tobacco Senate Bill	8,234	-	8,234	-
Total police protection	<u>32,524,412</u>	<u>76,054</u>	<u>32,600,466</u>	<u>81,605</u>
Fire Protection				
Fire Operations	17,750,203	-	17,750,203	-
Civilian Personnel	1,443,437	-	1,443,437	-
Fire Support	2,901,694	1,379	2,903,073	38,319
Fire Safety	-	-	-	-
Total fire protection	<u>22,095,334</u>	<u>1,379</u>	<u>22,096,713</u>	<u>38,319</u>
Other				
Building safety	2,382,872	-	2,382,872	554
Animal control	1,382,596	-	1,382,596	-
Emergency services	384,573	-	384,573	-
Environmental health	780,932	-	780,932	-
Vital Statistics	63,151	-	63,151	-
Total Other	<u>4,994,124</u>	<u>-</u>	<u>4,994,124</u>	<u>554</u>
Total public safety and health	<u>59,613,870</u>	<u>77,433</u>	<u>59,691,303</u>	<u>120,478</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>
\$ -	\$ 77,127	\$ 130,938	\$ 130,938	\$ 53,811
-	544,351	528,697	545,721	1,370
-	251,858	268,656	273,629	21,771
-	1,547,416	1,562,204	1,600,688	53,272
-	40,356	45,148	45,655	5,299
-	615,041	647,983	665,101	50,060
-	<u>3,076,149</u>	<u>3,183,626</u>	<u>3,261,732</u>	<u>185,583</u>
8,750	952,322	935,309	973,754	21,432
-	1,334,082	1,340,767	1,365,624	31,542
383	443,950	425,158	438,961	(4,989)
-	468,785	480,330	492,895	24,110
-	162,372	195,295	201,174	38,802
1,401	780,035	791,395	802,937	22,902
-	1,374,394	1,320,396	1,364,834	(9,560)
-	341,023	351,204	366,703	25,680
-	829,517	848,839	872,356	42,839
-	1,193,460	1,278,437	1,300,537	107,077
16,138	1,564,177	1,650,125	1,693,245	129,068
26,672	<u>9,444,117</u>	<u>9,617,255</u>	<u>9,873,020</u>	<u>428,903</u>
194,146	28,712,354	28,032,892	28,908,682	196,328
-	3,992,419	4,132,090	4,245,268	252,849
-	-	-	-	-
-	-	-	-	-
-	8,234	8,000	8,000	(234)
194,146	<u>32,713,007</u>	<u>32,172,982</u>	<u>33,161,950</u>	<u>448,943</u>
-	17,750,203	17,247,789	17,778,872	28,669
-	1,443,437	1,373,196	1,404,628	(38,809)
27,496	2,892,250	2,940,328	2,998,920	106,670
-	-	-	-	-
27,496	<u>22,085,890</u>	<u>21,561,313</u>	<u>22,182,420</u>	<u>96,530</u>
-	2,382,318	2,231,018	2,262,763	(119,555)
719	1,383,315	1,405,412	1,423,412	40,097
-	384,573	389,411	420,819	36,246
-	780,932	893,792	882,369	101,437
-	63,151	67,515	69,868	6,717
719	<u>4,994,289</u>	<u>4,987,148</u>	<u>5,059,231</u>	<u>64,942</u>
222,361	<u>59,793,186</u>	<u>58,721,443</u>	<u>60,403,601</u>	<u>610,415</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS, CONTINUED
YEAR ENDED SEPTEMBER 30, 2008**

	Net Current	Capital Outlay	Total Current Year (GAAP Basis)	Paid Prior Year Encumbrances
STREETS, TRAFFIC & ENGINEERING				
Street maintenance	8,578,632	5,315	8,583,947	685
Traffic engineering	2,581,229	-	2,581,229	-
Traffic field operations	1,402,442	33,682	1,436,124	47,495
Engineering	1,416,734	5,505	1,422,239	5,556
Total streets, traffic, engineering	<u>13,979,037</u>	<u>44,502</u>	<u>14,023,539</u>	<u>53,736</u>
CULTURE & RECREATION				
Auditorium Coliseum				
Civic Center operations	1,767,528	-	1,767,528	-
Civic Center promotions	252,139	42,945	295,084	33,418
Box office operations	314,203	-	314,203	-
Ice hockey	193,478	-	193,478	9,962
Globe News Center	266,084	-	266,084	-
Library operations	3,365,228	2,731	3,367,959	1,285
Parks				
Parks administration	519,378	-	519,378	3,273
Park maintenance	5,427,001	2,683	5,429,684	5,039
Participant Recreation				
Ross Rogers golf course	1,370,109	6	1,370,115	-
Comanche Trail	1,296,983	-	1,296,983	-
Zoo	265,402	2,765	268,167	-
Swimming pools	517,569	13,050	530,619	-
Tennis center	65,475	-	65,475	-
Parks and recreation programs	419,494	-	419,494	-
Athletic administration	138,960	-	138,960	-
Softball	238,430	-	238,430	-
Basketball	10,342	-	10,342	-
Track	2,926	-	2,926	-
Volleyball	95,766	-	95,766	-
Flag football	17	-	17	-
Baseball	3,116	-	3,116	-
Soccer	-	-	-	-
Total culture and recreation	<u>16,529,628</u>	<u>64,180</u>	<u>16,593,808</u>	<u>52,977</u>
SOLID WASTE				
Solid waste collection	7,589,742	25,000	7,614,742	-
Solid waste disposal	3,291,941	33,175	3,325,116	-
Total solid waste	<u>10,881,683</u>	<u>58,175</u>	<u>10,939,858</u>	<u>-</u>
TRANSIT				
Fixed route	2,904,625	-	2,904,625	-
Demand response	1,032,481	-	1,032,481	-
Total transit	<u>3,937,106</u>	<u>-</u>	<u>3,937,106</u>	<u>-</u>
ECONOMIC DEVELOPMENT				
Tourism support	2,280,629	-	2,280,629	-
Total economic development	<u>2,280,629</u>	<u>-</u>	<u>2,280,629</u>	<u>-</u>
TOTAL GENERAL FUND EXPENDITURES	<u>\$ 119,757,218</u>	<u>\$ 257,561</u>	<u>\$ 120,014,779</u>	<u>\$ 282,133</u>
OPERATING TRANSFERS:				
Operating Transfers to Other Funds	13,680,773	-	13,680,773	-
Operating Transfers from Other Funds	(807,810)	-	(807,810)	-
TOTALS INCLUDING TRANSFERS	<u>\$ 132,630,181</u>	<u>\$ 257,561</u>	<u>\$ 132,887,742</u>	<u>\$ 282,133</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>
-	8,583,262	8,836,821	9,272,099	688,837
-	2,581,229	2,422,348	2,436,270	(144,959)
70,274	1,458,903	1,485,759	1,559,010	100,107
3,301	1,419,984	1,542,839	1,582,663	162,679
<u>73,575</u>	<u>14,043,378</u>	<u>14,287,767</u>	<u>14,850,042</u>	<u>806,664</u>
-	1,767,528	1,864,683	1,893,110	125,582
-	261,666	323,998	373,212	111,546
3,152	317,355	318,832	323,281	5,926
9,681	193,197	227,570	239,346	46,149
15,362	281,446	304,350	304,709	23,263
5,890	3,372,564	3,658,108	3,606,960	234,396
-	516,105	524,408	541,020	24,915
-	5,424,645	5,559,866	5,608,497	183,852
11,708	1,381,823	1,362,196	1,383,617	1,794
6,545	1,303,528	1,276,074	1,324,108	20,580
6,827	274,994	296,360	302,470	27,476
-	530,619	451,707	519,018	(11,601)
13,055	78,530	89,394	79,894	1,364
2,124	421,618	441,438	427,837	6,219
-	138,960	135,023	138,436	(524)
-	238,430	240,161	240,161	1,731
-	10,342	10,628	10,628	286
-	2,926	2,877	2,877	(49)
-	95,766	106,098	106,098	10,332
-	17	2,547	2,547	2,530
-	3,116	1,741	1,741	(1,375)
-	-	100	100	100
<u>74,344</u>	<u>16,615,175</u>	<u>17,198,159</u>	<u>17,429,667</u>	<u>814,492</u>
-	7,614,742	7,586,580	7,779,364	164,622
1,608	3,326,724	3,438,079	3,480,030	153,306
<u>1,608</u>	<u>10,941,466</u>	<u>11,024,659</u>	<u>11,259,394</u>	<u>317,928</u>
27,329	2,931,954	2,822,862	2,868,791	(63,163)
1,372	1,033,853	933,097	949,959	(83,894)
<u>28,701</u>	<u>3,965,807</u>	<u>3,755,959</u>	<u>3,818,750</u>	<u>(147,057)</u>
-	2,280,629	2,301,729	2,387,729	107,100
-	2,280,629	2,301,729	2,387,729	107,100
<u>\$ 427,261</u>	<u>\$ 120,159,907</u>	<u>\$ 120,090,597</u>	<u>\$ 123,283,935</u>	<u>\$ 3,124,028</u>
-	13,680,773	7,773,642	14,772,730	1,091,957
-	(807,810)	(755,000)	(809,441)	(1,631)
<u>\$ 427,261</u>	<u>\$ 133,032,870</u>	<u>\$ 127,109,239</u>	<u>\$ 137,247,224</u>	<u>\$ 4,214,354</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, 2008**

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$	8,528,047
Investments, at fair values		23,442,437
Accounts receivable		3,716,402
Accrued interest receivable		150,298
Other accrued revenue		2,581,211
Prepaid expenses		<u>21,535</u>
Total current assets		<u>38,439,930</u>
NONCURRENT ASSETS		
Cash and cash equivalents		4,655,463
Capital assets		
Land		1,254,474
Underground water rights		36,706,908
Accumulated Depletion		(1,903,803)
Water supply contract		50,336,389
Accumulated amortization - water supply contract		(15,995,450)
Pipelines and plant		379,991,136
Accumulated depreciation - pipelines and plant		(113,326,071)
Equipment and vehicles		3,670,463
Accumulated depreciation - equipment and vehicles		(2,924,562)
Construction in progress		<u>21,367,938</u>
Total capital assets net of accumulated depreciation		<u>359,177,422</u>
Total noncurrent assets		<u>363,832,885</u>
TOTAL ASSETS	\$	<u>402,272,815</u>
LIABILITIES		
CURRENT LIABILITIES		
Vouchers payable	\$	1,291,941
Accounts payable		659,793
Accrued expenses		1,079,137
Deposits		37,671
Consumer security deposits		2,814,605
Share of Water Authority debt, current		2,980,862
Revenue bonds current maturity		<u>1,290,000</u>
Total current liabilities		<u>10,154,009</u>
NONCURRENT LIABILITIES		
Revenue bonds net of current		35,820,349
Water authority debt, net of current		65,799,502
Provision for compensated absences		<u>1,351,662</u>
Total noncurrent liabilities		<u>102,971,513</u>
TOTAL LIABILITIES	\$	<u>113,125,522</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$	253,286,709
Restricted for debt service		3,365,463
Unrestricted		<u>32,495,121</u>
TOTAL NET ASSETS	\$	<u>289,147,293</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, 2008**

OPERATING REVENUES	
Rents and miscellaneous	\$ 546,657
Tap fees and frontage charges	324,869
Utility sales and service	<u>47,620,874</u>
Total operating revenues	<u>48,492,400</u>
OPERATING EXPENSES	
Salaries, wages and fringe benefits	10,509,419
Supplies	1,252,065
Fuel and power	6,555,099
Contractual services	4,577,276
Water Authority charges	4,314,844
Other charges	6,591,912
Depreciation	<u>9,348,296</u>
Total operating expenses	<u>43,148,911</u>
Operating income	<u>5,343,489</u>
NONOPERATING REVENUES (EXPENSES)	
Gain (loss) on disposal of property	30,888
Interfund reimbursement	449,141
Interest earnings	1,590,376
Interest and fiscal charges	<u>(4,303,033)</u>
Total nonoperating revenue (expenses)	<u>(2,232,628)</u>
Income before contributions and transfers	3,110,861
Capital contributions	1,106,357
Transfers to other funds	<u>(89,376)</u>
Change in net assets	4,127,842
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>285,019,451</u>
TOTAL NET ASSETS, END OF YEAR	<u><u>\$ 289,147,293</u></u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATER AND SEWER SYSTEM FUND
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 48,875,924
Cash payments to suppliers for goods and services	(23,628,130)
Cash payments to employees	(9,693,179)
Net cash provided by operating activities	<u>15,554,615</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(89,376)
Amounts repaid from other funds	40,996
Net cash used by noncapital financing activities	<u>(48,380)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(20,086,197)
Principal paid on revenue bond maturities	(1,245,000)
Principal paid on proportionate share of Water Authority indebtedness	(2,844,331)
Capital grants received	1,106,357
Interest expense	(4,661,499)
Proceeds from sale of equipment	31,736
Net cash used for capital and related financing activities	<u>(27,698,934)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investment securities	35,438,030
Purchase of investment securities	(25,544,191)
Interest and gains (losses) on investments	1,728,450
Net cash provided by investing activities	<u>11,622,289</u>
Net decrease in cash and cash equivalents	(570,410)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	<u>13,753,920</u>
CASH AND CASH EQUIVALENTS, AT END OF YEAR (RESTRICTED AND UNRESTRICTED)	<u>\$ 13,183,510</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 5,343,489
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	9,348,296
(Increase) decrease in accounts receivable	336,281
(Increase) decrease in other accrued revenue	47,243
(Increase) decrease in prepaid expenses	1,301
Increase (decrease) in vouchers payable	(535,073)
Increase (decrease) in accounts payable	313,710
Increase (decrease) in accrued operating expenses	505,661
Increase (decrease) in customer deposits	196,838
Increase (decrease) in provision for compensated absences	(3,131)
Net cash provided by operating activities	<u>\$ 15,554,615</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Amortization of bond issuance costs	102,865
Decreases (increases) in fair values of investments	(79,319)
Interest expense capitalized	748,708

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATER AND SEWER SYSTEM FUND
SCHEDULE OF OPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2008**

UTILITY SALES AND SERVICE

Water metered sales	\$ 31,678,129
Sewer charges	13,493,693
Industrial waste charges	95,630
Forfeited discounts	800,837
Sale of reclaimed water	839,581
Water service charges	848,657
Net loss on bad debts	(254,360)
Lab fees	78,110
Liquid waste disposal	40,597
	47,620,874

TAP FEES AND FRONTAGE CHARGES

Water tap fees	190,450
Sewer tap fees	76,825
Water frontage charges	30,240
Sewer frontage charges	27,354
	324,869

RENTS AND MISCELLANEOUS

Rents and miscellaneous	546,657
	546,657

TOTAL OPERATING REVENUE

\$ 48,492,400

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATER AND SEWER SYSTEM FUND
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
YEAR ENDED SEPTEMBER 30, 2008**

WATER AND SEWER SYSTEM FUND	Salaries, Wages & Fringe Benefits	Supplies	Fuel and Power
DEPARTMENT			
Water production	\$ 304,397	\$ 19,225	\$ 2,505,878
Water transmission	296,072	20,199	1,538,263
Surface water treatment	1,531,615	384,518	196,043
Water distribution	2,132,348	38,893	1,454
Water - general	-	-	-
Wastewater collection	1,189,140	159,874	156,910
Wastewater treatment	1,963,781	459,975	2,128,839
Environmental laboratory	944,286	120,799	27,712
Sewer - general	-	-	-
Utility billing	1,093,366	36,384	-
Director of utilites - admin.	1,054,414	12,198	-
Net Operating Expenses	<u>\$ 10,509,419</u>	<u>\$ 1,252,065</u>	<u>\$ 6,555,099</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>
\$ -	\$ 999,687	\$ 24,189	\$ 2,088,203	\$ 5,941,579
-	168,132	31,598	1,060,697	3,114,961
4,314,844	500,194	99,190	1,060,487	8,086,891
-	970,779	110,996	1,971,182	5,225,652
-	-	3,241,949	-	3,241,949
-	513,264	56,194	936,359	3,011,741
-	628,703	402,416	1,929,922	7,513,636
-	113,542	37,447	111,930	1,355,716
-	-	1,966,458	-	1,966,458
-	500,793	501,777	170,742	2,303,062
-	182,182	119,698	18,774	1,387,266
<u>\$ 4,314,844</u>	<u>\$ 4,577,276</u>	<u>\$ 6,591,912</u>	<u>\$ 9,348,296</u>	<u>\$ 43,148,911</u>

See Independent Auditor's Report.

