

Comprehensive Annual Financial Report

Fiscal Year ended September 30, 2006



City of Alvin, Texas

CITY OF ALVIN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2006

CITY OF ALVIN, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2006

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INTRODUCTORY SECTION

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CITY OF ALVIN

216 WEST SEALY • ALVIN, TEXAS 77511 • 281-388-4200 • FAX: 281-331-7215

March 11, 2007

Honorable Mayor and Members of the City Council
City of Alvin, Texas

In accordance with our City Charter, we are pleased to submit the Comprehensive Annual Financial Report of the City of Alvin, Texas for the fiscal year ended September 30, 2006. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The City of Alvin's financial statements have been audited by Null-Lairson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Alvin for the fiscal year ended September 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Alvin's financial statements for the fiscal year ended September 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City of Alvin is located in the southern part of the state, which is considered to be one of the fastest growing areas of the state. The City of Alvin occupies an area of approximately 15 square miles and services a population of 21,413, per the 2000 census. The City of Alvin is empowered to levy a property

tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation.

The City of Alvin operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing body consisting of the mayor and seven council members. The governing body is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring both the government's manager and attorney. The governing body also approves the selection of department heads. The government's manager is responsible for carrying out the policies and ordinances of the governing body and for overseeing the day-to-day operations of the government. The council is elected on a non-partisan basis. Council members serve two-year staggered terms. The mayor is elected to serve a two-year term. Five of the council members are elected by single-member districts. The mayor and two remaining council members are elected at large.

The City of Alvin provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; and recreational activities. Through Enterprise Fund operations, the government also provides EMS, water and sewer service and sanitation service.

The annual budget serves as the foundation for The City of Alvin's financial planning and control. All departments of the City of Alvin submit requests for appropriation to the city manager each year in June. The city manager uses these requests as the starting point for developing a proposed budget. The city manager then presents the proposed budget to the council for review by July 31. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 15, fifteen days prior to the close of the fiscal year on September 30. The appropriated budget is prepared by fund and department (e.g., police). Department heads may make transfers of appropriations within a department with approval from City Manager. Supplemental appropriations for departments, however, require the special approval of the governing body. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 81 as part of the required supplemental information. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 92.

Local economy

The City of Alvin is situated in northern Brazoria County twenty-five miles southeast of downtown Houston. The City is located within the tri-tech region referred to as the "*new Golden Triangle*", since it is right in the center of the three most important industries in the Gulf Coast area of the state, namely, the Houston Medical complex to the north, the Johnson Space Center (NASA) to the east and the petrochemical industry to the south, all within a 35-minute trip. The City is also within the scope of a 30-minute radius from Houston Hobby Airport to the north, and the sandy beaches of Galveston Island to the south. The area is located in one of the fastest growing parts of the state.

Northern Brazoria County is growing at a steady rate. Due to the heavy growth to the north and to the west of Houston, and blocked by the Houston Ship Channel to the east, it is anticipated that a large growth will come south to this area. While a high percentage of the City's population work in the nearby petrochemical, medical and space industries, the area agriculture activity produces rice, soybeans, corn, cattle, poultry and hogs. Alvin Community College is quickly becoming the area's premiere source for higher education with an enrollment figure of over 4,000 students. ACC is a public two-year, comprehensive community college providing educational opportunities in workforce training, academics, technical fields, adult basic education and personal development. Economic development is a priority in the area, as the City Officials, Chamber of Commerce, Alvin Community College, the county, real estate firms and other groups continue to work together to support existing companies and

make it an attractive option for businesses seeking a new location. The widening of State Highway Six from State Highway 288 towards the City of Alvin will also attract new businesses to the Alvin area. Based on current projections this trend toward lower unemployment and a promotion of new businesses will continue in the area.

During 2006, the City already had several new businesses located in Alvin. These include Chili's restaurant, and Echostar Communication (Dish Network). By late 2006, the City will also have Kelly's Country Kitchen restaurant and YMCA. In addition, Alvin Community College will begin construction of its new \$15,000,000 Science and Health Science Building facility with expected completion date to be late 2007. The City is also projecting to receive three restaurants, four new banks, two shopping areas and an office complex during the next few years.

Long-term financial planning

The City of Alvin's growth has been relatively flat over the past number of years due to the decline of oil and gas production and agriculture activities in the area. However, the City is now seeing a boom in residential construction as development from Houston moves our way. Several developers have submitted major subdivision plats to the City with over 3,000 new single residential homes planned to be built over the next 6 to 8 years. During 2005-2006, the City permitted 167 new homes which is 55 more permits and previous year 2004-2005 of 112 new homes. The City is anticipating approximately 225 new homes to be built in fiscal year 2006-2007 and is expecting that number to increase by 8% per year for the next ten years. Financing for the necessary City infrastructure supporting approximately one-half of this growth will be done via building utility impact fees and inter-city Municipal Utility District bonds. The infrastructure for the balance is currently available and in place.

In 2003 the City formed a TIRZ #2 for the development of Kendall Lakes Subdivision. Constructions on the first four subdivisions already began in February 2006. Construction of homes is expected to begin by end of 2006. This development has reserved about 30% of its area for commercial development. Approximately 70% of the property tax derived from the incremental improvements will be used by the developer for construction of public infrastructure and 30% will be directed to City for administrative, Police, and Emergency Services. The City will also receive construction Impact Fees and residential water and sewer service fees.

Major positive impacts to the City are the City's mobility plan. Part of the plan includes the Grand Parkway which will connect SH 288 at CR 60 to SH 35 near Liverpool, follow 35 North around Alvin to just past FM 517, and then connect eastward to I-45 at CR 646. This project is scheduled to be completed by 2012. Completion of this project will allow reasonable commuting times between Alvin and Houston, Clear Lake, and Sugarland areas which will result in Alvin becoming a residential alternative for a greater number of people. The City is also supporting a Texas Department of Transportation proposal to construct a new toll-way from near downtown Houston to the north side of Alvin. The proposal would have the toll-way parallel to the BNSF railroad, terminating in Alvin at the Grand Parkway.

The City is also making repairs to its older sewer lines. Many of the City's older lines are deteriorating and allowing rainwater to infiltrate into the system overloading lift stations and the wastewater treatment plant. The City has acquired \$6,650,000 in low interest Water Development Bonds to make system repairs and to extend new sewer lines over a number of years. The repairs are being done by outside contractors and by an in-house crew dedicated solely to this project.

Relevant financial policies

The city has adopted a fund balance policy that sets the policy for the General Fund to twenty five percent (25%) of the annual operating costs not to fall below \$1,500,000 and a policy for the Debt

Service Fund to fifty percent (50%) of the annual debt payments of the debt service fund. This will allow appropriate levels of fund balance within each fund to cover emergency and nonrecurring activities incurred anytime during the year.

Major initiatives

The City of Alvin is continuing to work on the Extension of State Highway 528. This project will allow residents living in the central and west part of town to have quick access to major roads such as Highway 6, Highway 35 and FM 528 to travel out of town. It will also provide a much needed bridge over the railroad tracks by eliminating traffic congestion caused by the trains. In addition, this project will improve the safety of our children traveling by school bus and facilitate movement of our EMS and Fire department when emergencies occur. The City plans to add a much needed new fire station on the west side of town at an estimated cost of \$1,200,000. The City plans to upgrade an outdated wastewater treatment plant and build a new elevated storage tank at an estimated cost of \$3,000,000. These projects will begin their construction phase during 2006. Because these projects are growth driven projects, a portion of the cost can be funded by the City's imposed impact fees. The remaining will be financed over a number of years

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Alvin for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2005. This was the twenty third consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2005. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient as a policy document, a financial plan, an operations guide and as a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the city council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Alvin's finances.

Respectfully submitted,



Paul A. Horn
City Manager



Suzy Kou
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Alvin
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

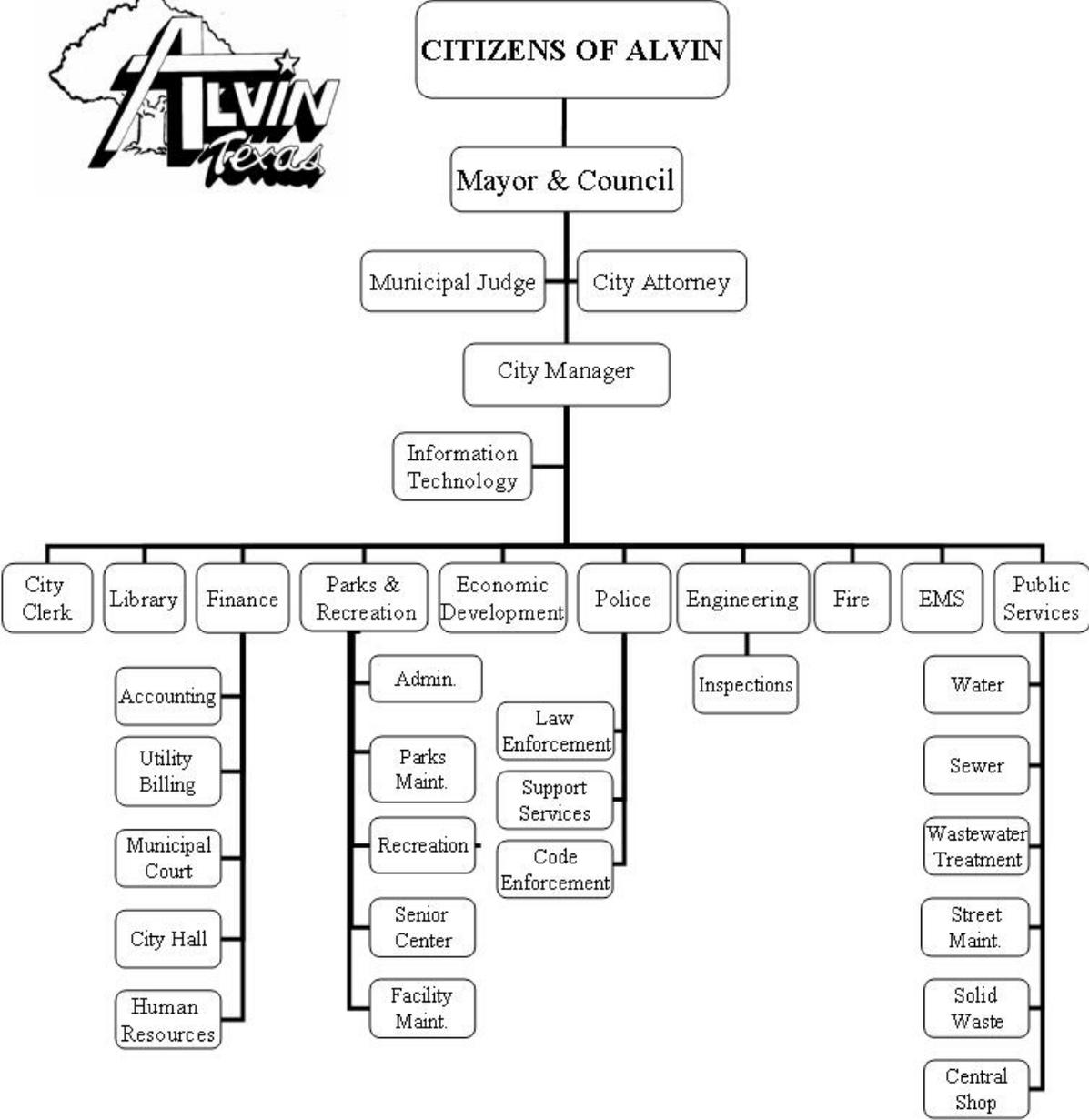
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

Organizational Chart



LIST OF ELECTED AND APPOINTED OFFICIALS

CITY OF ALVIN, TEXAS

September 30, 2006

City Officials	Address	Elective Position	Term Expires
Gary Appelt	1050 Sommerset, Alvin	Mayor	2008
Steve Troha	935 Steele Road, Alvin	Councilmember-District A	2008
Kathleen Holton	1215 Victory Lane, Alvin	Councilmember-District B	2007
Matt DeKenipp	324 Coventry, Alvin	Councilmember-District C	2007
Eddie Murray	1731 Glennview, Alvin	Councilmember-District D	2008
Larry Nelson	1312 Highland Dr, Alvin	Councilmember-District E	2008
Laurie McSwain	2903 Woodfox, Alvin	Councilmember-At Large 1	2007
John Ralph	1728 Glenview Drive, Alvin	Councilmember-At Large 2	2008

Department Heads	Address	Appointive Position
Paul Horn	3233 Sky Ranch Dr., Alvin	City Manager
Thomas W. Peebles	216 S. Beauregard, Alvin	City Clerk
Suzy Kou	2205 Fennigan Court, League City	Director of Finance
Donna Starkey	2005 Troon, Alvin	Municipal Court Judge
Bobbi Kacz	1410 Greenbriar Ave, Friendswood	City Attorney
Rex Klesel	3537 CR 326, Alvin	Fire Chief
David Kocurek	12403 CR 280, Alvin	Director of Public Works
Andy Gallagher	7711 Southmeadow Dr., Houston	City Engineer
Michael Merkel	460 Sherandoe, Alvin	Police Chief
Ed Hersch	1603 Dixie Hill Ct., Pearland	Director of Parks and Recreation
Ron Schmitz	1600 Bayou Dr., Alvin	EMS Director
Abel R. Longoria	6 Cadena Dr., Galveston	EMS Medical Director
Larry Buehler	244 Lasso, Angleton	Director of Economic Development

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FINANCIAL SECTION

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Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
City of Alvin, Texas

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Alvin, Texas as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Alvin'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. 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, business-type activities, each major fund and the aggregate remaining fund information of the City of Alvin, Texas, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 13 through 19, the general fund budgetary comparison information on pages 81 through 83 and the schedule of funding progress on page 85, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alvin's basic financial statements. The introductory section, combining and individual fund statements and schedules that include: combining financial statements for nonmajor governmental funds and internal service funds; individual fund annual budgetary comparison schedules; information on governmental capital assets and entity wide long-term debt; and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules that include: combining financial statements for nonmajor governmental funds and internal service funds; individual fund annual budgetary

comparison schedules; information on governmental capital assets; and, entity wide long-term debt 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. The introductory section and statistical tables 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.

Nell. Garrison, P. e.

Houston, Texas
February 16, 2007

CITY OF ALVIN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Alvin, we offer readers of the City of Alvin's financial statements this narrative overview and analysis of the financial activities of the City of Alvin for the fiscal year ended September 30, 2006. Please read the information presented here in conjunction with the basic financial statements which follow this section.

Financial Highlights

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Alvin's basic financial statements. The City of Alvin's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements.

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Alvin that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Alvin include general government, public safety, public works, planning and development, parks and recreation and the library. The business-type activities of the City of Alvin include the water & sewer system, sanitation and emergency medical services.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. In a separate schedule following the

CITY OF ALVIN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

governmental fund balance sheet, a reconciliation schedule to facilitate this comparison between governmental funds and the Government wide Statement of Net Assets is shown.

The reconciliation between the governmental fund statement of revenues, expenditures and changes in fund balances and governmental activities is provided on a separate schedule.

The City of Alvin maintains eighteen individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the debt service fund, the capital projects fund and the sales tax fund, all of which are considered to be major funds. Data from the other funds is provided in the column labeled nonmajor governmental funds.

Proprietary funds. The City of Alvin 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 of Alvin uses enterprise funds to account for its water and sewer system, sanitation and the emergency medical services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Alvin's various functions. The City of Alvin uses an internal service funds to account for central shop activities. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer system and sanitation fund, which are considered to be major funds for the City of Alvin, and the emergency medical services funds, which is considered as a non-major proprietary fund.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Alvin's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has no fiduciary funds.

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

Other Required Supplemental information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning information on the City of Alvin's general fund budget and actual amounts and the City's progress in funding its obligation to provide pension benefits to its employees.

Other Supplemental information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 88-108 of this report.

CITY OF ALVIN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Alvin, assets exceed liabilities by \$48.2 million at the close of the most recent fiscal year.

TABLE 1 CITY OF ALVIN'S NET ASSETS

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$ 11,913,451	\$ 9,932,122	\$ 12,535,265	\$ 6,055,531	\$ 24,448,716	\$ 15,987,653
Capital Assets	33,414,234	34,964,667	28,185,633	31,263,359	61,599,867	66,228,026
Total Assets	45,327,685	44,896,789	40,720,898	37,318,890	86,048,583	82,215,679
Liabilities						
Long-term liabilities outstanding	10,388,968	8,597,620	22,901,336	18,361,576	33,290,304	26,959,196
Other liabilities	1,379,818	1,951,581	3,186,062	3,025,718	4,565,880	4,977,299
Total Liabilities	11,768,786	10,549,201	26,087,398	21,387,294	37,856,184	31,936,495
Net Assets:						
Invested in Capital assets, net of related debt	26,136,763	27,092,862	10,031,169	13,946,640	36,167,932	41,039,502
Restricted	2,379,709	2,268,984	859,118	542,103	3,238,827	2,811,087
Unrestricted	5,042,427	4,985,742	3,743,213	1,442,853	8,785,640	6,428,595
Total Net Assets	\$ 33,558,899	\$ 34,347,588	\$ 14,633,500	\$ 15,931,596	\$ 48,192,399	\$ 50,279,184

By far the largest portion of the City of Alvin's net assets, \$36.2 million (75.0%), reflects its investment in capital assets (e.g., land, building, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Alvin uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Alvin's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Alvin's net assets, \$2.4 million (6.7%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$8.8 million) is available to meet the government's ongoing obligations to citizens and creditors.

There was an increase of \$1,050,797 in the net assets reported in connection with the City of Alvin's business-type activities. Most of this increase represents the degree to which charges for services covered expected operating expenses for the current fiscal year.

The governmental net assets increased by \$530,683 during the current fiscal year. Most of this increase represents the amount of revenues exceeded ongoing expenses.