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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, 2008**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	4,114,225
Investments at fair value		12,897,818
Receivables (net of allowances for uncollectibles)		
Accounts		82,978
Accrued interest		137,305
Other accrued revenue		170,422
Due from other governments		420,148
Total current assets		17,822,896

NONCURRENT ASSETS

Capital assets		
Land		2,749,341
Runways, buildings and improvements		93,596,187
Accumulated depreciation		(55,762,286)
Equipment and vehicles		5,478,901
Accumulated depreciation		(3,769,142)
Construction in progress		4,595,437
Total capital assets, net of accumulated depreciation		46,888,438
Total noncurrent assets		46,888,438

TOTAL ASSETS

\$ 64,711,334

LIABILITIES

CURRENT LIABILITIES

Vouchers payable	\$	231,916
Accounts payable		25,368
Accrued expenses		101,987
Deposits		80,407
Total current liabilities		439,678

NONCURRENT LIABILITIES

Provision for compensated absences		142,506
Total noncurrent liabilities		142,506

TOTAL LIABILITIES

\$ 582,184

NET ASSETS

Invested in capital assets net of debt	\$	46,888,438
Unrestricted		17,240,712

TOTAL NET ASSETS

\$ 64,129,150

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
AIRPORT FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2008**

OPERATING REVENUES	
Airfield fees and commissions	\$ 580,242
Terminal building revenue	4,425,504
Other building revenue	<u>1,048,537</u>
Total operating revenues	<u>6,054,283</u>
OPERATING EXPENSES	
Salaries, wages and fringes	1,984,829
Supplies	169,631
Fuel and power	600,841
Other contractual	539,081
Other charges	1,897,573
Depreciation	<u>3,320,934</u>
Total operating expenses	<u>8,512,889</u>
Operating loss	<u>(2,458,606)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest earnings	654,587
Change in value of investments	(3,805)
Other miscellaneous revenue	<u>13,063</u>
Net nonoperating revenues (expenses)	<u>663,845</u>
Net loss before contributions and transfer	(1,794,761)
CAPITAL CONTRIBUTIONS	<u>1,377,146</u>
Change in net assets	(417,615)
NET ASSETS AT BEGINNING OF YEAR	<u>64,546,765</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 64,129,150</u></u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
AIRPORT FUND
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 6,504,479
Cash payments to suppliers for goods and services	(3,167,867)
Cash payments to employees	(2,027,577)
Net cash provided by operating activities	<u>1,309,035</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Amounts borrowed from or repaid by other funds	934,917
Other	13,064
Net cash provided by noncapital financing activities	<u>947,981</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(2,141,488)
Capital grants received	1,377,146
Net cash used for capital and related financing activities	<u>(764,342)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investment securities	10,750,000
Purchase of investment securities	(9,134,126)
Interest and gains on investments	647,744
Net cash provided by investing activities	<u>2,263,618</u>
Net increase in cash and cash equivalents	<u>3,756,292</u>
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	<u>357,933</u>
CASH AND CASH EQUIVALENTS, AT END OF YEAR	<u>\$ 4,114,225</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (2,458,606)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	3,320,934
(Increase) decrease in accounts receivable	(69,879)
(Increase) decrease in other accrued revenue	520,075
Increase (decrease) in vouchers payable for operations	30,337
Increase (decrease) in accounts payable	5,871
Increase (decrease) in accrued expenses	(52,769)
Increase (decrease) in deposits received	8,922
Increase in provision for compensated absences	4,150
Net cash provided by operating activities	<u>\$ 1,309,035</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Decrease in fair values of investments	\$ 3,805

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
AIRPORT FUND
SCHEDULE OF OPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2008**

AIRFIELD FEES AND COMMISSIONS

Landing fees	\$ 420,782
Military fuel flowage commission	67,329
Fuel and oil commission--fixed base operator	88,982
Fuel and oil commissions--other	3,149
	580,242
Total airfield fees and commissions	580,242

TERMINAL BUILDING REVENUES

Airline rentals	1,424,576
Restaurant commissions	101,190
Locker and vending machine commissions	2,922
Other terminal building rentals	138,005
Car rental agencies	1,150,047
Auto parking concession	1,608,764
	4,425,504
Total terminal building revenues	4,425,504

OTHER BUILDING REVENUES

Lease rentals	
Bell Helicopter	162,796
Krams, Inc.	275,070
Leading Edge	250,116
Fixed base operator	78,059
Other building rentals	96,327
Ground rentals	145,041
Aircraft parking fees	50
Advertising commissions	41,078
	1,048,537
Total other building revenues	1,048,537

TOTAL OPERATING REVENUES

\$ 6,054,283

See Independent Auditor's Report.

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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 Donor-Restricted Investment Trust Funds

The City accounts for the assets of the following other parties:

Public Library Bush Collection
Library Trust
Flood Hazard
Centennial Plaza Trust
Centennial Parkway
Indigent Dog Bite Victim
Civic Amarillo
Zoo Trust
Center City Trust
Rick Husband Memorial
Amarillo Industrial Development Corp
Amarillo Health Facilities Corporation
Deferred Compensation
Civic Center Operations
Keep Amarillo Beautiful

**CITY OF AMARILLO, TEXAS
HOUSING AND URBAN DEVELOPMENT GRANTS
COMBINING SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCES
SEPTEMBER 30, 2008**

	Community Development Block Grant	Housing Assistance Payments Program	Home Investment Partnership Program	Shelter Plus Care
ASSETS				
Cash and cash equivalents	\$ 93,484	\$ 1,817,570	\$ (4,226)	\$ 4,337
Accounts receivable	(1)	788	105,909	-
Due from other funds	28,285	2,301	101	-
Due from other governments	158,899	-	24,000	2,151
Other accrued revenue	175	-	-	14,879
Prepaid items	-	541,658	-	-
TOTAL ASSETS	\$ 280,842	\$ 2,362,317	\$ 125,784	\$ 21,367
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 17,181	\$ 141,773	\$ 5,094	\$ -
Due to other funds - unrestricted	179,962	1,251	101	20,980
Due to other governments	166	21,243	-	-
Deferred revenue	10,000	-	83,906	-
Vouchers payable	73,533	2,038	-	148
Total liabilities	280,842	166,305	89,101	21,128
FUND BALANCES				
Reserve for sick and annual leave	-	52,991	-	-
Reserve for prepaid items	-	541,658	-	-
Designated for specific purposes	-	1,601,363	36,683	239
Total fund balances	-	2,196,012	36,683	239
TOTAL LIABILITIES AND FUND BALANCES	\$ 280,842	\$ 2,362,317	\$ 125,784	\$ 21,367

See Independent Auditor's Report.

<u>Supportive Housing</u>	<u>Affordable Housing</u>	<u>Emergency Shelter</u>	<u>HMIS</u>	<u>Total</u>
\$ 400	\$ 60,432	\$ 1,340	\$ 27,913	\$ 2,001,250
-	-	-	-	106,696
-	-	-	-	30,687
9,031	-	33,660	13,768	241,509
18,150	-	-	-	33,204
-	-	-	-	541,658
<u>\$ 27,581</u>	<u>\$ 60,432</u>	<u>\$ 35,000</u>	<u>\$ 41,681</u>	<u>\$ 2,955,004</u>
\$ -	\$ -	\$ -	\$ -	\$ 164,048
26,321	-	35,000	-	263,615
-	-	-	-	21,409
-	-	-	-	93,906
501	-	-	-	76,220
<u>26,822</u>	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>619,198</u>
-	-	-	-	52,991
-	-	-	-	541,658
759	60,432	-	41,681	1,741,157
<u>759</u>	<u>60,432</u>	<u>-</u>	<u>41,681</u>	<u>2,335,806</u>
<u>\$ 27,581</u>	<u>\$ 60,432</u>	<u>\$ 35,000</u>	<u>\$ 41,681</u>	<u>\$ 2,955,004</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, 2008**

	<u>Community Development Block Grant</u>	<u>Housing Assistance Payments Program</u>	<u>Home Investment Partnership Program</u>
REVENUES			
Intergovernmental revenues	\$ -	\$ 1,374	\$ -
Grants-in-aid - capital	1,672,132	7,532,705	740,507
Charges for services	22,179	3,473	49,530
Construction participations	25,113	469	-
Investment earnings	-	33,175	-
Miscellaneous revenues	5,000	82,615	-
Total revenues	<u>1,724,424</u>	<u>7,653,811</u>	<u>790,037</u>
EXPENDITURES			
Urban redevelopment/housing	1,695,048	6,938,643	803,857
Capital outlay	-	-	-
Total expenditures	<u>1,695,048</u>	<u>6,938,643</u>	<u>803,857</u>
Excess (deficiency) of revenues over expenditures	<u>29,376</u>	<u>715,168</u>	<u>(13,820)</u>
OTHER FINANCING SOURCES (USES)			
Transfer to other fund	(41,176)	-	-
Operating transfer from other fund	11,800	2,301	41,176
Total other financing sources (uses)	<u>(29,376)</u>	<u>2,301</u>	<u>41,176</u>
Net change in fund balances	-	717,469	27,356
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>1,478,543</u>	<u>9,327</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 2,196,012</u>	<u>\$ 36,683</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,374
183,044	227,541	-	123,755	49,557	10,529,241
-	-	-	-	-	75,182
-	-	-	-	-	25,582
-	-	620	-	-	33,795
-	245	-	-	-	87,860
<u>183,044</u>	<u>227,786</u>	<u>620</u>	<u>123,755</u>	<u>49,557</u>	<u>10,753,034</u>
182,064	226,464	-	123,755	40,085	10,009,916
-	-	-	-	50,212	50,212
<u>182,064</u>	<u>226,464</u>	<u>-</u>	<u>123,755</u>	<u>90,297</u>	<u>10,060,128</u>
980	1,322	620	-	(40,740)	692,906
(980)	(1,321)	(42,168)	-	-	(85,645)
-	-	-	-	42,167	97,444
<u>(980)</u>	<u>(1,321)</u>	<u>(42,168)</u>	<u>-</u>	<u>42,167</u>	<u>11,799</u>
-	1	(41,548)	-	1,427	704,705
239	758	101,980	-	40,254	1,631,101
<u>\$ 239</u>	<u>\$ 759</u>	<u>\$ 60,432</u>	<u>\$ -</u>	<u>\$ 41,681</u>	<u>\$ 2,335,806</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
PUBLIC HEALTH GRANTS
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES
SEPTEMBER 30, 2008**

	Public Health	Women, Infants & Children	Total
ASSETS			
Cash and cash equivalents	\$ 6,633	\$ 17,652	\$ 24,285
Accounts receivable	65,781	-	65,781
Due from other governments	244,247	270,947	515,194
TOTAL ASSETS	\$ 316,661	\$ 288,599	\$ 605,260
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 68,921	\$ 26,953	\$ 95,874
Due to other funds - unrestricted	235,000	220,000	455,000
Vouchers payable	12,740	41,661	54,401
Total liabilities	316,661	288,614	605,275
FUND BALANCES			
Unreserved, undesignated	-	(15)	(15)
Total fund balances	-	(15)	(15)
TOTAL LIABILITIES AND FUND BALANCES	\$ 316,661	\$ 288,599	\$ 605,260

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, 2008**

	<u>Public Health</u>	<u>Women, Infants & Children</u>	<u>Total</u>
REVENUES			
Other entity participation	\$ 690,382	\$ -	\$ 690,382
Intergovernmental revenues	959,555	1,195,650	2,155,205
Charges for services	10,572	-	10,572
Miscellaneous revenues	-	-	-
Total revenues	<u>1,660,509</u>	<u>1,195,650</u>	<u>2,856,159</u>
EXPENDITURES			
Public Safety and Health Other	1,644,671	1,195,650	2,840,321
Capital outlay	<u>15,838</u>	<u>-</u>	<u>15,838</u>
Total expenditures	<u>1,660,509</u>	<u>1,195,650</u>	<u>2,856,159</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
FUND BALANCES, AT BEGINNING OF YEAR	<u>-</u>	<u>(15)</u>	<u>(15)</u>
FUND BALANCES, AT END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ (15)</u></u>	<u><u>\$ (15)</u></u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
JUSTICE GRANTS
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES
SEPTEMBER 30, 2008

	<u>Justice Assistant Grant</u>	<u>Selective Traffic Enforcement Program</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 60,608	\$ 1,357	\$ 61,965
Due from other governments	-	22,032	22,032
TOTAL ASSETS	<u>\$ 60,608</u>	<u>\$ 23,389</u>	<u>\$ 83,997</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds - unrestricted	<u>-</u>	<u>23,389</u>	<u>23,389</u>
Total liabilities	<u>-</u>	<u>23,389</u>	<u>23,389</u>
FUND BALANCES			
Reserved for grant purposes	<u>60,608</u>	<u>-</u>	<u>60,608</u>
Total fund balances	<u>60,608</u>	<u>-</u>	<u>60,608</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 60,608</u>	<u>\$ 23,389</u>	<u>\$ 83,997</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, 2008**

	<u>Justice Assistance Grant</u>	<u>Selective Traffic Enforcement Program</u>	<u>Total</u>
REVENUES			
Other entities participation			
Intergovernmental revenues	\$ 162,058	\$ 126,655	\$ 288,713
Total revenues	<u>162,058</u>	<u>126,655</u>	<u>288,713</u>
EXPENDITURES			
Police protection	<u>128,631</u>	<u>160,586</u>	<u>289,217</u>
Total expenditures	<u>128,631</u>	<u>160,586</u>	<u>289,217</u>
Excess (deficiency) of revenues over expenditures	<u>33,427</u>	<u>(33,931)</u>	<u>(504)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other fund	<u>-</u>	<u>33,931</u>	<u>33,931</u>
Total other financing sources and uses	<u>-</u>	<u>33,931</u>	<u>33,931</u>
Net change in fund balances	33,427	-	33,427
FUND BALANCES, AT BEGINNING OF YEAR			
	<u>27,181</u>	<u>-</u>	<u>27,181</u>
FUND BALANCES, AT END OF YEAR			
	<u>\$ 60,608</u>	<u>\$ -</u>	<u>\$ 60,608</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
 MISCELLANEOUS GRANTS
 COMBINING SCHEDULE OF ASSETS, LIABILITIES,
 AND FUND BALANCES
 SEPTEMBER 30, 2008**

	Texas State Library Programs	Urban Transportation Planning	Hazardous Materials Transportation Planning
ASSETS			
Cash and cash equivalents	\$ 4,841	\$ 1,477	\$ 444,798
Other accrued revenue	-	-	-
Due from other governments	133,666	50,609	22,830
TOTAL ASSETS	\$ 138,507	\$ 52,086	\$ 467,628
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 13,507	\$ 10,299	\$ 6,725
Due to other funds - unrestricted	125,000	41,787	-
Vouchers payable	-	-	-
Total liabilities	138,507	52,086	6,725
FUND BALANCES			
Reserved for grant purposes	-	-	460,903
Total fund balances	-	-	460,903
TOTAL LIABILITIES AND FUND BALANCES	\$ 138,507	\$ 52,086	\$ 467,628

See Independent Auditor's Report.

Pantex Plant Environmental Oversight	Public Assistance	Summer Lunch Program	Total
\$ 1,317	\$ 5,956	\$ (3,256)	\$ 455,133
-	188,308	-	188,308
13,077		110,056	330,238
<u>\$ 14,394</u>	<u>\$ 194,264</u>	<u>\$ 106,800</u>	<u>\$ 973,679</u>
\$ 3,135	\$ -	\$ -	\$ 33,666
11,259	193,363	106,800	478,209
-	901	-	901
<u>14,394</u>	<u>194,264</u>	<u>106,800</u>	<u>512,776</u>
-	-	-	460,903
-	-	-	460,903
<u>\$ 14,394</u>	<u>\$ 194,264</u>	<u>\$ 106,800</u>	<u>\$ 973,679</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, 2008**

	<u>Texas State Library Programs</u>	<u>Urban Transportation Planning</u>	<u>Hazardous Materials Transportation Planning</u>
REVENUES			
Intergovernmental revenues	\$ 540,328	\$ 347,521	\$ 58,065
Charges for services	4,043	-	-
Total revenues	<u>544,371</u>	<u>347,521</u>	<u>58,065</u>
EXPENDITURES			
Libraries	505,503	-	-
Other public safety and health	-	-	-
Staff services	-	347,521	139,782
Capital outlay	3,916	-	-
Total expenditures	<u>509,419</u>	<u>347,521</u>	<u>139,782</u>
Excess (deficiency) of revenues over expenditures	<u>34,952</u>	<u>-</u>	<u>(81,717)</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other fund	(34,952)	-	-
Transfers from other fund	-	-	-
Total other financing sources and uses	<u>(34,952)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(81,717)
FUND BALANCES, AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>542,620</u>
FUND BALANCES, AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 460,903</u>

See Independent Auditor's Report.

Pantex Plant Environmental Oversight	Public Assistance	Summer Lunch Program	Total
\$ 157,326	\$ 72,509	\$ 185,860	\$ 1,361,609
-	-	-	4,043
<u>157,326</u>	<u>72,509</u>	<u>185,860</u>	<u>1,365,652</u>
-	-	-	505,503
168,142	72,509	157,079	397,730
-	-	-	487,303
-	-	-	3,916
<u>168,142</u>	<u>72,509</u>	<u>157,079</u>	<u>1,394,452</u>
<u>(10,816)</u>	<u>-</u>	<u>28,781</u>	<u>(28,800)</u>
-	-	(28,781)	(63,733)
<u>10,816</u>	<u>-</u>	<u>-</u>	<u>10,816</u>
<u>10,816</u>	<u>-</u>	<u>(28,781)</u>	<u>(52,917)</u>
-	-	-	(81,717)
-	-	-	542,620
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 460,903</u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
COMBINING STATEMENT OF FIDUCIARY FUNDS
SEPTEMBER 30, 2008**

	Public Library Bush Collection	Library Trust	Flood Hazard	Centennial Plaza Trust	Centennial Parkway	Indigent Dog Bite Victim	Civic Amarillo	Zoo Trust	Center City Trust	Rick Husband Memorial	Amarillo Industrial Development Corp	Amarillo Health Facilities Corporation	Deferred Compensation	Civic Center Operations	Keep Amarillo Beautiful	Total Trust Funds
ASSETS																
Cash and cash equivalents	\$ 51,534	\$ 113,913	\$ 632,347	\$ 12	\$ 2,450	\$ 4,964	\$ 116,967	\$ 45,481	\$ (146)	\$ 1,000	\$ 23,198	\$ 652,278	\$ -	\$ 1,060,926	\$ 89,881	\$ 2,794,805
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments, at fair values	-	-	1,490,800	-	-	-	-	-	-	-	-	-	26,770,000	-	147,360	28,408,160
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 51,534	\$ 113,913	\$ 2,123,147	\$ 12	\$ 2,450	\$ 4,964	\$ 116,967	\$ 45,481	\$ (146)	\$ 1,000	\$ 23,198	\$ 652,278	\$ 26,770,000	\$ 1,060,926	\$ 237,241	\$ 31,202,965
LIABILITIES																
Held for other governments, individuals, entities	\$ 51,534	\$ 113,913	\$ 2,123,147	\$ 12	\$ 2,450	\$ 4,964	\$ 116,967	\$ 45,481	\$ (146)	\$ 1,000	\$ 23,198	\$ 652,278	\$ 26,770,000	\$ 1,060,926	\$ 237,221	\$ 31,202,945
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20	20
TOTAL LIABILITIES	\$ 51,534	\$ 113,913	\$ 2,123,147	\$ 12	\$ 2,450	\$ 4,964	\$ 116,967	\$ 45,481	\$ (146)	\$ 1,000	\$ 23,198	\$ 652,278	\$ 26,770,000	\$ 1,060,926	\$ 237,241	\$ 31,202,965

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY FUNDS
SEPTEMBER 30, 2008

	Public Library Bush Collection	Library Trust	Flood Hazard	Centennial Plaza Trust	Centennial Parkway	Indigent Dog Bite Victim	Civic Amarillo	Zoo Trust	Center City Trust	Rick Husband Memorial	Amarillo Industrial Development Corp	Amarillo Health Facilities Corporation	Deferred Compensation	Civic Center Operations	Keep Amarillo Beautiful	Total Trust Funds
ADDITIONS:																
Contributions from citizens	\$ -	\$ 1,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,188	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,561
Charges for services	-	-	-	-	-	-	586,913	-	-	-	-	-	-	3,992,746	-	4,579,659
Intergov revenue	-	-	-	-	-	-	-	41,755	-	-	-	-	-	-	-	41,755
Other rentals and commissions	-	-	-	-	-	-	-	20,245	-	-	-	-	-	-	-	20,245
Miscellaneous revenues	-	-	-	-	-	-	-	52	-	-	-	-	-	23,944	970	24,966
Investment earnings	1,392	2,596	39,215	-	45	81	301	369	-	-	-	16,620	-	-	2,946	63,565
Total additions	1,392	3,969	39,215	-	45	81	587,214	70,609	-	-	-	16,620	-	4,016,690	3,916	4,739,751
DEDUCTIONS:																
Capital outlay	-	-	-	2,485	-	-	-	-	-	-	-	-	-	23,944	-	26,429
Salaries and wages	-	-	-	-	-	-	483,212	-	-	-	-	-	-	3,697,219	-	483,212
Contractual services	-	-	-	-	-	-	82,668	-	-	-	-	-	-	-	-	3,779,887
Supplies	-	15,713	-	-	-	-	-	27,911	-	-	-	-	-	-	2,950	46,574
Operating transfers to other funds	-	25,265	-	8,650	-	-	21,470	15,000	-	-	-	-	-	-	-	70,385
Total deductions	-	40,978	-	11,135	-	-	587,350	42,911	-	-	-	-	-	3,721,163	2,950	4,406,487
Change in Net Assets	1,392	(37,009)	39,215	(11,135)	45	81	(136)	27,698	-	-	-	16,620	-	295,527	966	333,264
FUND BALANCE, BEGINNING OF YEAR	50,142	150,922	2,083,932	11,147	2,405	4,883	117,103	17,783	(146)	1,000	23,198	635,658	26,770,000	765,399	236,275	30,869,701
FUND BALANCE, END OF YEAR	\$ 51,534	\$ 113,913	\$ 2,123,147	\$ 12	\$ 2,450	\$ 4,964	\$ 116,967	\$ 45,481	\$ (146)	\$ 1,000	\$ 23,198	\$ 652,278	\$ 26,770,000	\$ 1,060,926	\$ 237,241	\$ 31,202,965

See Independent Auditor's Report.

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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
- Non-Major Special Revenue Budgets

**CITY OF AMARILLO, TEXAS
SCHEDULE OF INVESTMENTS - BY FUNDS
SEPTEMBER 30, 2008**

	No-Load Mutual Funds	Taxable Municipal Bonds		
		Amortized Cost	Par Value	Fair Values
GOVERNMENTAL FUNDS				
General Fund	\$ 1,451,832	\$ 1,100,000	\$ 1,100,000	\$ 1,107,678
Compensated Absences	3,197,513	1,140,000	1,140,000	1,148,470
General Construction	950,876	-	-	-
Street Improvement	314,729	-	-	-
Street and Drainage	209,245	-	-	-
Golf	757,990	-	-	-
Civic Center Improvement	540,368	-	-	-
Solid Waste Disposal Fund	2,154,516	-	-	-
T-Anchor Bivins	250,337	-	-	-
Building Equipment and Maintenance	-	-	-	-
Park improvement	193,489	-	-	-
CO Bond Construction 06/07	10,109,049	-	-	-
Total Governmental Funds	20,129,944	2,240,000	2,240,000	2,256,148
PROPRIETARY FUNDS				
ENTERPRISE FUNDS				
Unrestricted				
Water and Sewer Fund	8,487,803	-	-	-
Airport Fund	3,981,772	1,100,000	1,100,000	1,107,678
Total Unrestricted	12,469,575	1,100,000	1,100,000	1,107,678
Restricted:				
Water and Sewer Fund	4,655,463	-	-	-
Total Enterprise Funds	17,125,038	1,100,000	1,100,000	1,107,678
INTERNAL SERVICE FUNDS				
Municipal Garage	2,121,444	-	-	-
Information Services	1,189,715	-	-	-
Risk Management	1,454,741	-	-	-
Employee Insurance	812,356	-	-	-
Total Internal Service Funds	5,578,256	-	-	-
Totals - All Funds	\$ 42,833,238	\$ 3,340,000	\$ 3,340,000	\$ 3,363,826

See Independent Auditor's Report.

U.S. Government and Government-Sponsored Agencies				Total Investments at Fair Values	Add Time Deposits	Less Cash Equivalents	Total Investments
Interest Bearing Obligations		Discount Obligations					
Par Values	Fair Values	Par Values	Fair Values				
\$ 32,250,000	\$ 32,363,203	\$ 350,000	\$ 348,180	\$ 35,270,893	\$ 171,395	\$ (1,451,832)	\$ 33,990,456
7,525,000	7,537,806	2,000,000	1,999,200	13,882,989	-	(3,197,513)	10,685,476
18,500,000	18,526,460	750,000	746,100	20,223,436	-	(950,876)	19,272,560
-	-	350,000	348,180	662,909	-	(314,729)	348,180
-	-	500,000	499,800	709,045	-	(209,245)	499,800
-	-	-	-	757,990	-	(757,990)	-
1,250,000	1,256,720	750,000	746,100	2,543,188	-	(540,368)	2,002,820
6,750,000	6,781,952	2,250,000	2,245,500	11,181,968	-	(2,154,516)	9,027,452
-	-	-	-	250,337	-	(250,337)	-
-	-	-	-	-	-	-	-
-	-	500,000	497,400	690,889	-	(193,489)	497,400
-	-	11,000,000	10,971,200	21,080,249	-	(10,109,049)	10,971,200
<u>66,275,000</u>	<u>66,466,141</u>	<u>18,450,000</u>	<u>18,401,660</u>	<u>107,253,893</u>	<u>171,395</u>	<u>(20,129,944)</u>	<u>87,295,344</u>
18,400,000	18,464,637	5,000,000	4,977,800	31,930,240	-	(8,487,803)	23,442,437
10,750,000	10,802,340	1,000,000	987,800	16,879,590	-	(3,981,772)	12,897,818
29,150,000	29,266,977	6,000,000	5,965,600	48,809,830	-	(12,469,575)	36,340,255
-	-	-	-	4,655,463	-	(4,655,463)	-
<u>29,150,000</u>	<u>29,266,977</u>	<u>6,000,000</u>	<u>5,965,600</u>	<u>53,465,293</u>	<u>-</u>	<u>(17,125,038)</u>	<u>36,340,255</u>
6,000,000	6,041,870	1,000,000	987,800	9,151,114	-	(2,121,444)	7,029,670
1,750,000	1,774,375	-	-	2,964,090	-	(1,189,715)	1,774,375
11,925,000	12,015,858	-	-	13,470,599	-	(1,454,741)	12,015,858
7,000,000	7,053,140	650,000	638,560	8,504,056	-	(812,356)	7,691,700
<u>26,675,000</u>	<u>26,885,243</u>	<u>1,650,000</u>	<u>1,626,360</u>	<u>34,089,859</u>	<u>-</u>	<u>(5,578,256)</u>	<u>28,511,603</u>
<u>\$ 122,100,000</u>	<u>\$ 122,618,361</u>	<u>\$ 26,100,000</u>	<u>\$ 25,993,620</u>	<u>\$ 194,809,045</u>	<u>\$ 171,395</u>	<u>\$ (42,833,238)</u>	<u>\$ 152,147,202</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
AD VALOREM TAXES RECEIVABLE BY ROLL YEAR
SEPTEMBER 30, 2008