CITY OF ALVIN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

TABLE 2 CITY OF ALVIN'S CHANGES IN NET ASSETS

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues						
Charges for Services	\$ 1,490,619	\$ 1,072,500	\$ 8,661,108	\$ 7,789,314	\$ 10,151,727	\$ 8,861,814
Operating Grants and contributions	108,200	272,811	12,133	37,685	120,333	310,496
Capital Grants and contributions				16,987		16,987
General Revenues						
Property Taxes	5,793,632	5,363,226			5,793,632	5,363,226
Sales Taxes	4,311,123	4,185,111			4,311,123	4,185,111
Other Taxes	1,279,211	1,257,702			1,279,211	1,257,702
Other Revenues	458,335	179,333	200,521	69,854	658,856	249,187
Total Revenues	13,441,120	12,330,683	8,873,762	7,913,840	22,314,882	20,244,523
Expenses:						
General Government	2,878,778	2,883,482			2,878,778	2,883,482
Public Safety - Police and Fire	5,054,540	4,832,986			5,054,540	4,832,986
Engineering and Planning	582,378	762,367			582,378	762,367
Public Services- Streets	3,766,436	4,437,460			3,766,436	4,437,460
Community Services	153,328	128,758			153,328	128,758
Culture Parks and Recreation	1,329,498	1,852,042			1,329,498	1,852,042
Interest on Long-term debt	329,526	334,761			329,526	334,761
Utilities- Water and Sewer			4,217,430	2,517,163	4,217,430	2,517,163
Sanitation			1,561,134	1,577,475	1,561,134	1,577,475
EMS			860,354	898,288	860,354	898,288
Total Expenses	14,094,484	15,231,856	6,638,918	4,992,926	20,733,402	20,224,782
Increase in Net Assets before Transfers	(653,364)	(2,901,173)	2,234,844	2,920,914	1,581,480	19,741
Transfers	1,184,047	2,664,611	(1,184,047)	(2,664,611)		
Increase in Net Assets	530,683	(236,562)	1,050,797	256,303	1,581,480	19,741
Beginning Net Assets	34,347,588	34,584,150	15,931,598	15,675,295	50,279,186	50,259,445
Prior Period Adjustments	(1,319,372)		(2,348,895)		(3,668,267)	
Ending Net Assets	\$ 33,558,899	\$ 34,347,588	\$ 14,633,500	\$ 15,931,598	\$ 48,192,399	\$ 50,279,186

Governmental activities. Governmental activities increased the City of Alvin's net assets by \$530,683. Key elements of this increase are as follows:

- While the City's property tax rate was held constant at \$.8036 per \$100 assessed value, property tax revenue increased by \$430,406 as a result of the city's rising property values and continued effort in the collection of delinquent taxes.
- Sales tax revenue increased by \$126,012 as a result of new business investments within the city.
- Charges for services increased by \$418,119 as a result of new business developments within the city.
- Overall expenses and revenues were consistent with prior years.

CITY OF ALVIN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Business-type activities. Business-type activities increased the City of Alvin's net assets by \$1,050,797. Key elements of this increase are as follows:

- The Utility-Water & Sewer operations had net income of \$939,373.
- Sanitation had an operating income of \$72,872
- EMS had an operating income of \$56,402

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Alvin's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City of Alvin's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Alvin's governmental funds reported combined ending fund balances of \$9.6 million, an increase of \$2.4 million in comparison with the prior year. Approximately 86 percent of this total amount (\$8.3 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) for outstanding encumbrances (\$267,800), (2) to pay debt service (\$325,660), or (3) a variety of other restricted purposes (\$747,671).

The general fund is the chief operating fund of the City of Alvin. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$3.21 million, while the total fund balance was \$3.29million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 31.2 percent of total general fund expenditures.

The fund balance of the City of Alvin's general fund increased by \$299,117 during the current fiscal year. Key factors are as follows:

- \$1.0 million in expenditures over revenues; and,
- \$1.2 million in transfers and other sources.

The debt service fund which is included in other governmental funds has a total fund balance of \$325,660, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current fiscal year in the debt service fund was \$153,526. Principal payments made during the year was \$784,945 and interest expenditures \$313,557.

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

At the end of the year, unrestricted net assets amounted to \$3.819 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Alvin's business-type activities.

CITY OF ALVIN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor (\$124,844 increase in revenues and a \$153,242 increase in appropriations). The difference can be briefly summarized as follows:

- \$15,100 increase for public safety.
- \$102,854 increase in general government for the creation of an economic development department.
- \$43,790 increase in public services for additional amounts appropriated for contractual engineering services.

Capital Asset and Debt Administration

Capital assets. The City of Alvin's investment in capital assets for its governmental and business type activities as of September 30, 2006, amounts to \$61.6 Million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment, storm drainage, streets and bridges.

TABLE 3 CITY OF ALVIN'S CAPITAL ASSETS

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 3,122,123	\$ 3,122,123	\$ 1,441,367	\$ 1,441,367	\$ 4,563,490	\$ 4,563,490
Buildings	9,048,196	8,980,927	6,162,457	5,967,665	15,210,653	14,948,592
Improvements other than buildings	3,925,534	3,159,592	2,647,487	32,021,948	6,573,021	35,181,540
Infrastructure	28,830,779	27,167,312	37,122,481	3,147,044	65,953,260	30,314,356
Machinery and equipment	9,057,673	8,200,088	994,421	933,023	10,052,094	9,133,111
Construction in Progress	989,334	2,743,809	1,021,928	4,922,229	2,011,262	7,666,038
Total Capital Assets	<u>54,973,639</u>	<u>53,373,851</u>	<u>49,390,141</u>	<u>48,433,276</u>	<u>104,363,780</u>	<u>101,807,127</u>
Less Accumulated Depreciation	(21,559,405)	(18,409,184)	(21,204,508)	(17,169,917)	(42,763,913)	(35,579,101)
Total Capital Assets net of Depreciation	<u>\$ 33,414,234</u>	<u>\$ 34,964,667</u>	<u>\$ 28,185,633</u>	<u>\$ 31,263,359</u>	<u>\$ 61,599,867</u>	<u>\$ 66,228,026</u>

Additional information on the City of Alvin's capital assets can be found in Note 6 pages 60-62 of this report.

Long-term debt. At the end of the current fiscal year, the City of Alvin had total long-term debt outstanding of \$36.1 million. Of this amount, \$22.83 million comprises bonds and certificates of obligation backed by the full faith and credit of the government and \$1.03 million is future liability for compensated absences. The \$12.2 million of the City of Alvin's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds and long-term contracts).

CITY OF ALVIN, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

TABLE 4 CITY OF ALVIN'S LONG-TERM DEBT

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Bonded Debt	\$ 7,266,269	\$ 7,716,157	\$ 7,618,729	\$ 8,898,841	\$ 14,884,998	\$ 16,614,998
Certificate of Obligations	3,047,344	293,260	4,897,657	1,006,740	7,945,001	1,300,000
Revenue Bonds			12,160,000	10,120,000	12,160,000	10,120,000
Capital Leases	84,675	282,482	34,666	176,786	119,341	459,268
Compensated Absences	889,248	1,061,871	82,086	111,048	971,334	1,172,919
Total Long-term Debt	\$ 11,287,536	\$ 9,353,770	\$ 24,793,138	\$ 20,313,415	\$ 36,080,674	\$ 29,667,185

During the current fiscal year, the city issued \$6,965,000 in certificates of obligation and \$4,965,000 in revenue bonds.

Standard & Poor's, and Moody's underlying ratings of the City's obligations are as follows:

Standard and Poor's "A"

Moody's "A2"

Additional information on the City of Alvin's Long-term Debt can be found in Note 7 pages 63-68 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City of Alvin area is currently 7.3 percent, down from 8.2 percent a year ago.

Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Alvin's budget for the 2006-2007 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$3.21 million. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2007 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Alvin's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Suzy Kou, Director of Finance, 216 West Sealy, Alvin, Texas 77511.

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BASIC FINANCIAL STATEMENTS

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CITY OF ALVIN, TEXAS
STATEMENT OF NET ASSETS
September 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 408,228	\$ 140,610	\$ 548,838
Cash with fiscal agent			
Investments	10,254,966	8,185,917	18,440,883
Receivables net of allowance for uncollectibles	849,261	982,675	1,831,936
Other receivables	69,736	30,621	100,357
Internal balances	21,290	(21,290)	
Inventories	58,881	66,489	125,370
Other assets	2,644	5,477	8,121
Deferred charges	198,445	640,383	838,828
Restricted assets:			
Temporarily restricted- cash and cash equivalents		2,504,383	2,504,383
Permanently restricted- cash and cash equivalents	50,000		50,000
Capital Assets:			
Land and improvements not being depreciated	3,122,123	1,441,367	4,563,490
Infrastructure	28,830,779	37,122,481	65,953,260
Buildings	9,048,196	6,162,457	15,210,653
Equipment and furniture	9,057,673	994,421	10,052,094
Other capital assets	3,925,534	2,647,487	6,573,021
Construction in progress	989,334	1,021,928	2,011,262
Total Capital Assets	54,973,639	49,390,141	104,363,780
Accumulated Depreciation	(21,559,405)	(21,204,508)	(42,763,913)
Total Capital Assets, net of depreciation	33,414,234	28,185,633	61,599,867
Total Assets	\$ 45,327,685	\$ 40,720,898	\$ 86,048,583
LIABILITIES			
Accounts payable and accrued expenses	162,783	537,579	700,362
Accrued liabilities	311,699	871,602	1,183,301
Long-term liabilities			
Due within one year			
Bonds	750,533	1,444,468	2,195,001
Capital leases	47,561	19,426	66,987
Accrued interest	107,242	312,987	420,229
Compensated absences			
Due in more than one year			
Bonds	9,462,405	22,804,009	32,266,414
Capital leases	37,315	15,241	52,556
Compensated absences	889,248	82,086	971,334
Total Liabilities	11,768,786	26,087,398	37,856,184
NET ASSETS			
Invested in capital assets, net of related debt	26,136,763	10,031,169	36,167,932
Restricted for:			
Perpetual care:			
Expendable	377,940		377,940
Nonexpendable	50,000		50,000
Public safety	172,451		172,451
Debt service	380,490	859,118	1,239,608
Streets, drainage and other projects	1,398,828		1,398,828
Unrestricted	5,042,427	3,743,213	8,785,640
Total Net Assets	\$ 33,558,899	\$ 14,633,500	\$ 48,192,399

CITY OF ALVIN, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 2,878,778	\$ 36,736	\$ 36,184	\$
Public Safety	5,054,540	665,255	45,929	
Engineering and Planning	582,378	610,541		
Public Services	3,766,436			
Community Services	153,328		18,316	
Culture, Parks and Recreation	1,329,498	178,087	7,771	
Interest on Long-term Debt	329,526			
Total Governmental Activities	14,094,484	1,490,619	108,200	
Business-type Activities				
Utility Fund- Water and Sewer	4,217,430	5,849,098		
Sanitation	1,561,134	1,811,689	8,639	
EMS	860,354	1,000,321	3,494	
Total Business-type Activities	6,638,918	8,661,108	12,133	
Total Primary Government	20,733,402	10,151,727	120,333	

General Revenues:

- Taxes:
 - Property taxes, levied for general purposes
 - Property taxes, levied for debt service
 - Sales taxes
 - Franchise taxes, hotel taxes, beverage and other taxes
- Unrestricted investment earnings
- Miscellaneous
- Transfers
- Total General Revenues

Change in Net Assets

- Net Assets - Beginning
- Prior Period Adjustments
- Net Assets - Ending**

Net (Expense) Revenue and Changes in Net Assets

Primary Government

	Governmental Activities	Business-type Activities	Total
\$	(2,805,858)		\$ (2,805,858)
	(4,343,356)		(4,343,356)
	28,163		28,163
	(3,766,436)		(3,766,436)
	(135,012)		(135,012)
	(1,143,640)		(1,143,640)
	(329,526)		(329,526)
	<u>(12,495,665)</u>		<u>(12,495,665)</u>
		1,631,668	1,631,668
		259,194	259,194
		143,461	143,461
		<u>2,034,323</u>	<u>2,034,323</u>
	<u>(12,495,665)</u>	<u>2,034,323</u>	<u>(10,461,342)</u>
	4,698,366		4,698,366
	1,095,266		1,095,266
	4,311,123		4,311,123
	1,279,211		1,279,211
	364,080	195,478	559,558
	94,255	5,043	99,298
	1,184,047	(1,184,047)	
	<u>13,026,348</u>	<u>(983,526)</u>	<u>12,042,822</u>
	530,683	1,050,797	1,581,480
	34,347,588	15,931,598	50,279,186
	(1,319,372)	(2,348,895)	(3,668,267)
\$	<u>33,558,899</u>	\$ <u>14,633,500</u>	\$ <u>48,192,399</u>

CITY OF ALVIN, TEXAS
BALANCE SHEET-GOVERNMENTAL FUNDS
September 30, 2006

	Major Funds				
	General	Debt Service	Capital Projects	Sales Tax	CO Series 2006 A & C
Assets:					
Cash and cash equivalents	\$	\$ 17,547	\$ 361,775	\$ 8,606	\$
Cash with fiscal agent					
Investments	3,543,491	299,208	868,639	818,936	2,565,795
Receivables:					
Delinquent property taxes	357,524	357,612			
Allowance for uncollectible taxes	(82,335)	(48,507)			
Other	312,820	14,489			
Prepaid items	2,592				
Due from other funds	9,332		24,238	250,648	
Inventories - at cost	422				
Restricted cash					
Total Assets	\$ 4,143,846	\$ 640,349	\$ 1,254,652	\$ 1,078,190	\$ 2,565,795
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 23,674	\$	\$ 59,959	\$ 33,983	\$ 375
Accrued payroll	243,328				
Deferred revenue	275,188	309,105			
Due to others	52,216	5,584			
Due to other funds	262,928				
Total Liabilities	857,334	314,689	59,959	33,983	375
Fund Balances:					
Reserved for:					
Encumbrances	8,225		218,306	23,569	
Inventories	1,266				
Prepaid expenditures	25,495				
Debt service		325,660			
Law enforcement and courts					
Other	40,000				
Perpetual care					
Unreserved					
Unreserved and Undesignated:					
General fund	3,211,526				
Special revenue funds					
Capital projects funds			976,387	1,020,638	2,565,420
Permanent fund					
Total Fund Balances	3,286,512	325,660	1,194,693	1,044,207	2,565,420
Total Liabilities and Fund Balances	\$ 4,143,846	\$ 640,349	\$ 1,254,652	\$ 1,078,190	\$ 2,565,795

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 27,322	\$ 415,250
1,129,816	9,225,885
	715,136
	(130,842)
	327,309
	2,592
	284,218
	422
50,000	50,000
<u>\$ 1,207,138</u>	<u>\$ 10,889,970</u>
\$ 17,776	\$ 135,767
969	244,297
	584,293
1,650	59,450
	262,928
<u>20,395</u>	<u>1,286,735</u>
17,700	267,800
	1,266
	25,495
	325,660
167,351	167,351
463,559	503,559
50,000	50,000
	3,211,526
110,193	110,193
	4,562,445
377,940	377,940
<u>1,186,743</u>	<u>9,603,235</u>
<u>\$ 1,207,138</u>	<u>\$ 10,889,970</u>

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CITY OF ALVIN, TEXAS

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2006**

Total Fund Balance, Governmental Funds \$ 9,603,235

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.

Capital Assets total	52,013,676	
Accumulated Depreciation	<u>(19,537,657)</u>	
Net assets adjustment to increase governmental fund balance to reconcile to government-wide net assets	<u>32,476,019</u>	32,476,019

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets. 1,977,559

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.

General obligation bonds payable	10,212,938	
Capital leases	84,876	
Compensated absences	<u>875,597</u>	
Net adjustment to reduce fund balance-total government funds to arrive at net assets-governmental activities	<u>11,173,411</u>	(11,173,411)

Accrued interest on debt is not included in Fund Financial Statements (107,242)

Deferred revenues not recognized in the Statement of Net Assets 584,294

Unamortized bond issuance costs, premiums and losses on refunding bonds, in Statement of Net Assets not in Fund Financials 198,445

Net Assets of Governmental Activities in the Statement of Net Assets \$ 33,558,899

CITY OF ALVIN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2006

	Major Funds				
	General	Debt Service	Bond Capital Projects	Sales Tax Capital Projects	CO Series 2006 A and C
Revenues					
Property taxes and penalties	\$ 4,880,683	\$ 909,722	\$	\$	\$
Grant Proceeds					
Sales taxes	1,371,624			2,742,429	
Franchise fees and taxes	1,237,728				
Hotel/motel tax					
Other taxes	12,658				
Licenses and permits	663,057				
Fines and forfeitures	388,202				
Grants - TWDB					
Intergovernmental revenues	4,313				
Interest	192,884	39,483	36,809	23,327	4,595
Other revenues	459,056		51,244		
Total Revenues	<u>9,210,205</u>	<u>949,205</u>	<u>88,053</u>	<u>2,765,756</u>	<u>4,595</u>
Expenditures					
Current:					
General government	2,671,513				
Public safety	4,763,643				
Engineering and planning	552,276				
Public services	1,365,343			153,562	
Community services					
Culture, parks and recreation	863,802				
Library	72,994				
Capital Outlay			2,099,304	128,382	39,086
Debt Service:					
Principal retirement		784,945			
Interest and fiscal charges		313,557			
Other		4,229			129,117
Total Expenditures	<u>10,289,571</u>	<u>1,102,731</u>	<u>2,099,304</u>	<u>281,944</u>	<u>168,203</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,079,366)	(153,526)	(2,011,251)	2,483,812	(163,608)
Other Financing Sources (Uses):					
Issuance of debt					2,780,000
Sale of capital assets	28,351				
Premium on issuance of debt					1,591
Transfers in	1,733,836		1,628,451		
Transfers out	(518,561)			(2,318,869)	(52,563)
Total Other Financing Sources (Uses)	<u>1,243,626</u>		<u>1,628,451</u>	<u>(2,318,869)</u>	<u>2,729,028</u>
Net change in Fund Balances	164,260	(153,526)	(382,800)	164,943	2,565,420
Fund Balances - Beginning	3,122,252	479,186	1,577,493	879,264	
Fund Balances - Ending	<u>\$ 3,286,512</u>	<u>\$ 325,660</u>	<u>\$ 1,194,693</u>	<u>\$ 1,044,207</u>	<u>\$ 2,565,420</u>

Other Governmental Funds	Total Governmental Funds
\$	\$
18,316	5,790,405
	18,316
	4,114,053
197,070	1,237,728
	197,070
	12,658
	663,057
	388,202
3,711	3,711
	4,313
48,552	345,650
88,511	598,811
<u>356,160</u>	<u>13,373,974</u>
4,500	2,676,013
46,133	4,809,776
	552,276
	1,518,905
143,300	143,300
42,947	906,749
6,123	79,117
	2,266,772
25,916	810,861
8,117	321,674
	133,346
<u>277,036</u>	<u>14,218,789</u>
79,124	(844,815)
	2,780,000
	28,351
	1,591
	3,362,287
<u>(20,573)</u>	<u>(2,910,566)</u>
<u>(20,573)</u>	<u>3,261,663</u>
58,551	2,416,848
1,128,192	7,186,387
<u>\$ 1,186,743</u>	<u>\$ 9,603,235</u>