<u>Roll Year</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>
2007	\$ 376,576	\$ 7,914	\$ 384,490
2006	167,205	3,828	171,033
2005	104,378	2,521	106,899
2004	72,702	1,823	74,525
2003	63,554	1,664	65,218
2002	91,745	2,506	94,251
2001	61,954	2,057	64,011
2000	58,490	-	58,490
1999	41,856	-	41,856
1998	35,058	-	35,058
1997	25,336	-	25,336
1996	14,465	-	14,465
1995	14,906	-	14,906
1994 and prior	63,918	-	63,918
Total taxes receivable	<u>1,192,143</u>	<u>22,313</u>	<u>1,214,456</u>
 Allowance for uncollectible taxes	 <u>905,167</u>	 <u>16,992</u>	 <u>922,159</u>
Net taxes receivable	286,976	5,321	292,297
 Provision for deferred collections	 <u>202,871</u>	 <u>3,626</u>	 <u>206,497</u>
 Net taxes available for current expenditure	 <u><u>\$ 84,105</u></u>	 <u><u>\$ 1,695</u></u>	 <u><u>\$ 85,800</u></u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
SCHEDULE OF CHANGES IN TAXES AVAILABLE
YEAR ENDED SEPTEMBER 30, 2008**

TAXES AVAILABLE, BEGINNING, Net	<u>\$ 82,268</u>
REVENUES	
Taxes levied	25,933,603
Adjustments	<u>(22,773)</u>
Tax levy net of adjustments	25,910,830
Increase in allowance for uncollectible taxes	(81,697)
Decrease in provision for deferred collections	<u>11,290</u>
Net revenues	25,840,423
COLLECTIONS	
Net increas (decrease) in taxes available	<u>\$ (25,836,891)</u>
Net increas (decrease) in taxes available	<u>3,532</u>
TAXES AVAILABLE, ENDING, Net	<u><u>\$ 85,800</u></u>
TOTAL AD VALOREM TAXES:	
Ad valorem taxes - property tax rolls	\$ 25,303,685
Penalty and interest	292,354
Payment in lieu of property tax	<u>2,443,092</u>
Total General Fund tax revenues	28,039,131
Debt Service	<u>532,309</u>
TOTAL TAX REVENUES	<u><u>\$ 28,571,440</u></u>

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
COMBINED SCHEDULE OF OUTSTANDING DEBT ISSUANCES
SEPTEMBER 30, 2008**

	<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 2001	07/17/01	08/15/22	4.25 - 5.12%
Combination Tax and Revenue Certificate of Obligation Bonds, Series 2007	09/25/07	05/15/27	4.00 - 5.25%
Serviced by special assessments:			
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%
Total debt services by property taxes, including special assessment			
REVENUE OBLIGATION DEBT:			
<i>Serviced by Water and Sewer Revenues:</i>			
Waterworks and Sewer Revenue, 2003	12/20/03	04/01/23	3.00 - 4.40%
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 - 4.38%
Total bonds serviced by water and sewer revenues			
Total bonds payable*			

* Does not include the City's proportionate share of the Canadian River Water Authority indebtedness.

See Independent Auditor's Report.

Bond Issuances				2008-09 Maturities		
Authorized	Issued	Retired	Outstanding	Principal	Interest	Total
\$ 6,913,000	\$ 6,910,000	\$ 1,670,000	5,240,000	\$ 275,000	\$ 251,723	\$ 526,723
24,575,000	24,575,000	-	24,575,000	130,000	1,970,293	2,100,293
600,000	600,000	235,000	365,000	40,000	16,243	56,243
620,000	620,000	110,000	510,000	25,000	18,870	43,870
585,000	585,000	41,342	543,658	20,566	25,380	45,946
600,000	600,000	-	600,000	20,000	27,249	47,249
1,500,000	1,500,000	-	1,500,000	45,000	65,042	110,042
<u>35,393,000</u>	<u>35,390,000</u>	<u>2,056,342</u>	<u>33,333,658</u>	<u>555,566</u>	<u>2,374,800</u>	<u>2,930,366</u>
9,180,000	9,180,000	1,930,000	7,250,000	375,000	273,358	648,358
13,650,000	13,650,000	1,145,000	12,505,000	915,000	557,400	1,472,400
9,120,000	9,120,000	-	9,120,000	-	383,088	383,088
9,370,000	9,370,000	-	9,370,000	-	401,530	401,530
<u>41,320,000</u>	<u>41,320,000</u>	<u>3,075,000</u>	<u>38,245,000</u>	<u>1,290,000</u>	<u>1,615,376</u>	<u>2,905,376</u>
<u>\$ 76,713,000</u>	<u>\$ 76,710,000</u>	<u>\$ 5,131,342</u>	<u>\$ 71,578,658</u>	<u>\$ 1,845,566</u>	<u>\$ 3,990,176</u>	<u>\$ 5,835,742</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
COMBINED SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
SEPTEMBER 30, 2008

General Obligation Bonds and Tax
Revenues Certificates of Obligations
(Serviced by Tax Revenues)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008-2009	\$ 405,000	\$ 2,222,016	\$ 2,627,016
2009-2010	1,190,000	1,437,049	2,627,049
2010-2011	1,240,000	1,388,380	2,628,380
2011-2012	1,295,000	1,337,580	2,632,580
2012-2013	1,345,000	1,284,205	2,629,205
2013-2014	1,410,000	1,218,255	2,628,255
2014-2015	1,465,000	1,159,645	2,624,645
2015-2016	1,530,000	1,098,205	2,628,205
2016-2017	1,610,000	1,022,268	2,632,268
2017-2018	1,675,000	954,313	2,629,313
2018-2019	1,760,000	870,563	2,630,563
2019-2020	1,850,000	779,250	2,629,250
2020-2021	1,945,000	683,263	2,628,263
2021-2022	2,045,000	581,861	2,626,861
2022-2023	1,630,000	475,125	2,105,125
2023-2024	1,715,000	389,550	2,104,550
2024-2025	1,805,000	299,512	2,104,512
2025-2026	1,900,000	204,750	2,104,750
2026-2027	2,000,000	105,000	2,105,000
2027-2028	-	-	-
2028-2029	-	-	-
2029-2030	-	-	-
2030-2031	-	-	-
2031-2032	-	-	-
2032-2033	-	-	-
Totals	<u>\$ 29,815,000</u>	<u>\$ 17,510,790</u>	<u>\$ 47,325,790</u>

Note: Does not include the City's proportionate share of the Canadian River Water Authority indebtedness.

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATERWORKS AND SEWER SYSTEM
REVENUE BOND PRINCIPAL REPAYMENT SCHEDULE
SEPTEMBER 30, 2008**

<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>
2009	\$ 1,290,000	\$ 36,955,000	3.37%
2010	1,335,000	35,620,000	6.86%
2011	1,390,000	34,230,000	10.50%
2012	1,440,000	32,790,000	14.26%
2013	1,800,000	30,990,000	18.97%
2014	1,865,000	29,125,000	23.85%
2015	1,955,000	27,170,000	28.96%
2016	2,050,000	25,120,000	34.32%
2017	2,125,000	22,995,000	39.87%
2018	2,225,000	20,770,000	45.69%
2019	2,330,000	18,440,000	51.78%
2020	1,965,000	16,475,000	56.92%
2021	2,045,000	14,430,000	62.27%
2022	2,130,000	12,300,000	67.84%
2023	2,215,000	10,085,000	73.63%
2024	1,660,000	8,425,000	77.97%
2025	1,730,000	6,695,000	82.49%
2026	1,805,000	4,890,000	87.21%
2027	1,880,000	3,010,000	92.13%
2028	550,000	2,460,000	93.57%
2029	575,000	1,885,000	95.07%
2030	600,000	1,285,000	96.64%
2031	630,000	655,000	98.29%
2032	655,000	-	100.00%
2033			
	<u>\$ 38,245,000</u>		

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATERWORKS AND SEWER SYSTEM
HISTORICAL FINANCIAL DATA
OPERATING STATEMENTS**

	Fiscal Years Ended September 30				
	2008	2007	2006	2005	2004
OPERATING REVENUES	\$ 48,492,400	\$ 42,708,719	\$ 41,487,297	\$ 37,924,809	\$ 40,708,509
OPERATING EXPENSES ⁽¹⁾					
Personal Services	10,509,419	10,267,666	9,930,209	8,953,300	8,774,123
Supplies	1,252,065	1,230,636	1,151,333	992,479	913,484
Contractual & Other Services	22,039,131	20,148,372	20,793,207	17,966,138	16,925,801
Total expenses	<u>33,800,615</u>	<u>31,646,674</u>	<u>31,874,749</u>	<u>27,911,917</u>	<u>26,613,408</u>
NONOPERATING REVENUES (EXPENSES) ⁽²⁾	<u>(1,207,585)</u>	<u>(301,399)</u>	<u>238,573</u>	<u>(34,836)</u>	<u>(2,227,140)</u>
NET AVAILABLE FOR DEBT SERVICE	<u>\$ 13,484,200</u>	<u>\$ 10,760,646</u>	<u>\$ 9,851,121</u>	<u>\$ 9,978,056</u>	<u>\$ 11,867,961</u>
ANNUAL DEBT SERVICE					
Principal	\$ 1,245,000	\$ 2,770,000	\$ 2,850,000	\$ 2,520,000	\$ 2,615,000
Interest	<u>1,765,242</u>	<u>1,626,605</u>	<u>1,626,919</u>	<u>1,602,381</u>	<u>1,807,465</u>
TOTAL DEBT SERVICE	<u>\$ 3,010,242</u>	<u>\$ 4,396,605</u>	<u>\$ 4,476,919</u>	<u>\$ 4,122,381</u>	<u>\$ 4,422,465</u>
Coverage	4.48x	2.45x	2.20x	2.42x	2.68x

(1) Excludes depreciation

(2) Includes CRMWA interest expense, but excludes bond interest expense

**FUND BALANCES
(As of SEPTEMBER 30, 2008)**

Invested in Capital Assets, net of related debt	\$ 253,286,709
Reserved for Revenue Bond Debt Retirement	3,365,463
Unreserved	<u>32,495,121</u>
Total Fund Balance	<u>\$ 289,147,293</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				
	2008	2007	2006	2005	2004
Waterworks and sewer system in service	\$ 471,959,370	\$ 455,446,116	\$ 434,428,709	\$ 406,350,077	\$ 368,612,438
Reserve for depreciation	(134,149,886)	(124,874,763)	(116,181,884)	(107,938,874)	(100,820,285)
Net plant in service	337,809,484	330,571,353	318,246,825	298,411,203	267,792,153
Plus: construction in progress	21,367,938	17,046,285	20,249,931	10,421,112	13,237,288
Net plant in service and coming on line	359,177,422	347,617,638	338,496,756	308,832,315	281,029,441
Plus restricted assets	4,655,463	5,253,485	5,498,508	4,615,624	4,133,902
Plus working capital	29,575,921	40,661,784	43,361,597	59,407,688	67,019,599
Total assets	393,408,806	393,532,907	387,356,861	372,855,627	352,182,942
Long-term debt	102,971,513	107,268,456	102,488,387	89,024,995	71,561,642
Plus liabilities payable from restricted assets	1,290,000	1,245,000	2,770,000	2,850,000	2,520,000
Total obligations	104,261,513	108,513,456	105,258,387	91,874,995	74,081,642
City's equity in system	\$ 289,147,293	\$ 285,019,451	\$ 282,098,474	\$ 280,980,632	\$ 278,101,300