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CITY OF ALVIN, TEXAS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2006

Net Change in Fund Balances - Total Governmental Funds: \$ 2,416,848

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital expenditures moved to Capital Outlays	1,294,282	
Depreciation expense recorded for the year	<u>(1,480,795)</u>	

Net adjustment to increase net changes in governmental fund balance to arrive at changes in net assets of governmental activities	<u>(186,513)</u>	(186,513)
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Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 6,042

Property taxes net adjustment to the accrual basis
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue (expense) is reported with governmental activities. 64,985

Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Principal payments on long-term debt	613,054	
Lease principal payments	<u>203,559</u>	
Net adjustment added back to governmental fund balance to arrive at changes in net assets of governmental activities	<u>816,613</u>	816,613

Proceeds from bonds issued increase long term liabilities in the Statement of Net Assets but are considered other sources in the Fund Financial Statements (2,781,591)

Issuance costs, refunding losses and change due to refunding bonds are recorded in the Statement of Net Assets but for Fund Financials the amounts are recorded as other sources and uses 137,243

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued interest not reflected on Governmental funds	3,299
Compensated absences	81,969

Amortization of issuance cost, premiums and refunding losses not recorded in Fund Financial Statements but recorded in the Statement of Activities (28,212)

Change in Net Assets of Governmental Activities \$ 530,683

CITY OF ALVIN, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2006

Business-type Activities - Enterprise Funds

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Emergency Medical Services</u>	<u>Totals</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 122,225	\$ 18,385	\$	\$ 140,610
Cash with fiscal agent				
Investments	7,326,854	622,067	236,996	8,185,917
Accounts receivable	364,517	121,108	1,715,150	2,200,775
Allowance for uncollectible accounts	(36,930)	(7,436)	(1,201,279)	(1,245,645)
Other receivables	14,848		29,497	44,345
Accrued interest receivable	13,765	56		13,821
Due from other funds	3,000			3,000
Inventory	66,489			66,489
Total Current Assets	<u>7,874,768</u>	<u>754,180</u>	<u>780,364</u>	<u>9,409,312</u>
Noncurrent Assets				
Restricted Assets:				
Construction	1,544,801			1,544,801
Current portion of revenue bonds	859,118			859,118
Customer deposits	100,464			100,464
Total restricted assets	<u>2,504,383</u>			<u>2,504,383</u>
Prepaid expenses	5,477			5,477
Deferred charges	653,576	4,657		658,233
Capital Assets:				
Land	937,829	503,538		1,441,367
Buildings	5,523,533	80,501	558,423	6,162,457
Improvements		2,610,608	36,879	2,647,487
Infrastructure	37,107,139	15,342		37,122,481
Equipment	825,843		168,578	994,421
Construction in progress	1,021,928			1,021,928
	<u>45,416,272</u>	<u>3,209,989</u>	<u>763,880</u>	<u>49,390,141</u>
Less allowance for depreciation	(19,494,617)	(1,339,131)	(370,760)	(21,204,508)
	<u>25,921,655</u>	<u>1,870,858</u>	<u>393,120</u>	<u>28,185,633</u>
Total Noncurrent Assets	<u>29,085,091</u>	<u>1,875,515</u>	<u>393,120</u>	<u>31,353,726</u>
Total Assets	<u>\$ 36,959,859</u>	<u>\$ 2,629,695</u>	<u>\$ 1,173,484</u>	<u>\$ 40,763,038</u>

**Governmental
Activities -
Internal
Service
Funds**

\$ 12,919

1,009,140

7,395

11,443

58,511

1,099,408

7,754

2,952,209

2,959,963

(2,021,748)

938,215

938,215

\$ 2,037,623

CITY OF ALVIN, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2006

Business-type Activities - Enterprise Funds

	Water and Sewer	Sanitation	Emergency Medical Services	Totals
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 192,237	\$ 245,760	\$ 101,850	\$ 539,847
Compensated absences	60,958		21,128	82,086
Accrued salaries payable	34,100		19,059	53,159
Accrued expenses payable	(8,644)	8,935	2,105	2,396
Accrued interest payable	312,298	2,954		315,252
Bonds and notes - current	1,174,846	14,622		1,189,468
Revenue bonds payable-current	255,000			255,000
Capital leases payable- current	18,086		1,340	19,426
Due to other funds	24,290			24,290
Total Current Liabilities	2,063,171	272,271	145,482	2,480,924
NonCurrent Liabilities				
Customer deposits	809,639	1,875		811,514
Capital lease payable	14,191		1,050	15,241
Bonds payable	10,660,975	238,034		10,899,009
Revenue bonds payable	11,905,000			11,905,000
Total Long-Term Liabilities	23,389,805	239,909	1,050	23,630,764
Total Liabilities	25,452,976	512,180	146,532	26,111,688
Net Assets				
Invested in capital assets, net of related debt	8,022,237	1,618,202	390,730	10,031,169
Restricted for debt service	859,118			859,118
Unrestricted net assets	2,625,528	499,313	636,222	3,761,063
Total Net Assets	11,506,883	2,117,515	1,026,952	14,651,350
Total Liabilities and Net Assets	\$ 36,959,859	\$ 2,629,695	\$ 1,173,484	\$ 40,763,038

**Governmental
Activities -**

**Internal
Service
Funds**

\$ 28,203
13,651
6,622
200

11,443

60,119

60,119

1,389,715
587,789

1,977,504

\$ 2,037,623

CITY OF ALVIN, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2006

	Business-type Activities		
	Water and Sewer	Sanitation	Emergency Medical Services
Operating Revenues			
Water and sewer service	\$ 5,846,413	\$	\$
Sanitation service		1,820,328	
Emergency medical service			1,003,815
Charges for services			
Total Operating Revenues	<u>5,846,413</u>	<u>1,820,328</u>	<u>1,003,815</u>
Operating Expenses			
Personnel services	1,024,194		579,758
Supplies	313,425		97,495
Contractual services	853,179	1,480,999	154,779
Insurance	188,140		
Depreciation	994,109	69,342	28,058
Total Operating Expenses	<u>3,373,047</u>	<u>1,550,341</u>	<u>860,090</u>
Operating Income	<u>2,473,366</u>	<u>269,987</u>	<u>143,725</u>
Non-Operating Revenues (Expenses)			
Interest revenues	181,862	8,980	4,636
Interest expense - debt service	(826,533)	(10,793)	(264)
Loss on capital assets			
Gain on sale of capital assets	7,728		
Total Non-Operating Revenues (Expenses)	<u>(636,943)</u>	<u>(1,813)</u>	<u>4,372</u>
Net Income (Loss) Before Transfers	<u>1,836,423</u>	<u>268,174</u>	<u>148,097</u>
Transfers In (Out)			
Transfers in	100,001		52,563
Transfers out	(997,051)	(195,302)	(144,258)
Total Transfers	<u>(897,050)</u>	<u>(195,302)</u>	<u>(91,695)</u>
Net Income (Loss)	939,373	72,872	56,402
Net Assets - Beginning	12,566,814	2,247,724	1,117,060
Change in Beginning Net Assets	(1,999,304)	(203,081)	(146,510)
Net Assets - Beginning Restated	<u>10,567,510</u>	<u>2,044,643</u>	<u>970,550</u>
Net Assets - Ending	<u>\$ 11,506,883</u>	<u>\$ 2,117,515</u>	<u>\$ 1,026,952</u>

Enterprise Funds	Governmental Activities - Internal Service Funds
Totals	
\$ 5,846,413	\$
1,820,328	
1,003,815	
	210
8,670,556	210
1,603,952	183,433
410,920	114,805
2,488,957	130,151
188,140	
1,091,509	283,033
5,783,478	711,422
2,887,078	(711,212)
195,478	46,831
(837,590)	
	(2,962)
7,728	
(634,384)	43,869
2,252,694	(667,343)
152,564	735,716
(1,336,611)	(3,388)
(1,184,047)	732,328
1,068,647	64,985
15,931,598	2,142,292
(2,348,895)	(229,773)
13,582,703	1,912,519
\$ 14,651,350	\$ 1,977,504

CITY OF ALVIN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2006

	Business-type Activities -		
	Water and Sewer	Sanitation	Emergency Medical Services
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 5,914,273	\$ 1,794,048	\$ 1,017,644
Receipts from interfund services provided			
Payments to suppliers	(1,299,510)	(1,357,826)	(179,931)
Payments to employees	(1,049,634)		(581,846)
Net Cash Provided (Used) by Operating Activities	<u>3,565,129</u>	<u>436,222</u>	<u>255,867</u>
Cash Flows from Non-Capital Financing Activities			
Transfers from other funds	100,001		52,563
Advances from/to other funds			
Transfers to other funds	(999,009)	(265,880)	(144,258)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(899,008)</u>	<u>(265,880)</u>	<u>(91,695)</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from issuing bonds	9,112,119		
Acquisition and construction of capital assets	(1,085,136)		(43,090)
Principal payments on long-term debt	(4,588,985)	(29,441)	(1,169)
Interest payments on long-term debt	(1,029,828)	(10,849)	(264)
Net Cash (Used) by Capital and Related Financing Activities	<u>2,408,170</u>	<u>(40,290)</u>	<u>(44,523)</u>
Cash Flows from Investing Activities			
Proceeds from sale of investments			
Purchase of investments	(6,444,219)	(122,550)	(236,996)
Interest on investments	169,604	10,883	4,636
Net Cash Provided by Investing Activities	<u>(6,274,615)</u>	<u>(111,667)</u>	<u>(232,360)</u>
Net Increase in Cash and Cash Equivalents	(1,200,324)	18,385	(112,711)
Cash and cash equivalents, beginning of year	3,826,932		112,711
Cash and Cash Equivalents, End of Year	<u>\$ 2,626,608</u>	<u>\$ 18,385</u>	<u>\$</u>
Cash and Cash Equivalents, End of Year:			
Unrestricted cash	\$ 122,225	\$ 18,385	\$
Restricted cash	2,504,383		
	<u>\$ 2,626,608</u>	<u>\$ 18,385</u>	<u>\$</u>

<u>Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
<u>Totals</u>	
\$ 8,725,965	\$
(2,837,267)	210
(1,631,480)	(231,389)
<u>4,257,218</u>	<u>(187,433)</u>
152,564	
(1,409,147)	336,588
<u>(1,256,583)</u>	<u>336,588</u>
9,112,119	
(1,128,226)	(104,199)
(4,619,595)	
(1,040,941)	
<u>2,323,357</u>	<u>(104,199)</u>
	155,679
(6,803,765)	
185,123	43,463
<u>(6,618,642)</u>	<u>199,142</u>
(1,294,650)	12,919
3,939,643	
<u>\$ 2,644,993</u>	<u>\$ 12,919</u>
\$ 140,610	\$ 12,919
2,504,383	
<u>\$ 2,644,993</u>	<u>\$ 12,919</u>

CITY OF ALVIN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2005

	Business-type Activities -		
	Water and Sewer	Sanitation	Emergency Medical Services
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Cash Flows from Operating Activities			
Operating income	\$ 2,473,366	\$ 269,987	\$ 143,725
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and amortization	994,109	69,342	28,058
Changes in Assets and Liabilities:			
(Increase) Decrease in accounts receivable	(44,825)	(26,280)	
(Increase) Decrease in other receivables	639		(3,158)
(Increase) Decrease in due from other governments	31,031		16,987
(Increase) Decrease in inventories	3,720		
(Increase) Decrease in prepaids	(1,865)		
Increase (Decrease) in accounts payable	56,500	123,030	73,448
Increase (Decrease) in compensated absences	(28,828)		(1,159)
Increase (Decrease) in accrued salaries	3,388		(929)
Increase (Decrease) in accrued liabilities	(3,121)	143	(1,105)
Increase (Decrease) in customer deposits	81,015		
Net Cash Provided (Used) by Operating Activities	\$ 3,565,129	\$ 436,222	\$ 255,867

<u>Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
<u>Totals</u>	
\$ 2,887,078	\$ (711,212)
1,091,509	283,033
(71,105)	
(2,519)	
48,018	
3,720	(451)
(1,865)	
252,978	13,818
(29,987)	(3,823)
2,459	(177)
(4,083)	
81,015	
<u>\$ 4,257,218</u>	<u>\$ (418,812)</u>

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CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Alvin (the "City") was incorporated on July 25, 1893, and adopted the "Home Rule Charter" on February 23, 1963, pursuant to the laws of the State of Texas. The City operates under a "Council-Manager" form of government and provides services authorized by its charter. Presently, these services include police and fire protection, drainage, building and code inspection, planning, engineering, street repair and maintenance, park maintenance, recreational activities for citizens and general administrative services.

The financial statements of the City of Alvin have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Reporting Entity

The City is an independent political subdivision of the State of Texas, governed by a mayor and an elected seven member council, and is considered a primary government. As required by generally accepted accounting principles, the basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations or functions, as part of the City's financial reporting entity. No other entities, organizations or functions have been included in the City's financial reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additional prescribed criteria under generally accepted accounting principles include: considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 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 or 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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

In September 1993, GASB issued Statement No. 29, "Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Use Proprietary Fund Accounting" which are effective for the City's financial statements for the year ending September 30, 2003. This statement provides guidance on accounting and financial reporting for business type and enterprise fund activities. The City has elected alternative number one (1) from those provided by this standard. This alternative method elects to apply all GASB pronouncements as well as FASB pronouncements that were issued after November 30, 1989.

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, for water and sewer fund, sanitation and EMS are charges to customers for sales and services. The Internal Service Fund charges the various departments of the City for services. Operating expenses for the enterprise funds and the internal service funds include costs of sales and services, administrative expenses and depreciation on capital assets in providing the sales and services to the customers. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus and basis of accounting

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

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise taxes, license and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Financial Statement Presentation

The government reports the following major governmental funds:

General Fund

The General Fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues of the General Fund are property taxes, sales and use taxes, franchise fees, permit fees and fines and forfeitures. Expenditures are for general government, finance, public safety, public works, culture parks maintenance and recreation, planning, community services and engineering.

Capital Projects Fund

The Capital Projects Fund is used to account for the proceeds from the sale of general obligation bonds and expenditure of these proceeds for the acquisition or construction of fixed assets as designated in each bond issue or as authorized by Council. The primary sources of revenues are primarily proceeds of general obligation debt and transfers from other funds.

Sales Tax –Street Improvements Fund

The Sales Tax Street Improvement Fund is used to account for a portion of the Sales taxes received that Council has designated to be used for street projects, to support the streets and provide engineering and maintenance support of streets. The primary sources of revenues are primarily sales taxes received by the City.

Certificates of Obligation Series 2006 A and C

The Certificates of Obligation Series 2006 A and C Fund is used to account for the proceeds from the sale of certificates of obligation and expenditure of these proceeds for the acquisition or construction of fixed assets.

Debt Service Fund

The Debt Service Fund is used to account for the payment of interest and principal on all general obligation debts of the City. The primary source of revenue for debt service is property taxes.

The following Funds are aggregated as other governmental fund, (nonmajor funds) in a single column of the fund financial statements:

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for special purposes. Special revenue funds include State of Texas and Federal grants as well as Hotel/Motel tax revenues.

Permanent Fund

The Permanent Fund is used to account for the handling and maintaining of the City's Cemetery.

The government reports the following major proprietary funds:

Utility Fund – Water and Sewer Fund

The fund is used to account for operations of the public utilities (water and sewer) services of the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Financial Statement Presentation (continued)

Sanitation Fund

The fund is used to account for operations of solid waste collection and disposal services for residents of the City.

The following fund is considered a proprietary nonmajor fund and is reported in other proprietary fund column of the fund financial statements:

Emergency Medical Services

The fund is used to account for operations of the emergency medical services for residents of the City and the surrounding area.

Additionally, the City also reports the following fund types:

Internal Service Funds

The Internal Service Funds are used to account for the operations of the City's Central Shop which provides maintenance, and the Vehicle Replacement, which provides replacement of the City's vehicles and large equipment. The revenues will be from user charges to the various departments based on vehicle usage.

E. Budgets

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

1. Sixty days prior to September 30 year end, the City Manager submits to the City Council a proposed operating budget. The original budget is adopted by the City Council prior to the beginning of the fiscal year. The final amended budget is used in this report. The operating budget includes proposed expenditures and the means of financing them. The budget is approved at the department level.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 15, the budget is legally enacted through passage of an ordinance.
4. Responsibility is assigned to each department head for maintaining expenditures within each object class account. Department heads are responsible for recommending transfers within the departments. Approval from the City Manager is necessary to complete the process.
5. Supplemental appropriation and budget adjustments to capital outlay object classes should be approved by the City Council.
6. All supplemental appropriations should be approved by the City Council.
7. Formal budgetary procedures are employed as a management control device for the General Fund, certain Special Revenue Funds, Debt Service Fund, certain Capital Projects Funds and Enterprise Funds.

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgets (continued)

8. Budgets for the following funds are adopted on a basis consistent with generally accepted accounting principles:

- General
- Capital Projects:
- Sales Tax –Street Improvement Fund
- Capital Improvement Fund
- Certificates of Obligation Series A & C
- Debt Service
- Special Revenue:
- Hotel/Motel Tax Fund
- Special Investigation
- Hike and Bike Trails
- Library Fund
- Municipal Court Building
- Municipal Court Technology
- Recycling Grant
- Permanent Fund- Cemetery

The City does not budget all the Special Revenue Funds; accordingly, the applicable columns of the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, exclude amounts relating to the unbudgeted funds.

Budgeted amounts are stated as originally adopted or as amended during the year by the City Council and City Manager.

9. Appropriations lapse at year end.

Budgets are adopted for all funds annually. Annual budgets are adopted for the General, certain Special Revenue, Debt Service, Enterprise and Internal Service Funds. The City adopts project budgets for Capital Projects Funds, which are revised annually.

These budgets are created by ordinance and include all sources and uses of funds as approved by Council. All annual budgets are prepared on a budgetary basis that is the same as GAAP.

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgets (continued)

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The City Council made several supplementary budgetary appropriations, which were not considered material, throughout the year.

For the year ended September 30, 2006, expenditures exceeded appropriations in the following departments of the general fund.

Other Requirements Dept.	\$	9,277
Police Department		17,155

Encumbrance accounting is utilized in all governmental fund types. Any encumbered appropriation lapse at year end must be reappropriated in the following year. Encumbrances for materials, other goods and purchased services are documented by purchase orders or contracts. Encumbrances outstanding at year-end do not constitute expenditures or liabilities under GAAP. The City honors these commitments and records GAAP expenditures in the subsequent year as the transactions are completed. At year-end, the City reserved a portion of fund balance for outstanding encumbrances of \$8,225 in the General Fund, \$218,306 in the Capital Projects Fund, \$12,600 in the Hotel/Motel Fund, \$5,100 in the Special Investigation Fund and \$23,569 in the Sales Tax Fund.

F. Cash and Temporary Investments

Cash and temporary investments consist of amounts in a demand account, money market mutual fund, petty cash funds, United States Government Securities and the Texas Local Government Investment Pool (TexPool). TexPool is an external investment pool established by interlocal contracts under state law. Investments and securities are booked at cost and amortized monthly to reach par at maturity. Investments are generally held to maturity.

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments. The City pools excess cash of the various individual funds to purchase investments. These pooled investments are reported in the combined balance sheet as investments in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund monthly based on its respective share of pooled investments.

All investments are stated at fair value based on published market rates. The City holds all investments until maturity date. The City also maintains investments in a state supported governmental investment pool which amounts are stated at fair value.

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

F. Cash and Temporary Investments (continued)

The City maintains a pooled cash and investments account for all funds of the City. Each fund's positive equity in the pooled cash account is presented as "Cash" in the financial statements. Negative equity balances have been reclassified and are reflected as an interfund payable. Interest income and interest expense are allocated to each respective individual fund, monthly, based on their respective fund balances.

G. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the City considers all investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

H. Receivables

In the propriety funds, the City records certain revenues billed to other governmental agencies, residents and others on a monthly basis. Adjustments to revenue are made for uncollectible accounts as determined by management. At September 30, 2006, an allowance of \$1,245,645 was provided for possible adjustments for uncollectible accounts.

I. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are, for the most part, eliminated from the Government-Wide Statement of Net Assets and are classified as "due from other funds" or "due to other funds" in the fund financial statements. Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

J. Inventory

Inventories are recorded in the General, Capital Projects and Enterprise Funds, and are stated at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The consumption method is used to recognize expenditures.

K. Fund Equity

In the fund financial statements of the governmental funds, the City reserves or designates all or portions of fund equity in the various governmental fund financial statements. Reserves of fund equity represent those portions of fund equity not appropriable for expenditure or legally restricted by outside parties for use for a specific purpose. Designations of fund equity represent tentative plans for future use of financial resources.

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

L. Compensated Absences

The City records vacation as it accrues up to a maximum of 240 hours for all employees after October 1, 1998. Employees hired prior to October 1, 1998, are allowed to carry over vacation time (old vacation) accumulated prior to October 1, 1998, plus vacation accumulated after October 1, 1998 up to the maximum of 240 hours plus the old vacation time. The City adopted a policy to accrue sick pay based on employment date of the employee. For employees hired prior to October 2, 1998, the City accrues sick pay at a rate of one day's pay for every two days of accrued sick leave up to a maximum of 360 hours for employees who had not accrued more than 720 hours as of October 2, 1998. For employees as of October 2, 1998, who had more than 720 hours of accrued sick time, the City would pay fifty percent of the accumulated sick hours upon termination of employment with the City. For employees hired after October 2, 1998, the City will not pay out accumulated sick leave upon termination. For these employees the sick leave can only be used for sick time.

For the governmental funds, accumulated compensated absences is normally paid from the general fund and is treated as an expenditure when paid. All compensated absences are accrued when incurred in the government-wide, and proprietary fund financial statements. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

M. Use of Estimates

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

N. Comparative Data

Comparative data for prior years has not been presented due to the implementation of Governmental Accounting Standards Board Statement No. 34 – *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Prior years' data has not been restated.

O. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure is not held to the \$5,000 limit; all infrastructure is capitalized regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Capital assets

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest cost on governmental activities construction projects are not capitalized.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building improvements	40
Vehicles	5
Infrastructure	50
Equipment	10
Water and sewer system	40
Sanitation system-Disposal plant	20

P. Long term obligations

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

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

Q. Indirect expense allocations

It is the policy of the City not to allocate indirect expenses to the various functions in the Government-wide Statement of Activities.

R. Restricted resources

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Tax Administration

The City is a Home Rule Charter City with a maximum tax rate for all purposes of \$2.50 per \$100 assessed valuation. This maximum tax rate is imposed both by the Constitution of the State of Texas and the City Charter. Within this \$2.50 maximum, there is no legal limit upon the amount of taxes which can be levied for debt service. All taxes due to the City on real or personal property are collected by the Brazoria County Tax Assessor-Collector and may be paid at any time after the tax rolls have been completed and approved, which is not later than October 1. Current taxes become delinquent on February 1 following the tax year. There are various penalties for delinquent taxes ranging from 7.0% in February and increasing to a maximum of 23.0%. There are no discounts allowed on taxes. The procedure for collecting delinquent taxes is to refer to a collection attorney after sending two delinquent notices and a letter. All properties located within the City limits on January 1 of each year are charged with a special lien in favor of the City from such date for taxes due thereon.

T. Interfund Transactions

Transactions between funds that would be treated as revenues, expenditures or expenses, if they involved organizations external to the governmental unit, are accounted for as revenues, expenditures or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund, which are properly attributable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

NOTE 2-CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

Cash and cash equivalents for reporting cash flows include all highly liquid investments with a maturity of three months or less from the date of purchase.

At September 30, 2006, the City cash balances were primarily held by one local financial institution and by the Texas Treasury Safekeeping Trust Company (TexPool) administered by the Texas State Treasurer.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy requires collateral pledged for all bank deposits at 100% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts. Collateral pledged to cover the City's deposits is required to be held in the City's name by the trust department of a bank other than the pledging bank (the "City's agent").

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 2-CASH AND CASH EQUIVALENTS (continued)

Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances. Deposits at year end are representative of the types of deposits maintained by the City during the year.

The City's deposits at year-end were not entirely covered by federal depository insurance or by acceptable pledged collateral held by the City's agent in the City's name in accordance to state law. As of September 30, 2006, none of the City's deposits were exposed to custodial credit risk.

Investments

Under provisions of state and local statutes, the City's investment policy and provisions of the City's depository contract, the City is authorized to place available deposits and investments in the following:

1. Obligations of the U. S., its agencies and instrumentalities.
2. Direct obligations of the State of Texas or its agencies.
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities.
4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to the investment quality by a nationally recognized investment firm and having received a rating of not less than A or its equivalent.
5. Certificates of Deposit issued by state and national banks or savings and loan associations domiciled in this state that are:
 - guaranteed or insured by the Federal Deposit Insurance Corporation; or
 - secured by obligations that are described in 1-4 above, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the investing entities.

Credit Risk

The City's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The investment decision has to be in accordance to the City's investment policy.

Deposits and Investment Accounts

At year-end the city recorded cash on hand, demand deposits, certificates of deposit, balances in privately managed public funds investment pools, money market mutual funds and investments stated at fair value of million.

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 2-CASH AND CASH EQUIVALENTS (continued)

The following schedule shows the City's recorded cash and investments at year-end:

	<u>Cash Bank Deposits</u>	<u>TexPool</u>	<u>TexStar</u>	<u>Other Investments</u>	<u>Total</u>
General	\$	\$ 616,149	\$ 1,825,943	1,101,399	\$ 3,543,491
Debt Service	17,547			299,208	316,755
Capital Projects	370,381	3,074,597	428,773	750,000	4,623,751
Special Revenue Funds	35,016	184,613	559,559		779,188
Permanent Funds	(7,694)	129,226	256,418		377,950
Total Governmental Funds	<u>415,250</u>	<u>4,004,585</u>	<u>3,070,693</u>	<u>2,150,607</u>	<u>9,641,135</u>
Internal Service Funds	12,919	338,175	371,118	299,847	1,022,059
Total Governmental Activities	<u>428,169</u>	<u>4,342,760</u>	<u>3,441,811</u>	<u>2,450,454</u>	<u>10,663,194</u>
Enterprise	<u>(393,664)</u>	<u>1,265,098</u>	<u>1,390,977</u>	<u>987,270</u>	<u>2,999,681</u>
Total	<u>\$ 34,505</u>	<u>\$ 5,607,858</u>	<u>\$ 4,832,788</u>	<u>\$ 3,437,724</u>	<u>\$ 13,912,875</u>

Quoted market prices are the basis of the fair value for US Agency securities and commercial paper. The amount of increase or decrease in the fair value of investments during the current year is included in the City's investment income as follows:

Interest Income	\$ 545,786
Net Increase (Decrease) in Fair Value of Investments	<u>(3,919)</u>
Total Investment Income	<u>\$ 541,867</u>

At year end the City had investments with maturities not exceeding more than five years: The following table shows the City's investments and maturities along with the credit quality distribution for investments, with credit exposure as a percentage of total investments.

Investment Type	Rating	Fair Value	Investment Maturity (in years)		Percentage
			less than 1	1-5	
Public funds investment pools	AAAm	\$ 10,440,646	\$ 10,440,646		75%
US Treasury Notes	AAA	250,000	250,000		2%
Federal Home Loan Bank Bonds	AAA	1,499,500	799,500	700,000	11%
Federal National Mortgage Association	AAA	247,756	247,756		2%
Federal Home Loan Mortgage Corp	AAA	549,055	549,055	549,055	4%
Certificates of Deposit	Not rated	676,770	676,770		5%
ICT		214,643			2%
		<u>\$ 13,878,370</u>	<u>\$ 12,963,727</u>	<u>\$ 1,249,055</u>	<u>100%</u>

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting investment maturities as follows:

<u>Maturity</u>	<u>Maximum Investment</u>
Weighted Maturity 90 days	100%
One year	60%
Two years	55%

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 3 - PROPERTY TAXES

Property taxes for each year are levied on approximately October 1 and are due upon receipt of the tax bill and become delinquent on February 1 of the following year. On January 1 of each year, a tax lien is attached to the property to secure the payment of all taxes, penalties and interest. The lien exists in the favor of the State and each taxing unit. Appraised values are established by the Central Appraisal District (CAD) of Brazoria County, Texas, through procedures established by the Texas Legislature. The County Tax Assessor Collector bills and collects the City's property taxes. The County bills the City's tax levies as soon as possible after certification of taxable values by the CAD, which is approximately August 1 as noted above. Additional tax bills are sent in December, February, April and July (which includes a surcharge for legal costs associated with collection). In August, delinquent taxes are turned over to the County's delinquent tax attorneys for final collection or other disposition.

The City has enacted an ordinance providing for the exemption of \$40,000 of the assessed value of residential homesteads, for persons 65 years of age or older, from property taxes. This is provided by Section 1-b(a) of Article 8 of the Constitution of Texas. An exemption from \$1,500 up to \$3,000 is allowed to disabled veterans on any one piece of property. Additionally, the market value of agricultural land is reduced to agricultural value for purposes of the City's tax levy calculation.

The City is permitted, by Article XI, Section 5, of the State of Texas Constitution and the City Charter, to levy property taxes up to \$2.50 per \$100 of assessed valuation for general governmental services. Within the \$2.50 maximum levy, there is no legal limit upon the amount of property taxes which can be levied for debt service. The property tax rates, to finance general governmental services and debt service for the 2004-2005 fiscal year, were \$.6486 and \$.1550, respectively, per \$100 of assessed valuation. The 2004 assessed value and total tax levy, as adjusted through September 30, 2006, were \$663 million and \$5.3 million, respectively. Property taxes and allowance for uncollectibles as of September 30, 2006, are as follows:

	General Fund	Debt Service Fund	Total
Property taxes	\$ 165,188	\$ 303,947	\$ 469,135
Penalties and interest on			
Property Taxes	192,336	53,665	246,001
Total Property taxes receivable	<u>357,524</u>	<u>357,612</u>	<u>715,136</u>
Allowance for doubtful Accounts			
Property Taxes	(16,519)	(30,394)	(46,913)
Penalties and interest on			
Delinquent taxes	<u>(65,816)</u>	<u>(18,113)</u>	<u>(83,929)</u>
Net taxes receivable	<u>\$ 275,189</u>	<u>\$ 309,105</u>	<u>\$ 584,294</u>

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 4 - RECEIVABLES

The following is a break-down of the September 30, 2006, receivables reported in the government-wide statements:

	<u>Governmental Activities Funds</u>	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>EMS</u>	<u>Total Business Activities</u>
Receivables:					
Taxes -receivable general revenue	\$ 165,188	\$	\$	\$	\$
Taxes -receivable Debt Service	303,947				
Penalty and interest on taxes-general	192,336				
Penalty and interest on taxes-Debt Service	53,665				
Customer Accounts receivables		364,517	121,108	1,715,150	2,200,775
Subscriptions receivables				27,545	27,545
Franchise fees receivable	264,967				
Miscellaneous receivables	69,736	28,613	56	1,952	30,621
Gross Receivables	<u>1,049,839</u>	<u>393,130</u>	<u>121,164</u>	<u>1,744,647</u>	<u>2,258,941</u>
Less allowance for doubtful accounts	<u>(130,842)</u>	<u>(36,930)</u>	<u>(7,436)</u>	<u>(1,201,279)</u>	<u>(1,245,645)</u>
Net Total Receivables	<u>\$ 918,997</u>	<u>\$ 356,200</u>	<u>\$ 113,728</u>	<u>\$ 543,368</u>	<u>\$ 1,013,296</u>

NOTE 5 – DEFERRED REVENUES

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

General Fund	
Net property taxes receivable	\$ 148,669
Net penalty and interest on delinquent property taxes	126,520
Total General Fund	<u>275,189</u>
Debt Service Fund	
Net property taxes receivable	273,553
Net penalty and interest on delinquent property taxes	35,552
Total Debt Service Fund	<u>309,105</u>
Total Deferred Revenues	<u>\$ 584,294</u>

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 6 – CAPITAL ASSETS

Capital Assets activity for the year ended September 30, 2006 was as follows:

	Balance		Transfers, Deletions and Adjustments	** Balance September 30, 2006
	October 1, 2005	Additions		
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 3,122,123	\$	\$	\$ 3,122,123
Construction in progress	2,743,809	900,123	(2,654,598)	989,334
Total capital assets, not being depreciated	5,865,932	900,123	(2,654,598)	4,111,457
Capital assets being depreciated:				
Buildings	8,980,926	41,770	25,500	9,048,196
Improvements other than buildings	3,159,592		765,942	3,925,534
Infrastructure	27,167,314		1,663,465	28,830,779
Machinery and equipment	8,200,088	496,473	361,112	9,057,673
Total capital assets being depreciated	47,507,920	538,243	2,816,019	50,862,182
Less accumulated depreciation for:				
Buildings	(3,421,178)	(367,738)	(622,314)	(4,411,230)
Improvements other than buildings	(292,290)	(169,606)	(637,063)	(1,098,959)
Infrastructure	(8,945,870)	(655,828)	(75,847)	(9,677,545)
Machinery and equipment	(5,749,846)	(570,616)	(51,209)	(6,371,671)
Total accumulated depreciation	(18,409,184)	(1,763,788)	(1,386,433)	(21,559,405)
Total capital assets being depreciated, net	29,098,736	(1,225,545)	1,429,586	29,302,777
Governmental activities capital assets, net	<u>\$ 34,964,668</u>	<u>\$ (325,422)</u>	<u>\$ (1,225,012)</u>	<u>\$ 33,414,234</u>

** - Includes capital assets and accumulated depreciation recorded in the City's internal service funds as shown below:

	Balance September 30, 2006
Building	\$ 7,754
Equipment	2,952,209
Accumulated Depreciation	<u>(2,021,748)</u>
	<u>\$ 938,215</u>

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 6 – CAPITAL ASSETS (continued)

	Balance		Transfers	Balance
	October 1, 2005	Additions	Deletions and	September 30,
			Adjustments	2006
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 1,441,367	\$	\$	\$ 1,441,367
Construction in progress	4,922,228	1,059,101	(4,959,401)	1,021,928
Total capital assets, not being depreciated	6,363,595	1,059,101	(4,959,401)	2,463,295
Capital assets being depreciated:				
Buildings	5,967,665		194,792	6,162,457
Improvements other than buildings	3,147,044		(499,557)	2,647,487
Infrastructure	32,021,948		5,100,533	37,122,481
Machinery and equipment	933,024	61,397		994,421
Total capital assets being depreciated	42,069,681	61,397	4,795,768	46,926,846
Less accumulated depreciation for:				
Buildings	(805,744)	(164,215)	(1,995,960)	(2,965,919)
Improvements other than buildings	(92,722)	(68,587)	(1,145,809)	(1,307,118)
Infrastructure	(15,738,472)	(777,874)	136,456	(16,379,890)
Machinery and equipment	(532,979)	(80,834)	62,232	(551,581)
Total accumulated depreciation	(17,169,917)	(1,091,510)	(2,943,081)	(21,204,508)
Total capital assets being depreciated, net	24,899,764	(1,030,113)	1,852,687	25,722,338
Business activities capital assets, net	<u>\$ 31,263,359</u>	<u>\$ 28,988</u>	<u>\$ (3,106,714)</u>	<u>\$ 28,185,633</u>

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

Governmental Activities Depreciation Expense by Function

General Government	\$ 251,735
Public Safety	251,735
Public Services	769,953
Community Services	44,425
Culture, Parks and Recreation	162,887
Central Shop	774
Vehicle Replacement	282,279
	<u>\$ 1,763,788</u>

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 6 - CAPITAL ASSETS (continued)

Water and Sewer	\$ 994,110
Sanitation	69,342
EMS	28,058
	<u>\$ 1,091,510</u>

The City has active construction projects as of September 30, 2006. The projects include street construction, parks projects, additional water and waste water treatment facilities. At year end the City's construction in progress and commitments were as follows:

Governmental Activities	Authorized Contract	Contract Expenditures	Remaining Commitment
Depot Restoration	\$ 477,524	\$ 211,049	\$ 266,475
Fire Station	708,590	83,336	625,254
FM 528 Extension	1,634,874	677,163	957,711
Hike and Bike Trail	299,316	16,466	282,850
South Bend Project	90,000	1,320	88,680
	<u>\$ 3,210,304</u>	<u>\$ 989,334</u>	<u>\$ 2,220,970</u>

Business-type Activities	Authorized Contract	Contract Expenditures	Remaining Commitment
SCADA	\$ 120,000	\$	\$ 120,000
Small Diameter Lines	230,000	7,340	222,660
Miscellaneous Water Sewer Project	23,157		23,157
I & I Reduction Program Construction (TWDB)	2,870,355	782,435	2,087,920
WWTP Upgrade 215	865,889	232,153	633,736
Wastewater Treatment Plant Upgrade	1,700,000		1,700,000
Lift Station #11 Replacement	200,000		200,000
Northside Elevated Storage Tank	1,500,000		1,500,000
Miscellaneous Sewer Line Project	75,000		75,000
Emergency Misc. Water & Sewer Repairs	100,000		100,000
I & I Reduction Program Construction (2006 Cos)	400,000		400,000
	<u>\$ 8,084,401</u>	<u>\$ 1,021,928</u>	<u>\$ 7,062,473</u>

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 7 - LONG-TERM DEBT

The City's Long-Term Debt includes all outstanding bonded debt secured by the full faith and credit of the City. The bonds are certificates of obligation, general obligations and contractual obligation bonds which are secured by the full faith and credit of the City and are paid through the Debt Service Fund from tax revenues. The City's Water and Sewer Fund has some General Obligation Bond issues recorded in the Enterprise Funds which are secured by the full faith and credit of the City. Although the debt payments are made from the Enterprise fund, the Utilities Revenue is not pledged to secure the bond payments.