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

OPERATING REVENUES	2008	2007	2006	2005	2004
Water Sales	\$ 31,678,129	\$ 27,911,290	\$ 27,224,086	\$ 24,517,816	\$ 26,685,089
Sewer Charges	13,493,693	12,202,722	11,714,386	11,003,983	11,780,894
Industrial Surcharges	95,630	113,610	94,372	117,055	172,522
Forfeited Discounts - Water	800,837	677,411	744,025	728,517	722,478
Sale of Reclaimed Water	839,581	697,706	710,253	598,014	555,952
Water Service Charges	848,657	855,963	509,102	541,754	524,387
Water Tap Fees	190,450	154,027	231,962	193,332	197,275
Sewer Tap Fees	76,825	74,193	110,643	101,413	85,900
Water Frontage Charges	30,240	4,592	24,094	116,946	20,504
Sewer Frontage Charges	27,354	7,348	27,634	61,796	5,472
Net Loss on Bad Debts	(254,360)	(243,740)	(131,599)	(289,251)	(210,787)
Lab Fees	78,110	70,907	88,446	88,365	87,883
Miscellaneous	587,254	182,690	139,893	145,069	80,940
Total Operating Revenues	<u>48,492,400</u>	<u>42,708,719</u>	<u>41,487,297</u>	<u>37,924,809</u>	<u>40,708,509</u>
OPERATING EXPENSES					
Salaries, Wages and Fringe Benefits	10,509,419	10,267,666	9,930,209	8,953,300	8,774,123
Supplies	1,252,065	1,230,636	1,151,333	992,479	913,485
Fuel and Power	6,555,099	5,281,354	6,551,303	4,755,685	4,670,665
Surface Water	4,314,844	4,432,158	4,724,879	4,013,845	3,326,646
Other Contractual Charges	4,577,276	4,029,217	3,542,077	3,537,566	3,548,001
Other Charges	6,591,912	6,405,643	5,974,948	5,659,042	5,380,489
Depreciation	9,348,296	8,718,244	8,289,913	7,306,095	6,641,894
Less: Interfund Reimbursements	(449,141)	(408,145)	(402,845)	(339,206)	(323,963)
Total Operating Expenses	<u>42,699,770</u>	<u>39,956,773</u>	<u>39,761,817</u>	<u>34,878,806</u>	<u>32,931,340</u>
Operating Income	<u>5,792,630</u>	<u>2,751,946</u>	<u>1,725,480</u>	<u>3,046,003</u>	<u>7,777,169</u>
NONOPERATING REVENUES (EXPENSES)					
Operating Grant	1,106,357	1,828,471	386,018	295,268	-
Interest Earnings	1,590,376	2,804,084	2,398,869	1,327,964	1,430,928
Change in Fair Values of Investments	-	-	-	-	(444,197)
Disposition of Property	30,888	25,548	22,438	(15,702)	9,870
Interest Expense & Fiscal Charges	(4,303,033)	(4,298,916)	(3,507,300)	(1,694,981)	(1,775,087)
Total Nonoperating Revenues (Expenses)	<u>(1,575,412)</u>	<u>359,187</u>	<u>(699,975)</u>	<u>(87,451)</u>	<u>(778,486)</u>
Total Income Before Transfers	4,217,218	3,111,133	1,025,505	2,958,552	6,998,683
TRANSFERS FROM (TO) OTHER FUNDS	<u>(89,376)</u>	<u>(190,156)</u>	<u>92,337</u>	<u>(79,220)</u>	<u>(111,197)</u>
NET INCOME	<u>\$ 4,127,842</u>	<u>\$ 2,920,977</u>	<u>\$ 1,117,842</u>	<u>\$ 2,879,332</u>	<u>\$ 6,887,486</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				
	2008	2007	2006	2005	2004
ASSETS					
CURRENT ASSETS					
Cash	\$ 8,528,047	\$ 8,500,435	\$ 4,854,600	\$ 1,828,382	\$ 6,401,528
Investments - at fair market value	23,442,437	38,441,471	49,013,124	56,159,561	61,570,514
Receivables (net of allowance for uncollectibles):					
Accounts	3,716,402	4,052,683	2,636,748	2,656,585	2,384,925
Accrued interest	150,298	291,451	363,305	291,918	505,629
Other accrued revenue	2,581,211	2,628,454	1,715,287	2,222,987	2,156,850
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expenses	21,535	22,836	8,890	6,122	5,046
Total current assets	<u>38,439,930</u>	<u>53,937,330</u>	<u>58,591,954</u>	<u>63,165,555</u>	<u>73,024,492</u>
NONCURRENT ASSETS					
Cash	4,655,463	5,253,485	5,498,508	4,615,624	4,133,902
Capital assets					
Land and water rights	37,961,382	37,934,912	37,523,862	37,481,836	25,850,024
Accumulated depletion water right	(1,903,803)	(1,414,701)	(920,648)	(437,056)	-
Supply contract	50,336,389	50,336,389	50,336,388	50,336,389	58,065,220
Accumulated amortization	(15,995,450)	(15,229,295)	(14,465,232)	(13,701,170)	(12,937,108)
Pipelines and other improvements	379,991,136	363,671,746	343,247,188	315,359,989	281,433,218
Accumulated depreciation	(113,326,071)	(105,355,484)	(98,019,324)	(91,110,697)	(85,139,177)
Equipment	3,670,463	3,503,069	3,321,271	3,171,863	3,293,978
Accumulated depreciation	(2,924,562)	(2,875,283)	(2,776,680)	(2,689,951)	(2,774,002)
Construction in progress	21,367,938	17,046,285	20,249,931	10,421,112	13,237,288
Total capital assets, net	<u>359,177,422</u>	<u>347,617,638</u>	<u>338,496,756</u>	<u>308,832,315</u>	<u>281,029,441</u>
Total noncurrent assets	<u>363,832,885</u>	<u>352,871,123</u>	<u>343,995,264</u>	<u>313,447,939</u>	<u>285,163,343</u>
TOTAL ASSETS	<u>\$ 402,272,815</u>	<u>\$ 406,808,453</u>	<u>\$ 402,587,218</u>	<u>\$ 376,613,494</u>	<u>\$ 358,187,835</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				
	2008	2007	2006	2005	2004
LIABILITIES					
CURRENT LIABILITIES					
Vouchers payable	\$ 1,291,941	\$ 1,827,014	\$ 1,595,947	\$ 865,679	\$ 856,269
Accounts payable	659,793	346,083	606,560	45,800	407,009
Accrued expenses	1,079,137	573,476	1,280,810	465,291	427,772
Securities lending collateral	-	5,028,928	6,221,516		
Deposits	37,671	31,774	32,994	29,592	188,602
Consumer security deposits	2,814,605	2,623,664	2,451,521	2,350,837	2,235,181
Proportionate share of Water Authority indebtedness - current installments	2,980,862	2,844,607	2,531,314	2,014,838	1,890,060
Due to other funds	-	-	509,695	668	-
Revenue bonds - current maturities	1,290,000	1,245,000	2,770,000	2,850,000	2,520,000
Total current liabilities	<u>10,154,009</u>	<u>14,520,546</u>	<u>18,000,357</u>	<u>8,622,705</u>	<u>8,524,893</u>
NONCURRENT LIABILITIES					
Revenue bonds - less current maturities and unamortized issuance costs	35,820,349	37,012,208	29,139,783	31,804,330	34,460,101
Proportionate share of Water Authority indebtedness - less current installments	65,799,502	68,901,455	71,916,110	53,829,861	35,730,122
Provision for accrued sick and annual leave	1,351,662	1,354,793	1,432,494	1,375,966	1,371,419
Total noncurrent liabilities	<u>102,971,513</u>	<u>107,268,456</u>	<u>102,488,387</u>	<u>87,010,157</u>	<u>71,561,642</u>
Total liabilities	<u>113,125,522</u>	<u>121,789,002</u>	<u>120,488,744</u>	<u>95,632,862</u>	<u>80,086,535</u>
NET ASSETS					
Invested in capital assets, net of related debt	253,286,709	237,614,368	232,139,549	218,333,286	206,429,158
Restricted for debt service	3,365,463	4,008,485	2,728,508	1,765,624	1,613,902
Restricted for acquisition of underground water rights	-	-	-	-	-
Unrestricted	32,495,121	43,396,598	47,230,417	60,881,722	70,058,240
Total fund equity/retained earnings	<u>289,147,293</u>	<u>285,019,451</u>	<u>282,098,474</u>	<u>280,980,632</u>	<u>278,101,300</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 402,272,815</u>	<u>\$ 406,808,453</u>	<u>\$ 402,587,218</u>	<u>\$ 376,613,494</u>	<u>\$ 358,187,835</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
PUBLIC HEALTH FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
YEAR ENDED SEPTEMBER 30, 2008

	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
Public Health	\$ 1,644,671	\$ 15,838	\$ 1,660,509	\$ -	\$ -	\$ 1,660,509	\$ 1,707,116	\$ 2,003,412	\$ 342,903
	\$ 1,644,671	\$ 15,838	\$ 1,660,509	\$ -	\$ -	\$ 1,660,509	\$ 1,707,116	\$ 2,003,412	\$ 342,903

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
LAW ENFORCEMENT OFFICERS STANDARDS AND EDUCATION (LEOSE) TRAINING FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
YEAR ENDED SEPTEMBER 30, 2008

	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
LEOSE Training	\$ 13,406	\$ -	\$ 13,406	\$ -	\$ -	\$ 13,406	\$ 27,475	\$ 27,475	\$ 14,069
	\$ 13,406	\$ -	\$ 13,406	\$ -	\$ -	\$ 13,406	\$ 27,475	\$ 27,475	\$ 14,069

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 LOCAL SEIZED PROPERTY FUND
 SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
 YEAR ENDED SEPTEMBER 30, 2008

	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
Local Seized Property	\$ 174,324	\$ 56,251	\$ 230,575	\$ -	\$ -	\$ 230,575	\$ 234,137	\$ 274,137	\$ 43,562
	\$ 174,324	\$ 56,251	\$ 230,575	\$ -	\$ -	\$ 230,575	\$ 234,137	\$ 274,137	\$ 43,562

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 COMPENSATED ABSENCES FUND
 SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
 YEAR ENDED SEPTEMBER 30, 2008

	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
Compensated Absences	\$ 1,753,114	\$ -	\$ 1,753,114	\$ -	\$ -	\$ 1,753,114	\$ 1,764,822	\$ 1,764,822	\$ 11,708
	\$ 1,753,114	\$ -	\$ 1,753,114	\$ -	\$ -	\$ 1,753,114	\$ 1,764,822	\$ 1,764,822	\$ 11,708

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
 COURT TECHNOLOGY AND COURT SECURITY FUNDS
 SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
 YEAR ENDED SEPTEMBER 30, 2008

	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
Court Technology	\$ 19,450	-	\$ 19,450	-	\$ -	\$ 19,450	\$ 105,492	\$ 105,492	\$ 86,042
Court Security	82,922	-	82,922	-	-	82,922	129,644	129,644	46,722
	<u>\$ 102,372</u>	<u>\$ -</u>	<u>\$ 102,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,372</u>	<u>\$ 235,136</u>	<u>\$ 235,136</u>	<u>\$ 132,764</u>

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
PUBLIC IMPROVEMENT DISTRICTS
SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
YEAR ENDED SEPTEMBER 30, 2008

	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
Greenways at Hillside	\$ 258,787	\$ 587,494	\$ 846,281	\$ 1,739	\$ 1,000	\$ 845,542	\$ 298,807	\$ 300,546	\$ (544,996)
Brennan Boulevard	10,584	-	10,584	-	-	10,584	14,742	14,742	4,158
The Colonies	205,994	1,483,253	1,689,247	9,315	3,800	1,683,732	188,527	197,842	(1,485,890)
Turbury	13,548	-	13,548	-	-	13,548	11,470	11,470	(2,078)
Point West	44,837	-	44,837	-	-	44,837	41,848	41,848	(2,989)
Quail Creek	459	-	459	-	-	459	-	-	(459)
	<u>\$ 534,209</u>	<u>\$ 2,070,747</u>	<u>\$ 2,604,956</u>	<u>\$ 11,054</u>	<u>\$ 4,800</u>	<u>\$ 2,598,702</u>	<u>\$ 555,394</u>	<u>\$ 566,448</u>	<u>\$ (2,032,254)</u>

See Independent Auditor's Report

CITY OF AMARILLO, TEXAS
 BONDED DEBT SERVICE FUND
 SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGETARY BASIS
 YEAR ENDED SEPTEMBER 30, 2008

	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
Bonded Debt Service	\$ 679,943	-	\$ 679,943	-	\$ -	\$ 679,943	\$ 680,633	\$ 680,633	\$ 690
	\$ 679,943	-	\$ 679,943	-	\$ -	\$ 679,943	\$ 680,633	\$ 680,633	\$ 690

See Independent Auditor's Report.

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.	190-195
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.	196-203
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.	204-208
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.	209-210
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.	211-214
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.	215-218

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 34 in 2002; schedules presenting government-wide information include information beginning in that year.

CITY OF AMARILLO, TEXAS
NET ASSETS BY COMPONENT, LAST SEVEN FISCAL YEARS
 (accrual basis of accounting)
 (unaudited)

	2008	2007	2006	2005	2004	2003	2002
Governmental Activities							
Invested in capital assets, net of related debt	\$ 289,264,232	\$ 265,774,557	\$ 257,206,882	\$ 245,465,271	\$ 241,180,240	\$ 247,897,894	\$ 213,327,306
Restricted for:							
Debt service	555,566	344,615	328,705	300,000	290,000	255,000	-
Capital outlay	17,586,769	24,476,393	-	-	-	-	3,582,611
Other purposes	-	-	-	-	-	-	1,381,417
Unrestricted (deficit)	90,992,936	80,514,311	93,548,849	86,252,914	82,391,755	76,046,071	100,819,016
Total governmental activities net assets	\$ 398,399,503	\$ 371,109,876	\$ 351,084,436	\$ 332,018,185	\$ 323,861,995	\$ 324,198,965	\$ 319,110,350
Business-type Activities							
Invested in capital assets, net of related debt	\$ 300,175,147	\$ 285,682,252	\$ 280,490,179	\$ 265,711,299	\$ 252,311,091	\$ 253,265,078	\$ 244,510,800
Restricted for:							
Debt service	3,365,463	4,008,485	2,728,508	1,765,624	1,613,902	2,029,267	2,205,230
Capital outlay	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted (deficit)	42,722,033	57,263,547	58,637,634	72,742,103	83,232,311	74,085,906	75,576,266
Total business-type activities net assets	\$ 346,262,643	\$ 346,954,284	\$ 341,856,321	\$ 340,219,026	\$ 337,157,304	\$ 329,380,251	\$ 322,292,296
Primary Government							
Invested in capital assets, net of related debt	\$ 589,439,379	\$ 551,456,809	\$ 537,697,061	\$ 511,176,570	\$ 493,491,331	\$ 501,162,972	\$ 457,838,106
Restricted for:							
Debt service	3,921,029	4,353,100	3,057,213	2,065,624	1,903,902	2,284,267	2,205,230
Capital outlay	17,586,769	24,476,393	-	-	-	-	3,582,611
Other purposes	-	-	-	-	-	-	1,381,417
Unrestricted (deficit)	133,714,969	137,777,858	152,186,483	158,995,017	165,624,066	150,131,977	176,395,282
Total primary government net assets	\$ 744,662,146	\$ 718,064,160	\$ 692,940,757	\$ 672,237,211	\$ 661,019,299	\$ 653,579,216	\$ 641,402,646
Component Units							
Invested in capital assets, net of related debt	\$ 35,404,607	\$ 13,587,578	\$ 12,444,477	\$ 25,146,179	\$ 9,789,099	\$ 10,294,414	\$ 9,678,381
Restricted for:							
Debt service	784,333	724,440	849,282	1,708,258	1,686,452	1,723,391	1,769,721
Other purposes	21,677,079	51,164	50,701	50,254	-	-	49,643
Unrestricted (deficit)	250,182,352	282,799,795	278,721,748	272,980,941	290,712,335	288,092,378	284,583,242
Total component units activities net assets	\$ 308,048,371	\$ 297,162,977	\$ 292,066,208	\$ 299,885,632	\$ 302,187,886	\$ 300,110,183	\$ 296,080,987

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS
 (accrual basis of accounting)
 (unaudited)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Expenses							
Governmental activities:							
General government and administration	\$ 15,990,458	\$ 13,652,969	\$ 12,819,831	\$ 12,527,854	\$ 11,540,577	\$ 11,405,085	\$ 10,069,509
Public safety and health	73,157,814	61,157,972	57,848,228	53,854,331	53,318,300	50,225,431	48,210,327
Streets, traffic and engineering	20,565,144	17,296,398	17,712,608	16,335,926	15,802,998	15,316,888	15,319,504
Culture and recreation	22,673,994	18,814,509	18,337,247	17,094,182	19,376,023	14,688,110	14,691,037
Solid waste	12,878,205	9,107,259	10,411,481	9,530,545	8,436,434	8,560,684	8,406,167
Transit	4,920,015	4,054,201	4,269,932	4,112,365	3,864,550	4,122,759	3,277,456
Economic development	2,280,629	2,017,045	1,955,590	1,895,218	1,739,586	1,862,982	1,677,002
Urban redevelopment/housing	10,204,054	10,471,645	9,992,339	9,993,988	10,461,503	10,184,879	9,086,751
Interest on long-term debt	326,813	340,063	336,232	332,329	-	-	-
Total governmental activities expenses	162,997,126	136,912,061	133,683,488	125,680,738	124,539,971	116,366,818	110,737,753
Business-type activities							
Water and Sewer	51,853,812	43,531,289	43,812,434	37,822,249	35,591,139	34,728,551	32,188,516
Airport	8,512,889	8,016,692	7,923,094	7,691,049	7,208,258	6,330,521	6,269,581
Total business-type activities expenses	60,366,701	51,547,981	51,735,528	45,513,298	42,799,397	41,059,072	38,458,097
Total primary government expenses	\$ 223,363,827	\$ 188,460,042	\$ 185,419,016	\$ 171,194,036	\$ 167,339,368	\$ 157,425,890	\$ 149,195,850
Component units							
Amarillo Hospital District	\$ 10,901,435	\$ 10,374,050	\$ 11,746,855	\$ 11,446,673	\$ 10,615,491	\$ 12,228,050	\$ 10,623,325
Amarillo Economic Development Corporation	9,463,914	15,632,514	23,453,229	11,752,313	7,385,398	7,414,648	7,181,816
Amarillo-Potter Events District	2,540,572	2,375,946	2,097,826	2,283,733	2,132,606	1,285,075	1,222,817
Amarillo Housing Finance Corporation	2,466	1,952	4,391	1,400	2,649	83,023	1,000
Tax Increment Reinvestment Zone #1	10,421	20,990	-	-	-	-	-
Total component units activities expenses	\$ 22,918,808	\$ 28,403,452	\$ 37,302,301	\$ 25,484,119	\$ 20,136,144	\$ 21,010,796	\$ 19,028,958
Program Revenues							
Governmental activities:							
Fees, Fines, and Charges for Services:							
General government and administration	\$ 9,415,044	\$ 8,558,541	\$ 9,238,878	\$ 8,028,071	\$ 7,912,292	\$ 7,680,971	\$ 3,372,377
Public safety and health	5,866,957	5,215,652	5,110,619	4,780,316	4,690,006	4,484,812	6,563,714
Streets, traffic and engineering	472,726	474,423	437,469	353,483	454,066	495,998	462,492
Culture and recreation	4,870,910	4,789,381	4,909,794	4,418,374	4,044,231	3,343,275	3,346,082
Solid waste	16,110,978	16,114,975	14,685,610	14,339,251	12,574,723	11,217,421	12,322,635
Transit	197,306	201,984	213,039	391,015	331,720	397,951	184,705
Urban redevelopment/housing	163,512	265,235	141,707	58,432	606,755	852,225	220,744
Operating grants and contributions	18,384,040	18,141,143	17,945,138	16,562,670	17,010,033	15,812,064	15,209,416
Capital grants and contributions	6,881,414	9,519,713	14,046,785	5,222,603	1,314,759	6,475,233	8,173,114
Total governmental activities program revenues	62,362,887	63,281,047	66,729,039	54,154,215	48,938,585	50,759,950	49,855,279