In prior years, the City issued combined tax and revenue Certificates of Obligation Bonds for constructing and acquiring improvements, extensions and additions to the City's sanitary sewer system. These certificates of obligation are payable from City ad valorem taxes and certain revenues of the City's combined waterworks and sanitary sewer system. The revenues are pledged to the extent that taxes may be insufficient or unavailable for the payment of the principal and interest on these certificates. Such pledge is, and shall be, junior and subordinate in all respects to the pledge of such net revenues to the payment of any obligation of the City which the City designates as having a pledge senior to these certificates. This schedule includes these transactions in the Enterprise Fund as the City is currently repaying these bonds from water and sewer revenues.

During the current fiscal year, certificates of obligation totaling \$6,965,000 were issued to finance the construction of facilities and the acquisition of equipment.

General obligation bonds currently outstanding are as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Balance September 30, 2006</u>
General Long-Term Debt:				
General obligation bonds:				
Series 1998	4.15 to 4.50%	\$ 529,119	2013	\$ 398,379
Series 2000	4.7 to 5.1%	725,000	2011	410,000
Series 2002	4.1 to 6.1%	3,150,000	2022	3,105,000
Series 2002A Refunding	3.0 to 4.0%	2,806,265	2014	1,657,755
Series 2003 Refunding	4.15 to 5.60%	1,349,595	2015	1,328,535
Certificate of Obligation				
Series 2003	1.05 to 3.75%	319,176	2014	267,344
Series 2006 A	4.00 to 4.10%	1,475,000	2021	1,475,000
Series 2006 C	4.00 to 4.10%	1,305,000	2021	1,305,000
Tax Notes, Series 2005	3.00 to 3.75%	338,550	2012	366,600
Governmental activities Bonded Debt				<u>\$ 10,313,613</u>

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 7 - LONG-TERM DEBT (continued)

<u>Issue</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Balance September 30, 2006</u>
Business Activity				
General Obligation Bonds				
Series 1998	4.15 to 4.50%	3,335,881	2013	\$ 2,511,621
Series 2002A Refunding	3.0 to 4.0%	3,668,735	2014	2,167,245
Series 2002B Refunding	4.0%	720,000	2009	380,000
Series 2003 Refunding	4.15 to 5.60%	2,495,405	2015	2,456,465
Certificates of obligation:				
Series 2003	4.15 to 5.60%	850,824	2015	712,656
Series 2006	4.00 to 4.10%	4,185,000	2015	4,185,000
Tax Notes, Series 2005	3.00 to 3.75%	271,450	2012	103,400
Total Business-type Bonded Debt				\$ 12,516,387

Annual Requirements

The annual requirements to amortize all long-term debt outstanding as of September 30, 2006, are as follows:

<u>Fiscal Year Ending</u>	<u>Governmental Activities Long-Term Bonded Debt</u>			<u>Business-Type Activities Long-Term Bonded Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2006						
2007	750,533	373,386	1,123,919	1,309,467	404,047	1,713,514
2008	923,327	369,563	1,292,890	1,361,673	397,327	1,759,000
2009	837,837	335,935	1,173,772	1,402,163	346,159	1,748,322
2010	733,388	305,176	1,038,564	826,613	305,541	1,132,154
2011	749,323	275,447	1,024,770	835,677	275,871	1,111,548
2012	632,511	248,833	881,344	922,488	243,814	1,166,302
2013	623,614	225,317	848,931	931,386	209,505	1,140,891
2014	636,420	201,221	837,641	868,580	175,963	1,044,543
2015	715,065	174,610	889,675	834,935	144,088	979,023
2016	1,036,595	138,555	1,175,150	838,405	112,232	950,637
2017	400,000	108,318	508,318	300,000	90,150	390,150
2018	405,000	91,118	496,118	315,000	77,850	392,850
2019	440,000	72,830	512,830	325,000	65,050	390,050
2020	450,000	53,399	503,399	340,000	51,750	391,750
2021	485,000	32,801	517,801	355,000	37,850	392,850
2022	495,000	11,022	506,022	365,000	23,268	388,268
2023				385,000	7,893	392,893
	\$ 10,313,613	\$ 3,017,531	\$ 13,331,144	\$ 12,516,387	\$ 2,968,358	\$ 15,484,745

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 7 - LONG-TERM DEBT (continued)

The amount of \$325,660 is available in the Debt Service Fund to service the general obligation bonds. There are a number of limitations and restrictions contained in the various bond indentures. For the year ended September 30, 2006 the City is in compliance with all significant limitations and restrictions.

Water and Sewer System Revenue Bonds

The City has issued \$17.31 million Water and Sewer System Revenue Bonds for the purpose of expansion and improvements to the water and sewer system. The bonds do not constitute a pledge of full faith and credit of the City but are payable solely from the revenues derived from the City’s Water and Sewer operations. The revenue bond ordinance requires that the City establish and maintain certain reserves and accounts for the Bond Interest and Sinking Fund and reserve amounts. The City has 60 months to fully fund the required Debt Reserve amounts. The City must also maintain amounts to pay the upcoming interest and principal payments. The City has approximately \$859,118 established for the reserve and the interest and sinking fund amounts. The City was in compliance with the bond ordinance requirements.

The revenue bonds outstanding at year end are as follows:

<u>Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Balance September 30, 2006</u>
Enterprise- Utility Fund				
Water and Sewer System Revenue Bonds, Series 2000	4.5 to 5.5%	\$ 3,700,000	2023	\$ 555,000
Water and Sewer System Revenue Bonds, Series 2000	1.8 to 4.20%	6,650,000	2023	6,640,000
Water and Sewer System Revenue Bonds, Series 2005	4.00 to 4.30%	<u>4,965,000</u>	2027	<u>4,965,000</u>
Total Revenue Bonds		<u>\$ 15,315,000</u>		<u>\$ 12,160,000</u>

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 7 - LONG-TERM DEBT (continued)

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending	Business-type activities Revenue Bond Debt		Total
	Principal	Interest	
2007	\$ 135,000	\$ 611,727	\$ 746,727
2008	210,000	604,619	814,619
2009	320,000	594,748	914,748
2010	750,000	576,563	1,326,563
2011	600,000	407,106	1,007,106
2012	620,000	388,256	1,008,256
2013	545,000	369,624	914,624
2014	550,000	351,268	901,268
2015	475,000	333,468	808,468
2016	475,000	316,031	791,031
2017	490,000	297,562	787,562
2018	510,000	278,200	788,200
2019	530,000	257,727	787,727
2020	550,000	236,213	786,213
2021	575,000	213,533	788,533
2022	600,000	189,576	789,576
2023	635,000	164,313	799,313
2024	660,000	137,600	797,600
2025	685,000	109,659	794,659
2026	715,000	80,430	795,430
2027	750,000	49,478	799,478
2028	780,000	16,770	796,770
	<u>\$ 12,160,000</u>	<u>\$ 6,584,462</u>	<u>\$ 18,744,462</u>

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 7 - LONG-TERM DEBT (continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2006 was as follows:

	<u>Balance September 30, 2005, as restated</u>	<u>Additions</u>	<u>Reductions, Refundings and Retirements</u>	<u>Balance September 30, 2006</u>	<u>Amount Due within One Year</u>
Governmental Activities:					
Bonds Payable:					
General obligation bonds and					
Contractual obligations	\$ 7,853,407	\$	\$ 587,138	\$ 7,266,269	\$ 723,253
Certificate of obligations	293,260	2,780,000	25,916	3,047,344	27,280
Less deferred amounts:					
for issuance discounts/premiums	25,142	1,591	3,529	23,204	
On refunding	(139,507)		(15,628)	(123,879)	
Total Governmental Bonds Payable	<u>8,032,302</u>	<u>2,781,591</u>	<u>600,955</u>	<u>10,212,938</u>	<u>750,533</u>
Capital Leases	282,482		197,807	84,675	47,561
Compensated Absences	1,050,043	571,011	731,806	889,248	592,832
Total Governmental Activity					
Long-term Liabilities	<u>\$ 9,364,827</u>	<u>\$ 3,352,602</u>	<u>\$ 1,530,568</u>	<u>\$ 11,186,861</u>	<u>\$ 1,390,926</u>
Business-type Activities					
Certificates of obligation	\$ 1,006,740	\$ 4,185,000	\$ 294,083	\$ 4,897,657	\$ 72,720
General obligation bonds	8,761,591		1,142,862	7,618,729	1,116,748
Revenue bonds	10,120,000	4,965,000	2,925,000	12,160,000	255,000
Total Business Activity					
Bonds payable	<u>19,888,331</u>	<u>9,150,000</u>	<u>4,361,945</u>	<u>24,676,386</u>	<u>1,444,468</u>
Less deferred amounts:					
for issuance discounts/premiums	22,697	(37,881)	1,029	(16,213)	
On refunding	(338,018)	(116,634)	(42,957)	(411,695)	
	<u>19,573,010</u>	<u>8,995,485</u>	<u>4,320,017</u>	<u>24,248,478</u>	<u>1,444,468</u>
Capital Leases	176,786		142,120	34,666	19,426
Compensated Absences	112,073	43,035	73,022	82,086	54,724
Business-type Activities					
Total Long-Term Liabilities	<u>\$ 19,861,869</u>	<u>\$ 9,038,520</u>	<u>\$ 4,535,159</u>	<u>\$ 24,365,230</u>	<u>\$ 1,518,618</u>

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 7 - LONG-TERM DEBT (continued)

Advance Refundings

The City issued \$4,965,000 of Water and Sewer Revenue and Refunding Bonds, in part, to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$2,795,000 of Water and Sewer Revenue Bonds. As a result the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$116,634. The amount is being netted against the new debt and amortized over the life of the refunded debt. This refunding resulted in an economic gain of \$15,051.

Capital Leases

On April 12, 2005, the City entered into a lease agreement as lessee for financing the acquisition of energy conservation equipment. The terms of the lease agreement requires the unpaid balance to be paid in 36 monthly payments of \$5,966.

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Capital Lease payments			
<u>Year</u> <u>Ending</u>	<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Activities</u>	<u>Total</u>
2007	\$ 47,417	\$ 19,368	\$ 66,785
2008	37,315	15,241	52,556
	<u>\$ 84,732</u>	<u>\$ 34,609</u>	<u>\$ 119,341</u>
Total Minimum Lease payments	\$ 88,953	\$ 36,333	\$ 125,286
Less: Amounts Representing interest	4,278	1,667	5,945
Present value of minimum lease payments	<u>\$ 84,675</u>	<u>\$ 34,666</u>	<u>\$ 119,341</u>

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

During the course of routine operations, transactions occur between individual funds. These receivables and payables are classified as “due from other funds” or “due to other funds” on the combined balance sheet.

At September 30, 2006, interfund receivable and payable balances consisted of the following:

Fund	Due From (To)	Due From	Due To
Governmental Activities			
General Fund			
General Fund	Sales Tax Street improvements	\$	\$ 250,648
General Fund	Central Shop		12,280
General Fund	Water/Sewer/Utility	9,332	
	Total General Fund	9,332	262,928
Capital Projects- Capital Improvements			
Capital Projects-Improvements	Water/Sewer/Utility	24,238	
	Total Capital Projects	24,238	
Sales Tax Street Improvements Fund			
Sales Tax- Street Improvements	Utility - Water and Sewer	250,648	
	Total Sales Tax Street Improvements Fund	250,648	
	Total Governmental Activities	284,218	262,928
Business-Type Activities			
Utility -Water and Sewer			
Utility - Water and Sewer	General Fund	2,948	
Utility - Water and Sewer	Capital Projects-Improvements		24,238
	Total Utility- Water and Sewer Fund	2,948	24,238
	Total Enterprise Funds	2,948	24,238
Internal Service Funds			
Central Shop	Vehicle Replacement	11,443	
Vehicle Replacement	Central Shop		11,443
	Total Internal Service Fund	11,443	11,443
	Total Due From/To	\$ 298,609	\$ 298,609

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 9 - INTERFUND TRANSFERS

Transactions between funds that would be treated as revenues and expenditures if they involved organizations external to the City are accounted for as revenues and expenditures in the applicable funds. Transactions which constitute reimbursements of a fund for expenditures initially made from that fund, which are properly attributable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of the expenditures in the fund that is reimbursed.

Interfund transfers during the year ended September 30, 2006 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Cemetery	\$ 20,573	\$
Sanitation Fund	95,302	
Sales Tax	1,573,870	
EMS	44,091	
Replacement Fund		12,280
Vehicle Maintenance Fund		506,281
Total General Fund	<u>1,733,836</u>	<u>518,561</u>
Capital Projects Fund		
Sales Tax Street Improvements	745,000	
Utility Fund	883,451	
Total Capital Projects	<u>1,628,451</u>	
Sales Tax Street Improvement Fund		
General Fund		1,573,870
Capital Improvement Fund		745,000
Total Sales Tax Fund		<u>2,318,870</u>
Certificates of Obligation Series 2006 A & C		
EMS		52,563
		<u>52,563</u>
Permanent Fund-Cemetery		
General Fund		20,573
Total Permanent Fund-Cemetery		<u>20,573</u>
Business-type Fund		
Water and Sewer-Utility		
Sanitation	100,000	
Vehicle Maintenance Fund		113,600
W & S 2005 Bonds		883,451
Total Water and Sewer-Utility	<u>100,000</u>	<u>997,051</u>

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 9 - INTERFUND OPERATING TRANSFERS (continued)

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Sanitation		
General Fund		95,302
Utility Fund		100,000
Total Sanitation		<u>195,302</u>
EMS		
Certificates of Obligation Series 2006 A & C	52,563	
General Fund		44,091
Vehicle Maintenance Fund		41,400
Vehicle Replacement Fund		58,767
	<u>52,563</u>	<u>144,258</u>
 Total Business-type Funds	 <u>152,563</u>	 <u>1,336,611</u>
Central Shop Fund		
General Fund	196,300	
Street Department	125,400	
Utility Fund	113,600	
EMS Fund	41,400	
Vehicle Replacement Fund		3,388
	<u>476,700</u>	<u>3,388</u>
Vehicle Replacement Fund		
General Fund	142,339	
EMS Fund	58,767	
Central Shop	3,388	
Street Department	54,522	
	<u>259,016</u>	
 Total Operating Transfers	 <u>\$ 4,250,566</u>	 <u>\$ 4,250,566</u>

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 10 - PENSION PLAN

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 811 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began 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 (100%, 150%, or 200%) 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 which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions, accumulated with interest, if the current employee contribution rate and City 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.

Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. 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 6% and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. 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 matching percent, 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/her 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. When the City periodically adopts updated service credits and increases its annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. 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. December 31, 2005, valuation is effective for rates beginning January 2007).

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 10 - PENSION PLAN (continued)

Because the actuary determines contribution rates on an annual basis and the City pays the calculated rate each month, the City will always have a net pension obligation (NPO) of zero at the beginning and end of the period, and the annually required contributions (ARC) will always equal contributions made. Trend information regarding ARC and NPO is shown below.

Fiscal Year	Annual Required Contribution (ARC)	Percentage of ARC Contribution	Net Pension Obligation
2004	564,785	100%	\$
2005	599,786	100%	
2006	641,183	100%	

The City's annual covered payroll and annual pension cost are actuarially valued on a calendar year basis. A schedule of Funding progress for TMRS for the three most recent actuarial valuations are presented in the Required Information Section of this report.

Information as to the latest actuarial valuation follows:

Valuation Date	December 31, 2005
Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Actuarial Assumptions	per GASB 25, para 36e
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation At	3.5%
Cost-of-living-Adjustments	None

The City is one of 801 municipalities having its benefit plan administered by TMRS. Each of the 811 municipalities has an annual individual actuarial valuation performed. All assumptions for the December 31, 2005, valuations are contained in the 20045 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin Texas 78714-9153.

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 10 - PENSION PLAN (continued)

Volunteer Fire Fighters

Plan Description and Contribution Information

The Fire Fighters' Pension Commissioner is the administrator of the Texas Statewide Emergency Services Personnel Retirement Fund (the "Retirement Fund"), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without monetary remuneration. The Retirement Fund is considered a component unit of the State of Texas Financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2006, there were 181 member fire or emergency services departments participating in the pension system, including the City. Eligible participants include volunteer emergency services personnel who are members in good standing or a participating department.

The table below summarizes the pension system membership:

	2006	2004
Retirees and beneficiaries currently receiving benefits	1,776	1,557
Terminated employees entitled to benefits but not yet receiving them	1,815	1,827
Current employees (vested and nonvested)	4,480	4,610
Total members	<u>8,071</u>	<u>7,994</u>

Of the 4,610 current members, approximately 58 were covered by the City.

Senate Bill 411, 65th Legislature, Regular Session (1977) created the Fund, and established the applicable benefit provisions. These benefit provisions include retirement benefits as well as death and disability benefits.