CITY OF AMARILLO, TEXAS
CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS, CONTINUED
(accrual basis of accounting)
(Unaudited)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Business-type activities							
Water and Sewer	48,941,541	43,116,864	41,890,142	38,264,015	41,032,472	38,561,472	36,952,756
Airport	6,067,346	6,085,678	5,851,653	5,533,036	5,370,162	5,085,327	5,887,807
Operating grants and contributions	-	-	-	-	-	-	87,228
Capital grants and contributions	2,483,503	3,926,383	2,500,179	3,301,525	3,271,334	2,877,169	10,855,004
Total business-type activities program revenues	57,492,390	53,128,925	50,241,974	47,098,576	49,673,968	46,523,968	53,782,795
Total primary government revenues	\$ 119,855,277	\$ 116,409,972	\$ 116,971,013	\$ 101,252,791	\$ 98,612,553	\$ 97,283,918	\$ 103,638,074
Component units							
Amarillo Hospital District	-	-	\$ 219,085	\$ 21,298	\$ 4,916	\$ 80,738	\$ 258,773
Amarillo Economic Development Corporation	2,686,833	2,641,826	2,721,730	1,950,323	1,488,413	2,117,797	1,861,405
Amarillo-Potter Events District	-	-	-	-	120	378	-
Amarillo Housing Finance Corporation	1,776	2,723	-	8,986	4,744	8,850	84,065
Operating grants and contributions	1,591,851	1,419,283	1,359,709	1,174,866	1,004,232	222,717	358,958
Capital grants and contributions	10,866	-	139,722	-	-	-	-
Total component units revenue	\$ 4,291,326	\$ 4,063,832	\$ 4,440,246	\$ 3,155,473	\$ 2,502,425	\$ 2,430,480	\$ 2,563,201
Net (Expense) Revenue							
Governmental activities	\$ (100,634,239)	\$ (73,631,015)	\$ (66,954,449)	\$ (71,526,523)	\$ (75,601,386)	\$ (65,606,868)	\$ (60,882,474)
Business-type activities	(2,874,311)	1,580,944	(1,493,554)	1,585,278	6,874,571	5,464,896	15,324,698
Total primary government net expense	\$ (103,508,550)	\$ (72,050,071)	\$ (68,448,003)	\$ (69,941,245)	\$ (68,726,815)	\$ (60,141,972)	\$ (45,557,776)
Component units							
Amarillo Hospital District	\$ (9,298,718)	\$ (8,954,767)	\$ (10,028,339)	\$ (10,250,509)	\$ (9,606,343)	\$ (11,924,595)	\$ (10,156,645)
Amarillo Economic Development Corporation	(6,777,081)	(12,990,688)	(20,731,499)	(9,801,990)	(5,896,985)	(5,296,851)	(5,320,411)
Amarillo-Potter Events District	(2,540,572)	(2,375,946)	(2,097,826)	(2,283,733)	(2,132,486)	(1,284,697)	(1,071,766)
Amarillo Housing Finance Corporation	(690)	771	(4,391)	7,586	2,095	(74,173)	83,065
Tax Increment Reinvestment Zone #1	(10,421)	(20,990)	-	-	-	-	-
Total component units net expense	\$ (18,627,482)	\$ (24,341,620)	\$ (32,862,055)	\$ (22,328,646)	\$ (17,633,719)	\$ (18,580,316)	\$ (16,465,757)
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Property taxes, levied for general purposes	\$ 28,061,014	\$ 25,772,013	\$ 24,190,472	\$ 23,367,505	\$ 23,144,339	\$ 21,435,224	\$ 20,237,476
Property taxes, levied for debt services	532,309	529,784	526,912	631,336	615,137	602,446	657,376
Sales taxes	48,962,126	46,622,165	44,322,599	41,821,141	39,182,243	36,893,629	36,811,851
Gross receipts business taxes	16,144,044	12,844,804	11,865,951	11,098,127	10,107,385	8,422,912	7,992,843

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS, CONTINUED
(accrual basis of accounting)
(Unaudited)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Governmental activities (continued):							
Unrestricted investment earnings	6,006,138	7,707,207	5,072,520	2,783,711	1,605,600	2,706,158	5,726,803
Income (expense) from use and disposition of property	294,710	(9,674)	131,935	(19,107)	307,410	604,631	551,193
Other	27,923,525	190,156	(89,689)	-	302,302	30,483	7,500
Total governmental activities	<u>127,923,866</u>	<u>93,656,455</u>	<u>86,020,700</u>	<u>79,682,713</u>	<u>75,264,416</u>	<u>70,695,483</u>	<u>71,985,042</u>
Business-type activities							
Unrestricted investment earnings	2,241,158	3,661,826	3,026,487	1,572,157	1,188,717	1,656,669	2,536,795
Income (expense) from use and disposition of property	30,888	45,349	14,673	(91,463)	16,067	(3,127)	-
Other	(89,376)	(190,156)	89,689	(4,250)	(302,302)	(30,483)	(7,500)
Total business-type activities	<u>2,182,670</u>	<u>3,517,019</u>	<u>3,130,849</u>	<u>1,476,444</u>	<u>902,482</u>	<u>1,623,059</u>	<u>2,529,295</u>
Total primary government	<u>130,106,536</u>	<u>97,173,474</u>	<u>89,151,549</u>	<u>81,159,157</u>	<u>76,166,898</u>	<u>72,318,542</u>	<u>74,514,337</u>
Component Units							
Property taxes, levied for general purposes	231,844	10,808	13,909	11,731	13,206	27,613	37,192
Property taxes, levied for debt services	-	-	-	-	-	-	-
Sales taxes	14,686,781	13,924,958	13,345,346	12,620,048	11,790,263	11,064,592	11,070,136
Gross receipts business taxes	2,070,185	2,052,011	1,808,263	1,670,800	1,568,201	1,509,842	1,484,633
Unrestricted investment earnings	12,524,066	13,450,612	9,875,113	5,723,813	6,339,752	9,584,735	18,799,012
Income (expense) from use and disposition of property	-	-	-	-	-	-	363
Total component units activities	<u>29,512,876</u>	<u>29,438,389</u>	<u>25,042,631</u>	<u>20,026,392</u>	<u>19,711,422</u>	<u>22,186,782</u>	<u>31,391,336</u>
Change in Net Assets							
Governmental activities	27,289,627	20,025,440	19,066,251	8,156,190	(336,970)	5,088,615	11,102,568
Business-type activities	(691,641)	5,096,769	1,637,295	3,061,722	7,777,053	7,087,955	17,853,993
Total primary government	<u>\$ 26,597,986</u>	<u>\$ 25,122,209</u>	<u>\$ 20,703,546</u>	<u>\$ 11,217,912</u>	<u>\$ 7,440,083</u>	<u>\$ 12,176,570</u>	<u>\$ 28,956,561</u>
Total component units	<u>\$ 10,885,394</u>	<u>\$ 5,096,769</u>	<u>\$ (7,819,424)</u>	<u>\$ (2,302,254)</u>	<u>\$ 2,077,703</u>	<u>\$ 3,606,466</u>	<u>\$ 14,925,579</u>

Source: Comprehensive Annual Financial Reports

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

CITY OF AMARILLO, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS, LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Fund										
Reserved	\$ 518,108	\$ 369,642	\$ 333,150	\$ 424,567	\$ 464,698	\$ 321,850	\$ 417,930	\$ 232,473	\$ 492,308	\$ 575,421
Unreserved	36,673,773	37,304,407	37,840,494	37,110,347	37,503,800	32,987,569	41,339,191	43,958,875	42,073,803	37,648,560
Total general fund	37,191,881	37,674,049	38,173,644	37,534,914	37,968,498	33,309,419	41,757,121	44,191,348	42,566,111	38,223,981
All Other Governmental Funds										
Reserved	\$ 1,135,941	\$ 1,173,096	\$ 1,225,402	\$ 1,412,758	\$ 13,839,648	\$ 13,921,984	\$ 14,470,859	\$ 8,012,475	\$ 5,179,486	\$ 4,751,203
Unreserved, reported in:										
Debt service fund	10,167	12,521	232	42,366	115,523	43,904	13,022,947	12,112,891	11,353,823	11,214,571
Capital projects	57,437,304	65,723,873	33,324,183	30,195,836	31,053,633	33,040,858	22,498,938	28,373,166	22,216,826	20,594,045
Special revenue funds	4,037,138	3,134,224	3,187,240	2,793,679	2,132,069	2,436,152	1,284,872	605,879	545,312	587,675
Compensated absences fund	14,850,723	14,660,177	14,211,648	416,361	-	-	-	-	-	-
Undesignated	-	-	-	-	-	-	(2,020)	(1,308)	(2,717)	(3,594)
Total all other governmental funds	\$ 77,471,273	\$ 84,703,891	\$ 51,948,705	\$ 47,575,820	\$ 47,140,873	\$ 49,442,898	\$ 51,275,596	\$ 49,103,103	\$ 39,292,730	\$ 37,143,900

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)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues										
Taxes	\$ 93,677,610	\$ 85,758,232	\$ 81,018,597	\$ 76,917,615	\$ 72,453,223	\$ 67,298,630	\$ 65,709,949	\$ 63,663,294	\$ 59,003,063	\$ 55,625,077
License and permits	2,015,135	1,727,536	1,916,299	1,786,318	1,296,047	1,365,240	1,187,315	1,160,746	1,330,907	1,157,848
Interfund revenues	1,320,395	1,270,941	1,231,060	2,547,357	2,753,169	2,415,808	-	-	-	-
Intergovernmental revenues	18,681,299	17,433,057	19,850,636	17,755,613	17,429,463	16,062,469	17,466,017	17,624,063	18,196,554	14,770,429
Grants-in-aid	-	-	-	-	-	28,028	-	-	-	-
Citizen contributions	7,300	6,000	5,000	6,074	5,900	20,000	61,207	22,439	-	-
Construction participation	5,816,556	9,393,844	11,540,373	2,525,475	292,994	5,638,364	5,855,306	6,104,965	2,583,964	6,017,726
Other entity participations	690,382	824,023	595,839	795,821	621,344	538,437	-	-	-	-
Charges for services	27,514,707	27,422,759	25,939,174	23,963,289	21,411,896	19,250,063	22,690,214	20,768,435	14,858,774	13,881,381
Fines and forfeitures	5,104,849	4,199,581	4,398,745	3,916,486	4,504,414	5,029,319	3,188,883	2,995,821	2,882,455	2,829,893
Investment earnings	4,677,492	5,902,783	4,056,915	2,308,358	1,513,250	2,085,337	4,223,606	6,591,579	-	-
Other rentals and commissions	469,613	249,409	239,192	224,668	239,686	353,318	-	-	-	-
Miscellaneous	694,338	749,919	980,841	465,066	382,951	661,350	560,074	543,133	9,435,482	7,935,596
Total revenues	160,669,676	154,938,084	151,772,671	133,212,140	122,904,337	120,746,363	120,942,571	119,474,475	108,291,199	102,217,950
Expenditures										
General government and administration	13,074,117	12,325,695	11,573,762	10,947,924	9,674,291	9,460,814	9,249,179	8,849,032	6,417,055	6,319,510
Public safety and health	77,852,041	71,204,891	68,295,871	62,875,319	62,313,813	57,730,984	55,777,158	53,806,622	46,467,837	45,618,053
Culture and recreation	17,426,501	16,516,821	15,911,599	14,792,474	13,460,424	12,753,036	12,405,629	12,335,129	13,415,466	12,980,942
Solid waste	10,881,683	10,307,975	9,596,852	8,842,767	7,926,642	7,794,013	7,499,981	7,135,406	7,016,776	6,631,476
Transit system	3,937,106	3,687,600	3,422,653	3,205,899	2,983,056	2,871,039	2,482,960	2,468,631	2,329,928	2,348,807
Urban redevelopment and housing	10,009,916	10,473,891	9,994,020	9,903,853	10,443,196	10,122,583	9,054,972	8,814,066	8,451,364	7,481,618
Tourism	2,280,629	2,017,045	1,955,590	1,899,218	1,739,586	1,862,874	1,676,759	1,666,405	1,600,736	1,444,348
Capital outlay	31,499,119	18,739,343	21,078,954	15,192,733	9,356,087	22,053,421	21,704,176	16,979,347	13,574,158	16,161,222
Debt service	-	-	-	-	-	-	-	-	-	-
Principal retirement	344,615	328,705	301,519	290,000	280,000	245,000	265,000	-	-	-
Interest and fiscal charges	326,813	340,063	336,232	332,329	347,095	346,090	365,144	-	-	-
Termination vacation and sick leave pay	-	-	-	-	-	-	-	-	-	-
Total expenditures	169,385,654	147,248,118	143,705,808	129,184,261	119,843,576	108,080,767	121,783,177	113,430,213	100,417,294	100,158,154
Excess of revenues over (under) expenditures	(8,715,978)	7,689,966	8,066,863	4,027,879	3,060,761	(5,574,258)	(840,606)	6,044,262	7,873,905	2,059,796
Other Financing Sources (Uses):										
Transfers from other funds	16,474,780	22,639,094	11,483,105	11,314,214	16,750,972	14,043,053	15,738,852	13,019,104	12,185,650	13,923,210
Transfers to other funds	(17,538,013)	(23,075,481)	(15,108,353)	(15,340,729)	(17,882,676)	(18,749,195)	(17,231,352)	(14,519,104)	(13,568,595)	(13,542,332)
Unrealized gain (loss) on investments	-	427,012	-	-	(172,003)	-	-	-	-	-
Premium of issuance of long-term debt	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of long-term debt	2,064,425	24,575,000	570,000	-	600,000	-	586,317	6,795,700	-	-
Total other financing sources (uses)	1,001,192	24,565,625	(3,055,248)	(4,026,515)	(703,707)	(4,706,142)	(906,183)	5,295,700	(1,382,945)	380,878
Net change in fund balances	\$ (7,714,786)	\$ 32,255,591	\$ 5,011,615	\$ 1,364	\$ 2,357,054	\$ (10,280,400)	\$ (1,746,789)	\$ 11,339,962	\$ 6,490,960	\$ 2,440,674
Debt service as a percentage of noncapital expenditures	0.489%	0.523%	0.523%	0.549%	0.571%	0.570%	0.634%	0.000%	0.000%	0.000%

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*		Debt Service	Sales Taxes	Gross Receipts Business Taxes	Total Taxes
	General Fund					
1999	\$ 15,177,941	\$ -	\$ -	\$ 33,424,477	\$ 7,022,659	\$ 55,625,077
2000	15,957,392	-	-	35,153,689	7,891,982	59,003,063
2001	19,113,580	-	-	35,791,182	8,758,532	63,663,294
2002	20,247,879	657,376	657,376	36,811,851	7,992,843	65,709,949
2003	21,379,643	602,446	602,446	36,893,629	8,422,912	67,298,630
2004	22,548,458	615,137	615,137	39,182,243	10,107,385	72,453,223
2005	23,371,765	626,582	626,582	41,821,141	11,098,127	76,917,615
2006	24,303,135	526,912	526,912	44,322,599	11,865,951	81,018,597
2007	25,761,479	529,784	529,784	46,622,165	12,844,804	85,758,232
2008	28,039,131	532,309	532,309	48,962,126	16,144,044	93,677,610
Change						
1999-2008	84.7%		N/A	46.5%	129.9%	68.4%

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
1999	\$ 5,520,824,058		\$ 980,856,448		\$ 6,501,680,506		\$ 1,019,091,142		\$ 5,482,589,364		0.25160
2000	5,793,597,132		987,697,311		6,781,294,443		1,039,663,967		5,741,630,476		0.25160
2001	6,018,521,962		1,021,753,436		7,040,275,398		876,014,131		6,164,261,267		0.28700
2002	6,281,658,205		1,055,255,033		7,336,913,238		899,018,606		6,437,894,632		0.29653
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

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		
1999	0.25160	0.00000	0.25160	1.51000	0.15494	1.32592	1.60000	0.48420	0.28000	1.44186	1.32413		
2000	0.25160	0.00000	0.25160	1.43000	0.15325	1.28234	1.57500	0.49524	0.28523	1.44541	1.26337		
2001	0.28700	0.00000	0.28700	1.49000	0.14990	1.38298	1.57100	0.49524	0.34335	1.42000	1.36000		
2002	0.28700	0.00953	0.29653	1.53500	0.15415	1.47314	1.55624	0.51990	0.32700	1.53553	1.36000		
2003	0.28777	0.00786	0.29563	1.59000	0.15621	1.60660	1.57230	0.55282	0.33418	1.53240	1.45100		
2004	0.28686	0.00751	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	0.34957	1.19421	1.18795		

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	2008			1999		
	Taxable Value	Rank	Percent of Total City Taxable Value	Taxable Value	Rank	Percent of Total City Taxable Value
Northwest Texas Healthcare	\$ 85,284,464	1	0.933%	\$ 74,851,757	2	1.180%
Wal Mart Stores Inc	79,734,772	2	0.872%	39,014,645	4	0.615%
Southwestern Public Service	72,413,905	3	0.792%	97,157,821	1	1.532%
Amarillo Partners LP	64,078,791	4	0.701%	-	-	-
Southwestern Bell Telephone Company	48,207,317	5	0.527%	59,420,729	3	0.937%
Burlington Northern Santa Fe Railroad	39,434,730	6	0.431%	21,944,301	7	0.346%
Ben E Keith	34,550,435	7	0.378%	-	-	-
Amarillo National Bank	34,525,123	8	0.378%	24,181,317	6	0.381%
Case Winchester Limited	32,855,700	9	0.359%	-	-	-
Atmos Energy	30,104,726	10	0.329%	18,164,030	9	0.286%
Schroder Amarillo	-	-	-	30,556,812	5	0.482%
Shaner Hotel Group	-	-	-	19,077,458	8	0.301%
TCA Cable of Amarillo, Inc	-	-	-	16,914,154	10	0.267%
Total taxable value of ten largest taxpayers	521,189,963		5.702%	401,283,024		6.329%
Total taxable value of other taxpayers	8,619,694,552		94.298%	5,939,406,593		93.671%
Total taxable value of all taxpayers	\$ 9,140,884,515		100.000%	\$ 6,340,689,617		100.000%

Source: Potter Randall Appraisal District

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
1999	\$ 13,794,108	\$ 13,509,087	97.93	\$ 216,785	\$ 13,725,872	99.51
2000	14,445,944	14,146,057	97.92	246,439	14,392,496	99.63
2001	17,691,438	17,243,335	97.47	215,578	17,458,913	98.69
2002	19,090,290	18,588,795	97.37	300,262	18,889,057	98.95
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	20,918,662	100.44
2005	21,750,690	21,355,304	98.18	90,908	21,446,212	98.60
2006	22,519,911	22,101,623	98.14	262,918	22,364,541	99.31
2007	23,716,401	23,359,468	98.49	161,119	23,520,587	99.17
2008	25,933,603	25,517,113	98.39	-	25,517,113	98.39

Sources: Potter and Randall County Tax Offices

Note: As the City was unable to find information for the last ten fiscal years, the City has implemented this schedule for fiscal years starting 2005.

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
TAXABLE SALES BY CATEGORY, LAST TEN CALENDAR YEARS
(unaudited)

	Calendar Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Apparel stores	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General merchandise	-	-	-	-	-	-	-	-	-	-
Food stores	-	-	-	-	-	-	-	-	-	-
Eating and drinking establishments	-	-	-	-	-	-	-	-	-	-
Home furnishings and appliances	-	-	-	-	-	-	-	-	-	-
Building materials and farm tools	-	-	-	-	-	-	-	-	-	-
Auto dealers and supplies	-	-	-	-	-	-	-	-	-	-
Service stations	-	-	-	-	-	-	-	-	-	-
Other retail stores	-	-	-	-	-	-	-	-	-	-
All other outlets	-	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

City direct sales tax rate 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0% 2.0%

Sources: N/A

Notes: Retail sales information is not available on a fiscal-year basis.

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>
1999	2.0	6.25
2000	2.0	6.25
2001	2.0	6.25
2002	2.0	6.25
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

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.

CITY OF AMARILLO, TEXAS
PRINCIPAL SALES TAX REMITTERS, CURRENT YEAR AND NINE YEARS AGO
 (unaudited)

Taxpayer	2008			1999		
	Taxable Liability	Rank	Percent of Total	Taxable Liability	Rank	Percent of Total
		1		\$ -		
		2				
		3				
		4				
		5				
		6				
		7				
		8				
		9				
		10				

Sources: N/A

Notes: Information is not available for this schedule.

See Independent Auditor's Report.

CITY OF AMARILLO, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT, AS OF SEPTEMBER 30, 2008
(unaudited)

	Net Debt Outstanding	Percent Applicable	Applicable Debt Outstanding
Amarillo Independent School District	\$ 115,322,552	99.41%	\$ 114,642,149
Amarillo College District	32,415,965	99.28%	32,182,570
Amarillo Hospital District	-	100.00%	-
Canyon Independent School District	93,942,151	23.46%	22,038,829
River Road Independent School District	17,759,994	31.19%	5,539,342
Potter County	16,334,170	75.96%	12,407,436
Randall County	2,154,000	65.91%	1,419,701
Highland Park Independent School District	8,064,732	31.84%	2,567,811
Bushland Independent School District	1,192,230	6.65%	79,283
Total overlapping debt			190,877,121
City of Amarillo			33,321,796
Total direct and overlapping debt			\$ 224,198,917

Sources: Assessed value data used to estimate applicable percentages provided by the Municipal Advisory Council, November 2007. 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.

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				Total Primary Government	Percentage of Personal Income	Per Capita
	Tax-Supported Debt	Special Assessment Debt	Percentage of Actual Taxable Value of Property	Per Capita	Water & Sewer Revenue Debt	Water Authority Debt	Water & Sewer Revenue Debt	Water Authority Debt			
1999	\$ -	\$ -	0.00%	\$ -	\$ 39,050,000	\$ 17,121,570	\$ 39,050,000	\$ 17,121,570	\$ 56,171,570	1.08%	\$ 324.55
2000	-	-	0.00%	-	37,115,000	42,056,790	37,115,000	42,056,790	79,171,790	1.42%	455.99
2001	6,910,000	-	0.11%	39.15	35,290,000	40,460,506	35,290,000	40,460,506	82,660,506	1.48%	468.37
2002	6,680,000	565,000	0.11%	40.99	33,375,000	40,460,453	33,375,000	40,460,453	81,080,453	1.41%	458.77
2003	6,465,000	535,000	0.10%	39.04	31,365,000	37,064,903	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	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	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	32,690,000	71,377,816	111,399,794	1.52%	602.35
2007	30,080,000	1,498,273	0.38%	168.32	39,490,000	68,846,778	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	38,245,000	66,002,170	137,580,828	1.62%	723.95

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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General bonded debt outstanding										
General obligation bonds	\$ 29,815,000	\$ 30,080,000	\$ 5,760,000	\$ 6,005,000	\$ 6,240,000	\$ 6,465,000	\$ 6,680,000	\$ 6,910,000	\$ -	\$ -
Special assessment debt	3,518,658	1,498,273	1,571,978	1,045,000	1,100,000	535,000	565,000	-	-	-
Total	33,333,658	31,578,273	7,331,978	7,050,000	7,340,000	7,000,000	7,245,000	6,910,000	-	-
Percentage of estimated actual property value	0.36%	0.38%	0.09%	0.09%	0.10%	0.10%	0.11%	0.11%	0.00%	0.00%
Per capita	175.40	168.32	39.64	38.64	40.39	39.04	40.99	39.15	-	-
Less: Amounts set aside to repay general debt	11,862	10,931	1,107	39,769	34,057	29,183	30,198	199	-	-
Total net debt applicable to debt limit	33,321,796	31,567,342	7,330,871	7,010,231	7,305,943	6,970,817	7,214,802	6,909,801	-	-
Legal debt limit	1,077,382,596	980,215,077	917,889,038	880,118,321	829,606,943	795,932,272	733,691,324	704,027,540	678,129,444	650,168,051
Legal debt margin	\$ 1,044,060,800	\$ 948,647,735	\$ 910,558,167	\$ 873,108,090	\$ 822,301,000	\$ 788,961,455	\$ 726,476,522	\$ 697,117,739	\$ 678,129,444	\$ 650,168,051
Debt service as a percentage of noncapital expenditures	1.79%	1.56%	1.55%	1.36%	1.79%	1.63%	1.97%	1.45%	1.31%	1.38%

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF AMARILLO, TEXAS
LEGAL DEBT MARGIN INFORMATION, LAST TEN FISCAL YEARS
(Unaudited)

	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)	9/30/2002 (2001 Tax Roll)	9/30/2001 (2000 Tax Roll)	9/30/2000 (1999 Tax Roll)	9/30/1999 (1998 Tax Roll)
Assessed value, tax roll	\$ 10,773,825,956	\$ 9,802,150,770	\$ 9,178,890,383	\$ 8,801,183,213	\$ 8,296,069,427	\$ 7,959,322,723	\$ 7,336,913,238	\$ 7,040,275,398	\$ 6,781,294,443	\$ 6,501,680,506
Debt limit -10% of assessed roll	\$ 1,077,382,596	\$ 980,215,077	\$ 917,889,038	\$ 880,118,321	\$ 829,606,943	\$ 795,932,272	\$ 733,691,324	\$ 704,027,540	\$ 678,129,444	\$ 650,168,051
Amount of debt applicable to debt limit:										
Total bonded debt	71,578,658	71,068,273	40,021,978	42,590,000	45,270,000	38,365,000	40,620,000	42,200,000	37,115,000	39,030,000
Less: Assets in Debt Service Funds (net)	11,862	10,931	1,107	39,769	34,057	29,183	30,198	199	-	-
Waterworks revenue bonds	38,245,000	39,490,000	32,690,000	35,540,000	37,930,000	31,365,000	33,375,000	35,290,000	37,115,000	39,030,000
	38,256,862	39,500,931	32,691,107	35,579,769	37,964,057	31,394,183	33,405,198	35,290,199	37,115,000	39,030,000
Total amount of debt applicable to debt limit	33,321,796	31,567,342	7,330,871	7,010,231	7,305,943	6,970,817	7,214,802	6,909,801	-	-
Pro forma legal debt margin	\$ 1,044,060,800	\$ 948,647,735	\$ 910,558,167	\$ 873,108,090	\$ 822,301,000	\$ 788,961,455	\$ 726,476,522	\$ 697,117,739	\$ 678,129,444	\$ 650,168,051

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: Operating Expenses	Less: CRMWA Interest	Net Available Revenue	Principal	Debt Service Interest	Coverage
1999	\$ 34,386,579	\$ 19,413,878	\$ 339,911	\$ 14,632,790	\$ 1,090,000	\$ 1,025,381	6.92
2000	40,575,919	21,298,369	1,549,900	17,727,650	1,935,000	1,734,740	4.83
2001	39,252,236	22,534,961	1,996,006	14,721,269	1,825,000	1,844,780	4.01
2002	39,065,360	23,504,548	1,932,296	13,628,516	1,915,000	1,752,845	3.72
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

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)
1999	173,075	\$ 5,217,821	\$ 23,245	*	29,183	3.6%
2000	173,627	5,564,884	24,502	33.5	29,100	3.9%
2001	176,484	5,597,167	24,508	*	29,048	3.9%
2002	176,733	5,758,479	24,999	*	29,193	4.6%
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	7,335,250	30,515	*	30,750	3.7%
2007	187,609	7,951,993	32,827	*	30,613	3.4%
2008	190,042	8,496,239	34,818	*	30,969	3.8%

Sources:

1. Population estimates prepared by City of Amarillo Planning Department (2000 estimate provided by Census 2000).
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 2008 figures, Planning Department staff used an average of increases from the previous three years.
3. Median age obtained from Census 2000 and 2005 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 2008 is based on an average from January through September 2008 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)

	2008				1999			
	Employer	Employees	Rank	Percent of Total City MSA* Employment	Employees	Rank	Percent of Total City MSA Employment	
Tyson Foods	3,615	1	2.896%	3,500	1	3.085%		
Baptist/St. Anthony's Health Systems	2,900	2	2.323%	3,000	2	2.644%		
Walmart Supercenters	2,042	3	1.636%	950	4	0.837%		
Northwest Texas Healthcare	1,804	4	1.445%	1,700	3	1.498%		
Affiliated Foods	1,110	5	0.889%	850	7	0.749%		
American General Annuity Insurance	978	6	0.783%	-	-	-		
Xcel Energy	966	7	0.774%	927	5	0.817%		
United Supermarkets	864	8	0.692%	-	-	-		
Burlington Northern Santa Fe	800	9	0.641%	900	6	0.793%		
Bell Helicopter, Inc	740	10	0.593%	-	-	-		
Owens-Corning Fiberglass	-	-	-	705	8	0.621%		
Homeland Stores, Inc.	-	-	-	600	9	0.529%		
**	-	-	-	**	10	**		
Total employees of the principal employers	15,819		12.671%	13,132		11.575%		
Total employees of other employers	109,021		87.329%	100,321		88.425%		
Total Amarillo MSA* employment	124,840		100.000%	113,453		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). 2008 figure is the average of January 2008 through September 2008 data.