Upon reaching age 55, a vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 7% compounded annually.

On and off duty death benefits and on duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump-sum amount and continuing monthly payments to a member's surviving spouse and/or dependents.

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 10 - PENSION PLAN (continued)

Volunteer Fire Fighters (continued)

Plan Description and Contribution Information (continued)

Contribution provisions were established by the Senate Bill 411, 65th Legislative Session (1977). No contributions are required by volunteer emergency services personnel. The governing bodies of participating department members are required to contribute at least \$12 per month for each active member. Additional contributions may be required by a governing body to pay for unfunded prior service costs and "buybacks" of up to 15 years of qualified service. The State may also be required to make annual contributions up to a limited amount to make the fund actuarially sound.

Contributions Required and Contributions Made

The contribution requirement of at least \$12 per member fire fighter per month is not actuarially determined. Rather, the minimum contribution amount was established by S.B. 411, 65th Legislature, Regular Session (1977). For the fiscal year ending August 31, 2006, total contributions (dues and prior service) of \$2,077,728 were paid into the Fund by the political subdivisions served by the member volunteer emergency services personnel. Contributions made were equal to the contributions required.

The purpose of the biennial actuarial valuation is to test the adequacy of the monthly contributions to determine if they are adequate to fund the benefits that are promised. The actuarial valuation as of August 31, 2006, revealed the adequacy of the expected contributions (dues and prior service contributions). The total contributions expected from the political subdivisions for the fiscal year ending August 31, 2006 are equal to the minimum required contributions for that year, based on amortizing the unfunded actuarial accrued liability over 30 years.

NOTE 11 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any other use than intended under the plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under plan provisions are disbursed monthly by the City to a third party administrator. The third party administrator handles all funds in the plan and makes investment decisions and disburses funds to employees in accordance with plan provisions.

NOTE 12 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. Litigation

The City is a defendant in a number of lawsuits arising principally from claims against the City by various claimants. Total damages claimed are not substantial. The City Attorney estimates the potential claims against the City will be substantially covered by insurance and hence would not materially affect the financial condition of the City.

B. Federally Assisted Programs - Compliance Audits

The City receives federal grants, all of which are subject to audit by the respective agencies. Subsequent audits may disallow expenditures financed by government grants. It is the opinion of management that disallowed expenditures, based on prior audit experience, will not be material in relation to the City's financial statements as of September 30, 2006.

C. Concentration of Credit Risk

The City has receivables from residents and businesses, all of which are located in the City.

NOTE 13 – ARBITRAGE - FEDERAL TAX COMPLIANCE FOR LONG-TERM DEBT

In accordance with provisions of Section 148 of the Internal Revenue Code of 1986, as amended, (the "Code") the City's long-term debt obligations must meet certain minimum criteria to be considered and continue to be considered "tax exempt." This "tax exempt" status means that interest income earned by purchasers of the City's long-term debt instruments is not subject to federal income taxes. Related Treasury Regulations promulgated under section 148 of the Code generally provide that the determination of whether these obligations are tax exempt is made as of the date such obligations are issued based on a reasonable expectations regarding the use of the proceeds of the bonds issued. Long-term debt that does not meet and continue to meet the minimum criteria of Section 148 of the Code and the related Treasury Regulations described above are considered "arbitrage bonds" and are not considered "tax exempt" as described above.

Obligations will become arbitrage bonds (as described above) if certain arbitrage profits are not paid to the federal government as rebate under section 148(f) of the Code. The City's obligations to calculate and make rebate payments (if any) will continue as long as there are gross proceeds allocable to outstanding debt issues. The City has performed calculations required under section 148(f) of the Code and has no present liability nor has the City ever been required to make rebate payments for issued debt in past years.

Section 148 of the Code also provides that in order for debt not to be considered arbitrage bonds (as described above), proceeds of such debt must be invested at a yield that is not materially higher than the yield on the debt issued starting on the third anniversary of the issue date of such debt. Accordingly, any unexpended proceeds of debt issued by the City that remain unexpended more than three years after such debt was issued should be yield restricted. The yield restriction may be accomplished by making yield reduction payments pursuant to Treas. Reg. Section 1.148-5(c). The City presently has unexpended proceeds from certain debt issues that require yield restriction as described above. The City is currently in compliance with these yield restriction requirements and does not anticipate associated significant noncompliance issues. The City is continuing to proceed with reasonable diligence to expend any remaining unexpended debt issuance proceeds on qualifying projects or to retire related debt issues still outstanding.

CITY OF ALVIN, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in TML is limited to payment of premiums. During the year ended September 30, 2003, the City paid premiums of approximately \$145,855 for provisions of various liability, property and casualty insurance. The City has various deductible amounts ranging from \$1,000 to \$5,000 on various policies. At year-end, the City did not have any significant claims.

The City also provides workers compensation insurance on its employees through TML. The workers compensation premiums for the year ended September 30, 2006, was approximately \$104,776. Workers compensation is subject to change when audited by TML. At year end September 30, 2006, the City believed the amounts paid on workers compensation would not change significantly from the amounts recorded.

During the year ended September 30, 2006, employees of the City were covered by a health and dental insurance plan (the "Plan") with TML. The City paid premiums of approximately \$195 per month per employee plus \$134 per month per employee for half of the dependents' coverage to the plan. All premiums were paid to TML. The City does not retain any risk of loss on health and dental insurance.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The City, during the fiscal year ended September 30, 2006, determined that the net assets reported in the financial statements needed adjustment based on items recorded incorrectly in prior fiscal years. The restatement of net assets are as follows:

	Governmental Activities	Water and sewer	Business Activities		Total
			Sanitation	Emergency Medical Services	
Beginning Net Assets - As Originally Presented	\$ 34,347,588	\$ 12,566,814	\$ 2,247,724	\$ 1,117,060	\$ 15,931,598
Restatements due to:					
Error in allocating debt	(137,250)	137,250			137,250
Error in recording capital assets and related accumulated depreciation	(1,182,122)	(2,136,554)	(203,081)	(146,510)	(2,486,145)
	<u>(1,319,372)</u>	<u>(1,999,304)</u>	<u>(203,081)</u>	<u>(146,510)</u>	<u>(2,348,895)</u>
Beginning Net Assets - As Restated	\$ 33,028,216	\$ 10,567,510	\$ 2,044,643	\$ 970,550	\$ 13,582,703

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REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ALVIN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes:				
Property taxes and penalties	\$ 4,893,798	\$ 4,893,798	\$ 4,880,683	\$ (13,115)
City retail sales tax	1,410,148	1,499,492	1,371,624	(127,868)
Franchise taxes	1,210,000	1,210,000	1,237,728	27,728
Other taxes	15,000	15,000	12,658	(2,342)
Licenses and Permits	412,470	440,170	663,057	222,887
Fines and Forfeitures	389,000	389,000	388,202	(798)
Intergovernmental Revenues			4,313	4,313
Interest Earned	60,000	60,000	192,884	132,884
Other Revenues	387,400	395,200	459,056	63,856
Total Revenues	8,777,816	8,902,660	9,210,205	307,545
Expenditures				
Current:				
4100 General government:				
4110 - City Council/City Clerk Dept.	248,157	249,615	238,342	11,273
4120 - City Attorney Dept.	275,445	275,445	263,694	11,751
4130 - City Manager Dept.	540,928	541,394	525,528	15,866
4150 - Finance Dept.	613,767	592,588	529,523	63,065
4190 - Other Requirements Dept.	999,597	1,037,906	1,047,183	(9,277)
4680 - Economic Development Dept.		75,345	67,243	8,102
Total General Government	2,677,894	2,772,293	2,671,513	100,780
4200 - Public Safety Function				
4201 - Police Dept.	3,957,166	3,963,142	3,980,297	(17,155)
4202 - Fire Dept.	818,034	827,161	783,346	43,815
Total Public Safety	4,775,200	4,790,303	4,763,643	26,660
4240 - Engineering Function/Dept.				
5001 - Engineering	580,065	593,455	335,476	257,979
5002 - Inspections	225,069	246,970	216,800	30,170
Total Engineering	805,134	840,425	552,276	288,149
4300 - Public Services Function				
4301 - Streets Dept.	1,411,704	1,420,204	1,365,343	54,861
Total Public Services	1,411,704	1,420,204	1,365,343	54,861

CITY OF ALVIN, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
4500 - Parks and Recreation Function/Dept.				
7501 - Parks Administration	236,161	241,158	228,563	12,595
7502 - Recreation	189,229	187,105	175,688	11,417
7503 - Parks Maintenance	271,256	277,574	268,486	9,088
7504 - Seniors Center	145,739	144,739	116,434	28,305
7505 - Hike and Bike	1,000	100	97	3
7506 - Museum	18,600	14,851	10,516	4,335
7507 - Facility Maintenance	59,268	63,006	61,950	1,056
7508 - Depot	1,200	2,300	2,068	232
Total Parks and Recreation	<u>922,453</u>	<u>930,833</u>	<u>863,802</u>	<u>67,031</u>
4550 - Library Function	<u>77,368</u>	<u>77,445</u>	<u>72,994</u>	<u>4,451</u>
Total expenditures	<u>10,669,753</u>	<u>10,831,503</u>	<u>10,289,571</u>	<u>541,932</u>
Excess of revenues over (under) expenditures	<u>(1,891,937)</u>	<u>(1,928,843)</u>	<u>(1,079,366)</u>	<u>849,477</u>
Other Financing Sources (Uses):				
Sale of capital assets			28,351	28,351
Issuance of debt - capital lease	299,000	299,000		(299,000)
Transfers in	1,222,198	1,230,698	1,733,836	503,138
Transfers (out)	(561,228)	(561,228)	(518,561)	42,667
Total Other Financing Sources (Uses)	<u>959,970</u>	<u>968,470</u>	<u>1,243,626</u>	<u>275,156</u>
Net change in Fund Balances	<u>(931,967)</u>	<u>(960,373)</u>	<u>164,260</u>	<u>1,124,633</u>
Fund Balances - Beginning	3,122,252	3,122,252	3,122,252	
Fund Balances - Ending	<u>\$ 2,190,285</u>	<u>\$ 2,161,879</u>	<u>\$ 3,286,512</u>	<u>\$ 1,124,633</u>

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CITY OF ALVIN, TEXAS
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

Budgets and Budgetary Accounting

Budgets are adopted for all funds annually. Annual budgets are adopted for the General, certain Special Revenue, Debt Service, Enterprise and Internal Service Funds. The City adopts project budgets for Capital Projects Funds, which are revised annually.

These budgets are created by ordinance and include all sources and uses of funds as approved by Council. All annual budgets are prepared on a budgetary basis that is the same as GAAP.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The City Council made several supplementary budgetary appropriations, which were not considered material, throughout the year.

For the year ended September 30, 2006, expenditures exceeded appropriations in the departments of the general fund:

Other Requirements Dept.	\$	9,277
Police Department		17,155

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CITY OF ALVIN, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS MUNICIPAL RETIREMENT SYSTEM

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Percentage Funded</u>	<u>Unfunded AAL (UAAL)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2003	13,178,656	15,855,983	83.1%	2,677,327	6,049,138	44.3%
12/31/2004	13,860,084	16,913,070	81.9%	3,052,986	6,698,942	45.6%
12/31/2005	14,848,855	18,268,644	81.3%	3,419,789	6,737,174	50.8%

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF ALVIN, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006

	Special Revenue Funds			
	113 Hike and Bike Trail	121 Hotel/ Motel	122 Library Fund	123 Special Investigation
Assets				
Cash and cash equivalents	\$ 796	\$ 34,414	964	\$ (3,583)
Investments	91,313	335,717	109,229	101,243
Accounts receivable				
Restricted items				
Total Assets	\$ 92,109	\$ 370,131	\$ 110,193	\$ 97,660
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$	\$ 15,510	\$	\$ 270
Due to other funds				
Accrued payroll				
Due to other agencies				1,576
Deferred revenues				
Total Liabilities		15,510		1,846
Fund Balances				
Reserved for:				
Encumbrances		12,600		5,100
Law enforcement				90,714
Courts				
Other	92,109	342,021		
Perpetual care				
Unreserved:				
Perpetual Fund				
Special Revenue Funds			110,193	
Total Fund Balances	92,109	354,621	110,193	95,814
Total Liabilities and Fund Balances	\$ 92,109	\$ 370,131	\$ 110,193	\$ 97,660

Special Revenue Funds						Permanent Fund	Total Nonmajor Governmental Funds
124 Municipal Court Building Security	125 Municipal Court Technology Fund	127 Donation Fund	160 Recycling Fund	342 Senior Fund	Total	151 Cemetery	
\$ 3,883	\$ 957	\$ 6,458	(9,850)	977	\$ 35,016	(7,694)	\$ 27,322
59,489	12,308	24,616		10,257	744,172	385,644	1,129,816
						50,000	50,000
<u>\$ 63,372</u>	<u>\$ 13,265</u>	<u>\$ 31,074</u>	<u>\$ (9,850)</u>	<u>\$ 11,234</u>	<u>\$ 779,188</u>	<u>\$ 427,950</u>	<u>\$ 1,207,138</u>
\$	\$	\$ 1,355	\$ 577	\$ 54	\$ 17,766	\$ 10	\$ 17,776
			969		969		969
			74		1,650		1,650
		1,355	1,620	54	20,385	10	20,395
					17,700		17,700
					90,714		90,714
63,372	13,265				76,637		76,637
		29,719	(11,470)	11,180	463,559		463,559
						50,000	50,000
						377,940	377,940
					110,193		110,193
<u>63,372</u>	<u>13,265</u>	<u>29,719</u>	<u>(11,470)</u>	<u>11,180</u>	<u>758,803</u>	<u>427,940</u>	<u>1,186,743</u>
<u>\$ 63,372</u>	<u>\$ 13,265</u>	<u>\$ 31,074</u>	<u>\$ (9,850)</u>	<u>\$ 11,234</u>	<u>\$ 779,188</u>	<u>\$ 427,950</u>	<u>\$ 1,207,138</u>

CITY OF ALVIN, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2006

	Special Revenue Funds			
	113	121	122	123
	Hike and Bike Trail	Hotel/ Motel	Library Fund	Special Investigation
Revenues				
Hotel/Motel Tax receipts	\$	\$ 197,070	\$	\$
Grant Proceeds				
LEOSE Reimbursements				3,711
Restitution				6,501
Federal Forfeitures				121
Building and Security Fees				
Court Technology Fees				
Donations				
Sale of Cemetery Lots				
Staking/Flagging Fee				
Interest	3,788	14,865	4,959	3,822
Miscellaneous Revenue			485	
Total Revenues	3,788	211,935	5,444	14,155
Expenditures				
Current:				
Personnel				
Materials and Supplies			43	13,683
Contractual Services		62,040	6,080	17,320
Miscellaneous Projects/Events		34,146		
Capital Outlay		29,499		
Estimated Debt Service		34,033		
Total Expenditures		159,718	6,123	31,003
Excess (deficiency) of revenues over (under) expenditures	3,788	52,217	(679)	(16,848)
Transfers To:				
General Fund				
Total Transfers To				
Total Other Financing Sources and Uses				
Net change in Fund Balances	3,788	52,217	(679)	(16,848)
Fund Balances - Beginning	88,321	302,404	110,872	112,662
Fund Balances - Ending	\$ 92,109	\$ 354,621	\$ 110,193	\$ 95,814

Special Revenue Funds					Permanent Fund	Total Nonmajor Governmental Funds	
124 Municipal Court Building Security	125 Municipal Court Technology Fund	127 Donation Fund	160 Recycling Fund	342 Senior Fund	Total	151 Cemetary	
\$	\$	\$			\$ 197,070	\$	\$ 197,070
			18,316		18,316		18,316
					3,711		3,711
					6,501		6,501
					121		121
7,072					7,072		7,072
	9,428				9,428		9,428
		20,400		1,017	21,417		21,417
						26,500	26,500
						1,600	1,600
2,532	402	811		327	31,506	17,046	48,552
				15,387	15,872		15,872
<u>9,604</u>	<u>9,830</u>	<u>21,211</u>	<u>18,316</u>	<u>16,731</u>	<u>311,014</u>	<u>45,146</u>	<u>356,160</u>
			15,853		15,853		15,853
		3,930	10,040	12,161	39,857		39,857
200		12,000	3,893		101,533	17,615	119,148
	4,500				34,146		34,146
					33,999		33,999
					34,033		34,033
<u>200</u>	<u>4,500</u>	<u>15,930</u>	<u>29,786</u>	<u>12,161</u>	<u>259,421</u>	<u>17,615</u>	<u>277,036</u>
<u>9,404</u>	<u>5,330</u>	<u>5,281</u>	<u>(11,470)</u>	<u>4,570</u>	<u>51,593</u>	<u>27,531</u>	<u>79,124</u>
						(20,573)	(20,573)
						(20,573)	(20,573)
						(20,573)	(20,573)
9,404	5,330	5,281	(11,470)	4,570	51,593	6,958	58,551
<u>53,968</u>	<u>7,935</u>	<u>24,438</u>		<u>6,610</u>	<u>707,210</u>	<u>420,982</u>	<u>1,128,192</u>
<u>\$ 63,372</u>	<u>\$ 13,265</u>	<u>\$ 29,719</u>	<u>\$ (11,470)</u>	<u>\$ 11,180</u>	<u>\$ 758,803</u>	<u>\$ 427,940</u>	<u>\$ 1,186,743</u>

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CITY OF ALVIN, TEXAS
DEBT SERVICE FUND - 141
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Current Property Taxes	\$ 893,593	\$ 857,954	\$ (35,639)
Delinquent Property Taxes	30,806	31,344	538
Penalty and Interest	15,403	20,424	5,021
Interest	3,500	39,483	35,983
Total Revenues	<u>943,302</u>	<u>949,205</u>	<u>5,903</u>
Expenditures			
Current:			
Debt Service:			
Principal	587,138	784,945	(197,807)
Interest	306,455	313,557	(7,102)
Other	4,000	4,229	(229)
Total Expenditures	<u>897,593</u>	<u>1,102,731</u>	<u>(205,138)</u>
Net change in Fund Balances	45,709	(153,526)	(199,235)
Fund Balances - Beginning	479,186	479,186	
Fund Balances - Ending	<u>\$ 524,895</u>	<u>\$ 325,660</u>	<u>\$ (199,235)</u>