** Information was not available.

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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
GENERAL GOVERNMENT										
Mayor and commission	5	5	5	5	5	5	5	5	5	5
City manager	3	3	4	4	3	3	3	3	3	3
City secretary	2	2	3	3	3	3	3	3	3	3
Municipal court and Teen court	28	28	28	28	26	26	26	26	27	27
Planning and zoning	8	8	8	8	9	10	10	9	9	9
STAFF SERVICES										
Financial administration										
Director of Finance	6	6	6	6	6	6	6	6	6	6
Accounting	15	15	15	15	16	16	16	15	17	17
Purchasing	8	6	6	6	6	6	6	6	6	6
Central stores	8	8	8	8	9	9	9	10	11	11
Municipal office services	3	4	4	4	4	4	4	4	4	4
Legal	8	7	7	7	7	7	6	6	6	6
Personnel and Risk Management	22	21	18	18	17	16	16	16	16	15
Emergency Management and Communications	12	12	12	12	11	11	11	12	12	12
Occupancy										
Custodial operations	25	25	25	25	25	25	25	24	24	24
Building maintenance	24	23	23	23	23	23	23	23	23	23
PUBLIC SAFETY AND HEALTH										
Police										
Police	312	302	302	302	280	284	285	279	279	273
Civilian personnel	109	102	102	102	98	91	88	86	86	84
Fire Protection										
Fire	229	221	221	221	218	217	217	217	217	214
Civilian personnel	29	21	21	16	14	14	14	14	13	13
Other										
Building safety	31	29	29	29	29	27	26	26	26	26
Animal control	27	27	27	23	22	22	22	21	21	20
Environmental health	13	11	11	11	11	11	11	11	11	11
Vital statistics	1	1	1	1	1	1	1	1	1	1
STREETS, TRAFFIC & ENGINEERING										
Street maintenance	108	100	100	97	97	97	97	96	96	96
Traffic engineering	46	45	45	45	44	44	45	43	43	42
Traffic field operations	22	22	22	22	22	24	23	23	23	23
Engineering	22	22	22	22	22	22	24	26	26	25
CULTURE & RECREATION										
Auditorium Coliseum										
Civic Center operations	23	23	23	23	23	20	20	30	30	29
Civic Center promotions	4	3	3	2	2	2	2	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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Box office operations	12	12	12	12	11	10	10	-	-	-
Civic Center Sports	2	2	2	2	2	2	2	2	2	2
Globe News Center	3	3	3	3	-	-	-	-	-	-
Library operations	78	78	78	77	77	77	75	76	76	76
Parks and Recreation	258	253	275	274	273	276	255	252	252	248
Golf	48	48	48	48	48	54	50	50	50	50
SOLID WASTE										
Solid waste collection	107	105	105	103	101	99	99	99	99	92
Solid waste disposal	36	36	36	36	35	31	31	30	29	29
TRANSIT										
Fixed Route and Demand Response	61	61	61	61	61	61	60	57	57	57
Total General Fund	1,758	1,700	1,721	1,704	1,661	1,656	1,626	1,609	1,611	1,586
WATER & SEWER SYSTEM										
Water Production	7	7	7	7	7	7	7	7	7	7
Water Transmission	9	9	9	8	8	7	7	7	7	7
Surface Water Treatment	29	29	29	29	28	28	27	26	24	24
Water Distribution	58	58	58	58	58	58	58	58	58	58
Wastewater Collection	34	34	34	34	32	32	32	32	32	31
Wastewater Treatment	52	50	50	50	50	50	50	50	50	50
Environmental Laboratory	20	21	21	21	20	20	19	17	17	16
Utility Billing	29	29	29	29	29	29	29	29	29	29
Director of Utilities	16	16	16	16	16	15	15	15	15	15
Total Water & Sewer System	254	253	253	252	248	246	244	241	239	237
AIRPORT	62	50	49	49	49	49	49	29	29	29
INFORMATION SERVICES	27	27	27	27	26	26	24	23	23	23
MUNICIPAL GARAGE	53	51	51	51	51	51	51	51	51	51
SPECIAL REVENUE										
Library	6	6	7	7	7	8	7	7	7	7
Police Grant	-	-	-	-	-	11	11	11	11	11
Urban Planning/Traffic Grants	7	6	6	6	6	6	6	6	6	6
Health Grants	73	74	74	74	73	71	66	49	41	38
Court Security Fund	2	2	2	2	2	2	2	2	2	2
Community Development and Housing	18	18	20	20	20	21	18	16	16	15
Emergency Management	7	6	6	6	6	4	3	2	3	1
Total Special Revenue	113	112	115	115	114	121	111	91	84	78
Total	2,267	2,193	2,216	2,198	2,149	2,149	2,105	2,044	2,037	2,004

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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Staff services:										
Annual number of purchase orders	3,605	3,382	3,815	3,809	3,874	4,432	3,791	3,794	2,067	2,259
Public safety and health:										
Annual calls for police services	126,176	127,990	135,989	132,049	134,298	136,660	135,000	132,000	133,000	135,000
Annual calls for fire services	12,774	12,167	10,776	10,365	9,384	8,671	*	*	*	*
Culture and recreation:										
Civic Center event days	2,578	2,369	2,060	2,060	1,805	1,681	1,577	1,554	1,537	1,689
Civic Center annual attendance	700,515	700,000	738,000	737,438	695,486	644,230	665,820	632,761	701,803	716,544
Library volumes loaned annually	1,805,566	2,110,369	2,147,905	2,085,345	2,103,172	1,963,202	2,087,382	2,011,752	2,043,000	2,044,971
Annual swimming pool attendance	66,133	75,659	72,935	72,168	65,732	79,467	68,866	74,649	64,506	74,166
Tennis Center attendance	31,193	40,161	31,145	33,651	31,776	33,517	29,580	24,434	48,848	26,516
Rounds of golf played annually (2 courses)	107,726	104,381	113,166	104,060	106,382	105,721	111,702	122,849	129,759	131,799
Rifle range attendance	3,663	3,198	2,804	-	-	-	-	4,250	6,056	5,881
Solid Waste:										
Tons of waste collected	168,000	188,000	164,000	162,309	162,563	155,987	151,309	152,756	149,781	149,781
Tons of waste landfill	224,000	237,600	248,700	241,462	227,870	215,100	222,246	226,067	239,949	214,029
Transit:										
Fixed transit route--in miles	651,690	658,077	656,459	657,751	639,493	653,744	627,442	632,465	585,400	635,764
Passengers served--fixed route services	343,404	371,316	365,156	352,345	349,446	349,467	351,467	312,232	292,232	354,311
Demand response passengers	29,712	28,644	28,701	29,243	25,743	23,312	22,766	22,894	22,123	22,403
Water and Sewer:										
Active water accounts	68,306	67,452	66,833	65,065	64,112	62,832	62,347	61,734	61,450	60,820
Average daily production--gallons	43,752,000	41,062,041	47,707,877	44,538,978	45,939,937	46,862,380	48,236,625	45,229,079	52,130,055	43,232,616
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	40,000,000	40,000,000	40,000,000
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	24,000,000	24,000,000	24,000,000
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	42,000,000	42,000,000	42,000,000
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
Purification Plant:										
Pumping Storage	116,000,000	116,000,000	116,000,000	116,000,000	116,000,000	116,000,000	112,000,000	112,000,000	112,000,000	112,000,000
Overhead Storage	8,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000
Surface water allocation--gallons	3,662,482,893	4,226,385,000	6,037,696,000	6,037,696,000	4,300,285,000	9,177,294,000	9,177,294,000	12,438,000,000	12,438,000,000	11,193,883,000
Roberts County (CRMWA) Allocation	5,956,158,338	6,618,197,000	5,294,557,000	5,294,557,000	*	*	*	*	*	*
Active sewer accounts	66,294	65,513	64,939	62,489	61,451	60,760	60,362	59,852	59,486	58,876
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	17,601,452	17,801,452	17,550,967	16,888,833	17,056,216	17,329,000	17,436,770	17,405,000	18,161,287	18,405,000
Daily average of reclaimed water sold to industry--gallons	14,061,315	12,795,430	12,957,562	9,951,477	8,651,397	9,798,000	9,999,557	9,996,362	9,337,883	10,542,400
Airport:										
Major airlines	4	4	4	4	5	5	5	6	7	6
Scheduled daily flights	58	58	49	51	52	67	54	54	66	55
Airline passengers enplaned	461,251	454,514	445,618	440,843	405,313	382,457	388,077	439,093	442,796	432,341
Airplanes cleared daily--average	226	243	267	299	322	334	298	335	346	356
Total tower operations (24 hours FAA Control Tower)	82,648	88,823	97,523	109,270	117,613	121,895	108,778	122,250	126,108	130,068

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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Public Safety and Health:										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	10	10	10	10	10	10	10	10	10	10
Number of fire hydrants	3,587	3,469	3,441	3,385	3,324	3,320	3,269	3,223	3,197	3,141
Number of outdoor warning sirens	85	85	83	78	*	*	*	*	*	*
Streets, traffic and engineering:										
Streets - paved (miles)	902.00	890	883.64	874.37	862.39	857.79	843.24	843.24	839.36	828.32
Streets - unpaved (miles)	83.00	83	83.84	84.96	88.63	89.92	82.30	82.30	79.53	78.08
Alleys (miles)	468.00	464	458.86	453.67	447.72	440.75	430.49	430.49	424.83	422.80
Miles of storm sewers	116.00	113	111.79	109.00	108.00	105.27	104.24	104.24	104.06	103.73
Number of street lights	10,657	10,590	10,491	10,425	10,378	10,256	10,251	9,718	9,921	9,691
Number of signalized locations	258	255	254	254	252	250	249	249	247	246
Number of traffic signs installed	7,447	7,367	7,263	7,182	7,062	7,336	6,817	6,595	6,382	5,720
Culture and recreation:										
Civic Center (auditorium, coliseum, convention annex, center)--in square feet	410,000	410,000	410,000	340,000	340,000	340,000	340,000	270,000	270,000	270,000
Number of libraries	5	5	5	5	5	5	4	4	4	4
Total library holdings	705,033	711,295	807,535	807,500	*	*	*	*	*	*
Number of parks and playgrounds	64	62	62	62	61	60	60	59	58	60
Parks--number of acres	2,839	2,827	2,827	2,827	2,827	2,799	2,427	2,383	2,343	2,343
Number of swimming pools	4	4	4	4	4	4	4	4	4	4
Number of golf courses--36 holes	2	2	2	2	2	1	1	1	1	1
Number of golf courses--18 holes	2	2	2	2	2	2	2	2	2	2
Other recreational facilities:										
Soccer fields	65	65	65	66	65	65	65	65	65	65
Jogging trails (miles)	44.00	42	41.38	41.38	37.38	33.50	33.50	33.50	32.00	31.00
Baseball and softball fields	30	30	30	30	37	31	28	26	26	195
Tennis courts	41	41	41	34	52	52	46	46	46	55
Solid waste:										
Number of solid waste customers, residential	60,037	59,394	58,324	58,324	*	*	*	*	*	*
Number of solid waste customers, commercial	3,655	3,614	3,501	3,501	*	*	*	*	*	*
Landfill acreage	662	662	661	661	*	*	*	*	*	*
Transit:										
Number of buses in service	17	17	17	17	17	17	17	17	17	17
Number of vans in service	7	7	7	7	6	5	5	5	5	5
Water and Sewer:										
Miles of water mains:										
Transmission	120.00	120	118.63	118.63	118.63	118.63	118.63	118.63	118.06	114.77
Distribution	1,080.00	1,063	1,050.79	1,036.00	1,029.38	1,140.40	1,007.88	999.63	992.42	981.63
Number of water wells	99	94	91	99	100	100	101	101	101	101
Miles of sanitary sewers	926.33	911	884.82	874.68	868.89	861.74	854.79	847.55	842.45	834.65
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
2002	62,347	60,362
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

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	
2003	47,059,041	88,000,000	1,140	862	3,324
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

Maximum Water Production Capacity (from Water Plant and Wells)	120 million gallons per day
Maximum or Peak Usage to Date	91 million gallons
Overhead Storage Capacity	8.5 million gallons
Ground Storage Capacity	65.25 million gallons

TEN LARGEST WATER CUSTOMERS AND AVERAGE MONTHLY USE

1. Tyson Fresh Meats	151,177,250
2. Texas Department of Corrections	28,428,250
3. City of Canyon	26,375,000
4. Owens Corning	14,360,000
5. Xcel Energy	13,293,333
6. ASARCO	9,063,333
7. Baptist Saint Anthony's Hospital	7,628,250
8. Northwest Texas Healthcare	5,139,333
9. Plains Dairy	4,382,250
10. Westgate Mall	2,014,666

CAPACITY OF SEWER TREATMENT PLANTS

(Two plants combined)	28.00 million gallons per day
Average daily sewage treated	17.23 million gallons per day

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATERWORKS AND SEWER SYSTEM
WATER RATES
SEPTEMBER 30, 2008
(Unaudited)**

**Minimum Monthly Billing for
First 3,000 Gallons Consumed:**

Meter Size	Rates Per Month	
	Inside City	Outside City
5/8"	\$ 9.27	\$ 13.90
1"	12.44	18.66
1-1/2"	15.94	23.91
2"	24.76	37.14
3"	91.11	136.66
4"	115.62	173.43
6"	172.85	259.28
8" and larger	238.31	357.46

**Additional Charge by Volume
(per 1,000 Gallons):**

	Inside City	Outside City
<i>Residential</i>		
2,001-10,000	1.65	2.82
Over 10,000	2.15	3.23
Over 30,000	3.20	4.80
Over 50,000	3.30	4.95
<i>Commercial</i>		
Over 3,000	1.88	2.82

See Independent Auditor's Report.

**CITY OF AMARILLO, TEXAS
WATERWORKS AND SEWER SYSTEM
SEWER RATES
SEPTEMBER 30, 2008
(Unaudited)**

<u>Base Amount</u>	<u>Rates Per Month</u>
Meter Size	
3/4"	\$ 10.50
1"	10.84
1-1/2"	11.13
2"	12.07
3"	13.65
4"	19.95
6"	29.38
8" and larger	38.82

Additional Charge by Volume

Commercial accounts are charged on total water used. 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 \$1.25 per 1,000 gallons of water consumed over the initial allotment of 3,000 gallons.

See Independent Auditor's Report.