CITY OF ALVIN, TEXAS
SALES TAX CAPITAL PROJECTS FUND - 132
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Sales Tax Receipts	2,816,074	\$ 2,742,429	\$ (73,645)
Interest	3,000	23,327	20,327
Total Revenues	<u>2,819,074</u>	<u>2,765,756</u>	<u>(53,318)</u>
Expenditures			
Public Services - Streets	221,533	133,562	87,971
Public Services - Inspections	20,000	20,000	
Capital Outlay	40,000	128,382	(88,382)
Total Expenditures	<u>281,533</u>	<u>281,944</u>	<u>(411)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,537,541</u>	<u>2,483,812</u>	<u>(53,729)</u>
Other Financing Sources (Uses)			
Transfers To:			
General Fund/Sales Tax Fund	(1,611,346)	(1,573,869)	(37,477)
CIP Fund		(745,000)	745,000
Total Transfers To	<u>(1,611,346)</u>	<u>(2,318,869)</u>	<u>707,523</u>
Total Other Financing Sources (Uses)	<u>(1,611,346)</u>	<u>(2,318,869)</u>	<u>(707,523)</u>
Net change in Fund Balances	926,195	164,943	(761,252)
Fund Balances - Beginning	879,264	879,264	
Fund Balances - Ending	<u>\$ 1,805,459</u>	<u>\$ 1,044,207</u>	<u>\$ (761,252)</u>

CITY OF ALVIN, TEXAS
BOND CAPITAL PROJECTS FUND - 131
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Interest Income	\$ 5,000	\$ 36,809	\$ 31,809
Other Participants		51,244	51,244
Total Revenues	<u>5,000</u>	<u>88,053</u>	<u>83,053</u>
Expenditures			
Current:			
Capital Outlay	1,111,400	2,099,304	(987,904)
Total Expenditures	<u>1,111,400</u>	<u>2,099,304</u>	<u>(987,904)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,106,400)</u>	<u>(2,011,251)</u>	<u>(904,851)</u>
Other Financing Sources (Uses)			
Transfers From:			
Utility Fund		883,451	883,451
Sales Tax Fund	745,000	745,000	
Total Other Financing Sources (Uses)	<u>745,000</u>	<u>1,628,451</u>	<u>883,451</u>
Net change in Fund Balances	(361,400)	(382,800)	(21,400)
Fund Balances - Beginning	1,577,493	1,577,493	
Fund Balances - Ending	<u>\$ 1,216,093</u>	<u>\$ 1,194,693</u>	<u>\$ (21,400)</u>

CITY OF ALVIN, TEXAS
CERTIFICATES OF OBLIGATION SERIES 2006 A & C - 134
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Sales Tax Receipts	\$	\$	\$
Interest		4,595	4,595
Total Revenues		<u>4,595</u>	<u>4,595</u>
Expenditures			
Capital Outlay		39,086	(39,086)
Bond issuance costs		129,117	(129,117)
Total Expenditures		<u>168,203</u>	<u>(168,203)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures		<u>(163,608)</u>	<u>(163,608)</u>
Other Financing Sources (Uses)			
Issuance of debt		2,780,000	2,780,000
Premiums on issuance of debt		1,591	1,591
Transfer to EMS		(52,563)	(52,563)
Total Other Financing Sources (Uses)		<u>2,729,028</u>	<u>2,729,028</u>
Net change in Fund Balances		2,565,420	2,565,420
Fund Balances - Beginning			
Fund Balances - Ending	<u>\$</u>	<u>\$ 2,565,420</u>	<u>\$ 2,565,420</u>

CITY OF ALVIN, TEXAS
HIKE AND BIKE TRAIL SPECIAL REVENUE FUND- 113
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Interest	<u> </u>	<u>3,788</u>	<u>3,788</u>
Total Revenues	<u> </u>	<u>3,788</u>	<u>3,788</u>
 Net change in fund balances		3,788	3,788
 Fund Balances - Beginning	<u>88,321</u>	<u>88,321</u>	
Fund Balances - Ending	<u>\$ 88,321</u>	<u>\$ 92,109</u>	<u>\$ 3,788</u>

CITY OF ALVIN, TEXAS
HOTEL/MOTEL TAX SPECIAL REVENUE FUND - 121
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Hotel/Motel Tax Receipts	\$ 140,000	\$ 197,070	\$ 57,070
Interest	500	14,865	14,365
Total Revenues	<u>140,500</u>	<u>211,935</u>	<u>71,435</u>
Expenditures			
Current:			
Contractual Services	62,040	62,040	
Miscellaneous Projects/Events	25,200	34,146	(8,946)
Capital Outlay	15,000	29,499	(14,499)
Debt Service	34,033	34,033	
Total Expenditures	<u>136,273</u>	<u>159,718</u>	<u>(23,445)</u>
Net change in fund balances	4,227	52,217	47,990
Fund Balances - Beginning	302,404	302,404	
Fund Balances - Ending	<u>\$ 306,631</u>	<u>\$ 354,621</u>	<u>\$ 47,990</u>

CITY OF ALVIN, TEXAS
LIBRARY SPECIAL REVENUE FUND - 122
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Interest	\$ 2,000	\$ 4,959	\$ 2,959
Miscellaneous Revenue		485	485
Total Revenues	<u>2,000</u>	<u>5,444</u>	<u>3,444</u>
Expenditures			
Current:			
Materials and Supplies		43	(43)
Contractual Services	2,000	6,080	(4,080)
Total Expenditures	<u>2,000</u>	<u>6,123</u>	<u>(4,123)</u>
Net change in fund balances		(679)	(679)
Fund Balances - Beginning	110,872	110,872	
Fund Balances - Ending	<u>\$ 110,872</u>	<u>\$ 110,193</u>	<u>\$ (679)</u>

CITY OF ALVIN, TEXAS
SPECIAL INVESTIGATIONS SPECIAL REVENUE FUND - 123
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Grant Proceeds	\$ 15,000	\$	\$ (15,000)
LEOSE Reimbursements		3,711	3,711
Restitution	10,000	6,501	(3,499)
Federal Forfeitures	9,000	121	(8,879)
Interest	900	3,822	2,922
Miscellaneous Revenue			
Total Revenues	34,900	14,155	(20,745)
Expenditures			
Current:			
Materials and Supplies	9,585	13,683	(4,098)
Contractual Services	9,900	17,320	(7,420)
Total Expenditures	34,485	31,003	3,482
Net change in fund balances	415	(16,848)	(17,263)
Fund Balances - Beginning	112,662	112,662	
Fund Balances - Ending	\$ 113,077	\$ 95,814	\$ (17,263)

CITY OF ALVIN, TEXAS
BUILDING SECURITY SPECIAL REVENUE FUND - 124
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Building Security Fees	\$ 9,200	\$ 7,072	\$ (2,128)
Interest	300	2,532	2,232
Total Revenues	<u>9,500</u>	<u>9,604</u>	<u>104</u>
Expenditures			
Current:			
Contractual Services	200	200	
Total Expenditures	<u>200</u>	<u>200</u>	
Net change in fund balances	9,300	9,404	104
Fund Balances - Beginning	53,968	53,968	
Fund Balances - Ending	<u><u>\$ 63,268</u></u>	<u><u>\$ 63,372</u></u>	<u><u>\$ 104</u></u>

CITY OF ALVIN, TEXAS
MUNICIPAL COURT TECHNOLOGY SPECIAL REVENUE FUND - 125
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Court Technology Fees	\$ 11,000	\$ 9,428	\$ (1,572)
Interest	150	402	252
Total Revenues	<u>11,150</u>	<u>9,830</u>	<u>(1,320)</u>
Expenditures			
Current:			
Capital Outlay		4,500	(4,500)
Total Expenditures		<u>4,500</u>	<u>(4,500)</u>
Excess (Deficiency) of total revenue and resources over expenditures	11,150	5,330	(5,820)
Debt Service Fund	<u>(9,495)</u>		<u>9,495</u>
Total Transfers To	<u>(9,495)</u>		<u>9,495</u>
Total Other Financing Sources (Uses)	<u>(9,495)</u>		<u>9,495</u>
Net change in Fund Balances	1,655	5,330	3,675
Fund Balances - Beginning	<u>7,935</u>	<u>7,935</u>	
Fund Balances - Ending	<u>\$ 9,590</u>	<u>\$ 13,265</u>	<u>\$ 3,675</u>

CITY OF ALVIN, TEXAS
DONATION SPECIAL REVENUE FUND - 127
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Donations	\$ 16,400	\$ 20,400	\$ 4,000
Interest		811	811
Total Revenues	<u>16,400</u>	<u>21,211</u>	<u>4,811</u>
Expenditures			
Current:			
Materials and Supplies	2,400	3,930	(1,530)
Contractual Services	14,000	12,000	2,000
Total Expenditures	<u>16,400</u>	<u>15,930</u>	<u>470</u>
 Net change in fund balances		5,281	5,281
 Fund Balances - Beginning	24,438	24,438	
Fund Balances - Ending	<u>\$ 24,438</u>	<u>\$ 29,719</u>	<u>\$ 5,281</u>

CITY OF ALVIN, TEXAS
RECYCLING SPECIAL REVENUE FUND - 160
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Grant Proceeds	\$ 34,461	\$ 18,316	\$ (16,145)
Interest			
Total Revenues	<u>34,461</u>	<u>18,316</u>	<u>(16,145)</u>
Expenditures			
Current:			
Personnel	16,529	15,853	676
Materials and Supplies	10,342	10,040	302
Contractual Services	<u>7,390</u>	<u>3,893</u>	<u>3,497</u>
Total Expenditures	<u>34,261</u>	<u>29,786</u>	<u>3,799</u>
Net change in fund balances	200	(11,470)	(12,346)
Fund Balances - Beginning			
Fund Balances - Ending	<u>\$ 200</u>	<u>\$ (11,470)</u>	<u>\$ (12,346)</u>

CITY OF ALVIN, TEXAS
PERMANENT FUND - CEMETERY FUND 151
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Sale of Cemetery Lots	45,000	\$ 26,500	\$ (18,500)
Staking/Flagging Fee	2,500	1,600	(900)
Interest	2,500	17,046	14,546
Total Revenues	<u>50,000</u>	<u>45,146</u>	<u>(4,854)</u>
Expenditures			
Current:			
Contractual Services	25,000	17,615	7,385
Total Expenditures	<u>25,000</u>	<u>17,615</u>	<u>7,385</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	25,000	27,531	2,531
Other Financing Sources (Uses)			
Transfers To:			
General Fund	(20,573)	(20,573)	
Total Transfers To	<u>(20,573)</u>	<u>(20,573)</u>	
Total Other Financing Sources (Uses)	<u>(20,573)</u>	<u>(20,573)</u>	
Net change in fund balances	4,427	6,958	2,531
Fund Balances - Beginning	420,982	420,982	
Fund Balances - Ending	<u>\$ 425,409</u>	<u>\$ 427,940</u>	<u>\$ 2,531</u>

CITY OF ALVIN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2006

	221 Central Shop	222 Vehicle Replacement	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 426	\$ 12,493	\$ 12,919
Investments	103,418	905,722	1,009,140
Accrued interest receivable		7,395	7,395
Due from other funds	11,443		11,443
Inventory	58,511		58,511
Total Current Assets	173,798	925,610	1,099,408
Capital Assets			
Buildings	7,754		7,754
Equipment	9,545	2,942,664	2,952,209
	17,299	2,942,664	2,959,963
Less allowance for depreciation	(993)	(2,020,755)	(2,021,748)
	16,306	921,909	938,215
Total Assets	\$ 190,104	\$ 1,847,519	\$ 2,037,623
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 28,203	\$	\$ 28,203
Accrued liabilities:			
Accrued compensated absences	13,651		13,651
Accrued salaries	6,622		6,622
Accrued expenses	200		200
Due to other funds		11,443	11,443
Total Current Liabilities	48,676	11,443	60,119
Total Liabilities	48,676	11,443	60,119
Net Assets			
Invested in Capital Assets, net of related debt		1,389,715	1,389,715
Unrestricted Net Assets	141,428	446,361	587,789
Total Net Assets	141,428	1,836,076	1,977,504
Total Liabilities and Net Assets	\$ 190,104	\$ 1,847,519	\$ 2,037,623

CITY OF ALVIN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2006

	221 Central Shop	222 Vehicle Replacement	Totals
Operating Revenues			
Charges for services	\$	\$	\$
Miscellaneous	210		210
Total Operating Revenues	<u>210</u>		<u>210</u>
Operating Expenses			
Personnel services	183,433		183,433
Supplies	114,805		114,805
Contractual services	130,151		130,151
Depreciation	754	282,279	283,033
Total Operating Expenses	<u>429,143</u>	<u>282,279</u>	<u>711,422</u>
Operating Income	<u>(428,933)</u>	<u>(282,279)</u>	<u>(711,212)</u>
Non-Operating Revenues (Expenses)			
Interest revenues	8,948	37,883	46,831
Loss on capital assets		(2,962)	(2,962)
Insurance proceeds			
Total Non-Operating Revenues (Expenses)	<u>8,948</u>	<u>34,921</u>	<u>43,869</u>
Capital contribution - capital assets			
Transfers in	476,700	259,016	735,716
Transfers out	(3,388)		(3,388)
Total Transfers	<u>473,312</u>	<u>259,016</u>	<u>732,328</u>
Net Income (Loss)	53,327	11,658	64,985
Net Assets - Beginning	88,101	2,054,191	2,142,292
Change in Beginning Net Assets		(229,773)	(229,773)
Net Assets - Beginning, as restated	<u>88,101</u>	<u>1,824,418</u>	<u>1,912,519</u>
Net Assets - Ending	<u>\$ 141,428</u>	<u>\$ 1,836,076</u>	<u>\$ 1,977,504</u>

CITY OF ALVIN, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2006

	221	222	
	Central	Vehicle	
	Shop	Replacement	Total
Cash Flows from Operating Activities			
Receipts from interfund services provided	\$ 210	\$	\$ 210
Payments to suppliers	(231,389)		(231,389)
Payments to employees	(187,433)		(187,433)
Net Cash Provided (Used)			
by Operating Activities	<u>(418,612)</u>		<u>(418,612)</u>
Cash Flows from Non-Capital Financing Activities			
Advances from/to other funds	271,086	65,502	336,588
Net Cash Provided (Used) by			
Non-Capital Financing Activities	<u>271,086</u>	<u>65,502</u>	<u>336,588</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of fixed assets	(7,754)	(96,445)	(104,199)
Net Cash (Used) by Capital			
and Related Financing Activities	<u>(7,754)</u>	<u>(96,445)</u>	<u>(104,199)</u>
Cash Flows from Investing Activities			
Proceeds from sale of investments	146,341	9,338	155,679
Purchase of investments			
Interest on investments	9,365	34,098	43,463
Net Cash Provided by Investing Activities	<u>155,706</u>	<u>43,436</u>	<u>199,142</u>
Net Increase in Cash and Cash Equivalents	426	12,493	12,919
Cash and cash equivalents, beginning of year			
Cash and Cash Equivalents, End of Year	<u>426</u>	<u>12,493</u>	<u>12,919</u>
Cash and Cash Equivalents, End of Year:			
Unrestricted cash	426	12,493	12,919
	<u>\$ 426</u>	<u>\$ 12,493</u>	<u>\$ 12,919</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Cash Flows from Operating Activities			
Operating income	\$ (428,933)	\$ (282,279)	\$ (711,212)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	754	282,279	283,033
Changes in Assets and Liabilities:			
(Increase) Decrease in inventories	(451)		(451)
Increase (Decrease) in accounts payable	13,818		13,818
Increase (Decrease) in compensated absences	(3,823)		(3,823)
Increase (Decrease) in accrued salaries	(177)		(177)
Increase (Decrease) in accrued liabilities	200		200
Net Cash Provided (Used)			
by Operating Activities	<u>\$ (418,612)</u>	<u>\$</u>	<u>\$ (418,612)</u>

STATISTICAL SECTION

This part of the City of Alvin, Texas' 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 government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	111
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	124
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	130
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	135
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the governments provides and the activities it performs.</i>	138

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports from the relevant year.

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CITY OF ALVIN, TEXAS
NET ASSETS BY COMPONENT
*Last Four Fiscal Years**
(Accrual Basis of Accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 29,382,300	\$ 26,554,732	\$ 27,092,862	\$ 26,117,047
Restricted	3,447,490	3,672,027	2,268,984	2,379,709
Unrestricted	2,659,493	4,357,391	4,985,742	5,042,427
Total governmental activities net assets	<u>\$ 35,489,283</u>	<u>\$ 34,584,150</u>	<u>\$ 34,347,588</u>	<u>\$ 33,539,183</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 16,611,112	\$ 13,231,101	\$ 13,946,640	\$ 10,031,169
Restricted	322,591	322,591	542,103	542,103
Unrestricted	1,882,147	2,121,607	1,442,853	3,801,084
Total business-type activities net assets	<u>\$ 18,815,850</u>	<u>\$ 15,675,299</u>	<u>\$ 15,931,596</u>	<u>\$ 14,374,356</u>
Primary government				
Invested in capital assets, net of related debt	\$ 45,993,412	\$ 39,785,833	\$ 41,039,502	\$ 36,148,216
Restricted	3,770,081	3,994,618	2,811,087	2,921,812
Unrestricted	4,541,640	6,478,998	6,428,595	8,843,511
Total primary government net assets	<u>\$ 54,305,133</u>	<u>\$ 50,259,449</u>	<u>\$ 50,279,184</u>	<u>\$ 47,913,539</u>

* GASB 34 was implemented in fiscal year 2003, therefore 10 years of data is unavailable.

CITY OF ALVIN, TEXAS
CHANGES IN NET ASSETS
*Last Four Fiscal Years**
(Accrual Basis of Accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 2,939,342	\$ 2,678,182	\$ 2,883,482	\$ 2,878,778
Public safety	4,680,176	4,510,157	4,832,986	5,054,540
Engineering and planning	814,024	871,932	762,367	582,378
Public services	1,466,035	1,749,944	4,437,460	3,766,436
Community services	124,991	131,810	128,758	153,328
Culture and recreation	1,087,608	1,191,201	1,852,042	1,329,498
Interest on long-term debt	399,074	348,006	334,761	486,490
Total governmental activities expenses	<u>11,511,250</u>	<u>11,481,232</u>	<u>15,231,856</u>	<u>14,251,448</u>
Business-type activities:				
Water and sewer	4,912,163	4,429,289	2,517,163	\$ 4,217,430
Sanitation	1,564,881	1,519,463	1,577,475	1,561,134
EMS	754,641	1,476,204	898,288	860,354
Total business-type activities expenses	<u>7,231,685</u>	<u>7,424,956</u>	<u>4,992,926</u>	<u>6,638,918</u>
Total primary government expenses	<u>\$ 18,742,935</u>	<u>\$ 18,906,188</u>	<u>\$ 20,224,782</u>	<u>\$ 20,890,366</u>
Program Revenue				
Governmental activities:				
Charges for services:				
General government	\$ 40,128	\$ 6,227	\$ 18,093	\$ 36,736
Public safety	523,803	414,337	637,234	665,255
Engineering and planning	240,330	234,265	260,727	610,541
Public services	550,000			
Culture and recreation	151,245	139,960	156,446	178,087
Operating grants and contributions	153,733	186,196	272,811	108,200
Capital grants and contributions				
Total governmental activities program revenues	<u>1,659,239</u>	<u>980,985</u>	<u>1,345,311</u>	<u>1,598,819</u>
Business-type activities:				
Charges for services:				
Water and sewer	4,981,184	4,950,766	5,211,377	\$ 5,849,098
Operating grants and contributions	24,788	10,898	37,685	\$ 12,133
Capital grants and contributions	421,023		16,987	
Sanitation	1,598,155	1,587,835	1,714,332	\$ 1,811,689
EMS	868,300	1,794,225	863,605	\$ 1,000,321
Total business-type activities program revenues	<u>7,893,450</u>	<u>4,961,664</u>	<u>7,843,986</u>	<u>8,673,241</u>
Total primary government program revenues	<u>\$ 9,552,689</u>	<u>\$ 5,942,649</u>	<u>\$ 9,189,297</u>	<u>\$ 10,272,060</u>
Net (Expense)/Revenue				
Governmental activities	\$ (9,852,011)	\$ (10,500,247)	\$ (13,886,545)	\$ (12,652,629)
Business-type activities	661,765	(2,463,292)	2,851,060	2,034,323
Total primary government net expense	<u>\$ (9,190,246)</u>	<u>\$ (12,963,539)</u>	<u>\$ (11,035,485)</u>	<u>\$ (10,618,306)</u>

CITY OF ALVIN, TEXAS
CHANGES IN NET ASSETS
*Last Four Fiscal Years**
(Accrual Basis of Accounting)

	Fiscal Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Property taxes	\$ 4,857,873	\$ 5,143,255	\$ 5,363,226	\$ 5,793,632
Sales and use taxes	3,787,820	3,911,035	4,185,111	4,311,123
Franchise taxes	1,242,162	1,505,370	1,257,702	1,279,211
Investment earnings	81,329	70,999	161,734	364,080
Miscellaneous	42,523	75,336	14,587	94,255
Transfers	1,429	687,563	2,664,611	1,184,047
Total governmental activities	<u>10,013,136</u>	<u>11,393,558</u>	<u>13,646,971</u>	<u>13,026,348</u>
Business-type activities:				
Investment earnings	140,282	133,776	60,292	\$ 195,478
Miscellaneous	13,390	8,204	9,562	5,043
Transfers	(1,429)	(687,563)	(2,664,611)	(1,184,047)
Total business-type activities	<u>152,243</u>	<u>(545,583)</u>	<u>(2,594,757)</u>	<u>(983,526)</u>
Total primary government	<u>\$ 10,165,379</u>	<u>\$ 10,847,975</u>	<u>\$ 11,052,214</u>	<u>\$ 12,042,822</u>
Change in Net Assets				
Governmental activities	\$ 161,125	\$ 893,311	\$ (239,574)	\$ 373,719
Business-type activities	814,008	(3,008,875)	256,303	1,050,797
Total primary government	<u>\$ 975,133</u>	<u>\$ (2,115,564)</u>	<u>\$ 16,729</u>	<u>\$ 1,424,516</u>

* GASB 34 was implemented in fiscal year 2004, therefore 10 years of data is unavailable.

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CITY OF ALVIN, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
*Last Four Fiscal Years**
(Accrual Basis of Accounting)

Fiscal Year	Property Taxes	Sales and Use Taxes	Franchise Taxes	Total
2003	\$ 4,857,873	\$ 3,787,820	\$ 1,242,162	\$ 9,887,855
2004	5,143,255	3,911,035	1,505,370	10,559,660
2005	5,363,226	4,185,111	1,257,702	10,806,039
2006	5,793,632	4,311,123	1,279,212	11,383,967

* GASB 34 was implemented in fiscal year 2004, therefore 10 years of data is unavailable.

CITY OF ALVIN, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General fund				
Reserved	\$ 255,544	\$ 598,778	\$ 192,248	\$ 305,708
Unreserved	2,459,222	1,939,127	2,647,893	2,290,599
Total governmental activities net assets	<u>\$ 2,714,766</u>	<u>\$ 2,537,905</u>	<u>\$ 2,840,141</u>	<u>\$ 2,596,307</u>
All other governmental funds				
Reserved	\$ 1,237,725	\$ 1,034,872	\$ 2,892,067	\$ 1,196,526
Unreserved, report in:				
Special revenue funds	390,402	202,465	135,309	274,470
Capital projects funds	2,530,788	2,655,122	1,086,192	2,993,763
Permanent Fund				
Total all other governmental funds	<u>\$ 4,158,915</u>	<u>\$ 3,892,459</u>	<u>\$ 4,113,568</u>	<u>\$ 4,464,759</u>

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 246,021	\$ 232,142	\$ 82,628	\$ 97,594	\$ 95,159	\$ 74,986
228,987	2,051,325	2,491,329	2,725,533	3,027,096	3,211,526
<u>\$ 475,008</u>	<u>\$ 2,283,467</u>	<u>\$ 2,573,957</u>	<u>\$ 2,823,127</u>	<u>\$ 3,122,255</u>	<u>\$ 3,286,512</u>
\$ 2,849,962	\$ 3,985,194	\$ 3,723,632	\$ 2,609,387	\$ 1,505,349	\$ 1,266,145
197,725	391,103	108,676	107,975	110,872	110,193
7,147,590	2,953,546	1,080,467	1,612,652	2,070,324	4,562,445
		358,307	365,409	370,982	377,940
<u>\$ 10,195,277</u>	<u>\$ 7,329,843</u>	<u>\$ 5,271,082</u>	<u>\$ 4,695,423</u>	<u>\$ 4,057,527</u>	<u>\$ 6,316,723</u>

CITY OF ALVIN, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenues				
Taxes:				
Property taxes	\$ 3,333,040	\$ 3,547,502	\$ 3,722,163	\$ 3,928,943
Sales and use taxes	2,497,315	2,919,150	3,149,004	3,167,985
Franchise taxes	1,080,637	1,118,081	1,129,824	1,150,504
Hotel/motel tax	84,384	102,340	110,952	130,857
Other taxes				
Fines and forfeitures	305,846	330,911	362,917	300,905
Grants	196,312	337,660	269,442	102,228
Licenses and permits	98,338	114,337	109,307	106,006
Intergovernmental	249,737	204,848	394,695	152,726
Investment earnings	473,110	440,738	494,396	451,087
Miscellaneous	266,926	246,404	263,528	226,735
Total Revenues	<u>8,585,645</u>	<u>9,361,971</u>	<u>10,006,228</u>	<u>9,717,976</u>
Expenditures				
General government	2,315,034	2,468,519	2,681,129	2,186,669
Public safety	2,990,826	3,103,836	3,194,311	3,272,544
Streets	790,501	945,412	730,046	
Public services				218,119
Community services	760,382	1,235,340	1,335,549	289,019
Engineering and planning				311,423
Culture and recreation				806,168
Library				
Capital outlay	4,635,250	1,320,780	1,143,907	2,243,224
Debt service:				
Principal	635,560	623,500	631,440	670,152
Interest and other charges	446,983	409,966	366,500	321,302
Total expenditures	<u>12,574,536</u>	<u>10,107,353</u>	<u>10,082,882</u>	<u>10,318,620</u>
Excess of revenues over (under) expenditures	(3,988,891)	(745,382)	(76,654)	(600,644)

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 4,049,720	\$ 4,465,208	\$ 4,866,515	\$ 5,163,197	\$ 5,401,879	\$ 5,790,405
3,573,040	3,681,228	3,684,901	3,784,149	4,065,373	4,114,053
1,268,090	1,303,998	1,226,231	1,475,836	1,222,977	1,237,728
155,942	249,336	102,918	126,886	119,738	197,070
			19,534	10,953	12,658
143,454	344,824	450,894	376,232	381,554	388,202
247,132	60,997	39,241	23,830	3,825	22,027
111,795	183,498	197,905	266,378	301,393	663,057
9,823	22,427	5,200	4,550	215,244	4,313
409,829	202,054	85,752	76,320	171,876	345,650
196,582	453,583	423,465	395,510	471,511	598,811
<u>10,165,407</u>	<u>10,967,153</u>	<u>11,083,022</u>	<u>11,712,422</u>	<u>12,366,323</u>	<u>13,373,974</u>
2,331,722	3,176,053	3,193,675	2,698,996	2,704,408	2,676,013
3,487,929	3,477,699	4,354,626	4,316,165	4,788,853	4,809,776
375,349	450,643	1,267,511	1,730,750	1,406,740	1,518,905
4,568	94,448	84,041	24,661	21,015	143,300
200,337	218,967	153,119	859,878	768,252	552,276
678,453	736,995	1,275,978	1,062,355	1,077,971	906,749
			65,749	71,666	79,117
2,424,467	4,670,860	2,983,215	934,908	3,883,770	2,266,772
451,194	480,901	460,246	842,396	788,572	810,861
458,787	451,530	459,542	389,871	337,391	455,020
<u>10,412,806</u>	<u>13,758,096</u>	<u>14,231,953</u>	<u>12,925,729</u>	<u>15,848,638</u>	<u>14,218,789</u>
(247,399)	(2,790,943)	(3,148,931)	(1,213,307)	(3,482,315)	(844,815)

CITY OF ALVIN, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Other Financing Sources (Uses)				
Transfers in	965,445	787,556	897,181	3,151,281
Transfers out	(391,445)	(485,491)	(297,181)	(1,741,281)
Refunding bonds issued			483,140	
Bonds issued				
Premium on bonds issued				
Discount on bonds issued				
Payments to refunded bond escrow agent			(483,140)	
Capital leases				
Sale of capital assets				
Total other financing sources (uses)	<u>574,000</u>	<u>302,065</u>	<u>600,000</u>	<u>1,410,000</u>
Net change in fund balances	<u><u>\$(3,414,891)</u></u>	<u><u>\$ (443,317)</u></u>	<u><u>\$ 523,346</u></u>	<u><u>\$ 809,356</u></u>
Debt service as a percentage of noncapital expenditures	15.8%	13.3%	12.6%	14.0%

Fiscal Year					
2001	2002	2003	2004	2005	2006
6,648,021	2,690,085	2,171,279	3,629,342	5,385,425	3,362,287
(2,378,555)	(7,071,681)	(1,594,850)	(2,941,779)	(2,720,814)	(2,910,566)
343,972	3,083,556	80,013	1,349,595	478,925	2,780,000
			319,176		1,591
			(10,439)		
			(1,311,643)		
		300,669			
<u>4,613,438</u>	<u>(1,298,040)</u>	<u>957,111</u>	<u>1,034,252</u>	<u>3,143,536</u>	<u>28,351</u>
<u>\$ 4,366,039</u>	<u>\$ (4,088,983)</u>	<u>\$ (2,191,820)</u>	<u>\$ (179,055)</u>	<u>\$ (338,779)</u>	<u>\$ 2,416,848</u>
12.9%	11.4%	8.9%	11.5%	10.4%	11.8%

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CITY OF ALVIN, TEXAS
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	Property Taxes	Sales and Use Taxes	Franchise and Other Taxes	Total
1997	3,333,040	2,497,315	1,165,021	6,995,376
1998	3,547,502	2,919,150	1,220,421	7,687,073
1999	3,722,163	3,149,004	1,240,776	8,111,943
2000	3,928,943	3,167,985	1,281,361	8,378,289
2001	4,049,720	3,573,040	1,424,032	9,046,792
2002	4,465,208	3,681,228	1,553,333	9,699,769
2003	4,866,515	3,684,901	1,329,149	9,880,565
2004	5,163,197	3,784,149	1,622,256	10,569,602
2005	5,401,879	4,065,373	1,353,668	10,820,920
2006	5,790,405	4,114,053	1,447,456	11,351,914

CITY OF ALVIN, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Tax Year	Real Property			Personal Property		
		Residential Property	Commercial Property	Total	Motor Vehicles	Other	Total
1997	1997	\$ A	\$ A	\$ 308,296,578	\$ A	\$ A	\$ 99,527,425
1998	1998	A	A	315,383,286	A	A	109,552,895
1999	1999	A	A	328,207,914	A	A	119,125,711
2000	2000	A	A	340,244,053	A	A	129,720,796
2001	2001	A	A	368,620,562	A	A	126,920,848
2002	2002	A	A	397,078,791	A	A	140,764,801
2003	2003	A	A	436,791,883	A	A	159,684,533
2004	2004	A	A	489,624,164	A	A	143,820,050
2005	2005	419,639,580	280,972,630	700,612,210		131,001,860	131,001,860
2006	2006	463,788,970	310,043,900	773,832,870		132,699,310	132,699,310

Source: Tax department and Inspection records of the City.

Note: Assessed value is 100% of the estimated actual value.

^A Data is not available.

Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
A	\$ 407,824,003	0.8036	\$ 407,824,003	100%
A	424,936,181	0.8036	424,936,181	100%
A	447,333,625	0.8036	447,333,625	100%
A	469,964,849	0.8036	469,964,849	100%
A	495,541,410	0.8036	495,541,410	100%
A	537,843,592	0.8036	537,843,592	100%
A	596,476,416	0.8036	596,476,416	100%
A	633,444,214	0.8036	633,444,214	100%
176,600,152	655,013,918	0.8036	655,013,918	100%
185,471,506	721,060,674	0.8036	721,060,674	100%

CITY OF ALVIN, TEXAS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING* GOVERNMENTS
Last Ten Fiscal Years

Fiscal Year	City of Alvin			Overlapping Rates				Total Direct & Overlapping Rates
	Operating	Debt Service	Total	Alvin Independent School District	Alvin Community College	Brazoria County	C&R District No. 3	
Tax Rate								
1997	0.5622	0.2414	0.8036	1.5353	0.1971	0.3575	0.0960	2.9895
1998	0.5797	0.2239	0.8036	1.5353	0.2032	0.3575	0.0960	2.9956
1999	0.5920	0.2116	0.8036	1.5353	0.2389	0.3575	0.0960	3.0313
2000	0.6215	0.1821	0.8036	1.4785	0.2389	0.3995	0.0990	3.0195
2001	0.6381	0.1655	0.8036	1.5660	0.2389	0.3395	0.0600	3.0080
2002	0.6628	0.1408	0.8036	1.5660	0.2411	0.3395	0.1100	3.0602
2003	0.6702	0.1334	0.8036	1.5860	0.2553	0.3595	0.1166	3.1210
2004	0.6486	0.1550	0.8036	1.6261	0.2406	0.3620	0.1316	3.1638
2005	0.6784	0.1252	0.8036	1.7058	0.2376	0.3480	0.1306	3.2256
2006	0.6565	0.1471	0.8036	1.5459	0.2195	0.3817	0.1300	2.2770

Source: Tax department records of various taxing authorities.

Note: Tax rate per \$100 assessed valuation.

CITY OF ALVIN, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
September 30, 2006

Taxpayer	2005 Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	1996 Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Walmart	\$ 16,578,260	1	2.3%	\$ 6,117,650	6	1.6%
Ron-Carter Ford-Toyota-Jeep	10,419,290	2	1.5%	13,569,020	2	3.5%
Alvin Autoland, Inc.	10,219,040	3	1.4%			0.0%
Weatherford U.S., LP	9,645,740	4	1.4%	8,710,380	4	2.3%
Texas New-Mexico Power Company	8,715,630	5	1.2%	7,722,220	5	2.0%
Southwestern Bell Telephone	5,954,890	6	0.8%	10,878,340	3	2.8%
Texas Cable Partners, LP	5,807,480	7	0.8%			0.0%
Franks Casing Crew	5,579,180	8	0.8%	2,818,450	8	0.7%
Gas Turbine Engines, Inc.	4,733,990	9	0.7%			0.0%
Team Industrial Services Inc	3,778,270	10	0.5%			0.0%
IPOP				17,685,920	1	4.6%
First National Bank of Alvin				2,887,130	7	0.8%
South Bay Properties, Inc.				2,646,470	9	0.7%
Health Trust, Inc				2,596,770	10	0.7%
	81,431,770		11.4%	75,632,350		19.7%
Other taxpayers	632,084,479		88.6%	308,972,259		80.3%
Total Assessed Valuation	\$ 713,516,249		100%	\$ 384,604,609		100%

Source: Tax department records of the City.

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CITY OF ALVIN, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year ended September 30	Total Tax Levy for 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
1997	3,261,598	3,151,250	96.6%	99,509	3,250,759	99.7%
1998	3,349,694	3,283,072	98.0%	128,953	3,412,025	101.9%
1999	3,546,465	3,454,635	97.4%	136,919	3,591,554	101.3%
2000	3,684,711	3,602,262	97.8%	124,280	3,726,542	101.1%
2001	3,928,597	3,789,817	96.5%	99,035	3,888,852	99.0%
2002	4,312,622	4,147,538	96.2%	152,219	4,299,757	99.7%
2003	4,652,307	4,594,434	98.8%	151,854	4,746,288	102.0%
2004	5,090,358	4,896,746	96.2%	162,549	5,059,295	99.4%
2005	5,267,342	5,104,625	96.9%	177,270	5,281,895	100.3%
2006	5,684,983	5,519,795	97.1%		5,519,795	97.1%

Source: Tax department records of the City.

- (A) The basis for property tax rates is per \$100 of the assessed valuation.
- (B) Outstanding Delinquent Taxes excludes penalties and interest receivable.

CITY OF ALVIN, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	Time Warrants	Capital Leases	Revenue Bonds	General Obligation Bonds	Capital Leases
1997	\$ 8,281,706			\$	\$ 16,047,540	\$
1998	7,702,654				14,252,480	
1999	7,150,324				13,286,134	
2000	6,515,626				12,259,792	
2001	6,492,738			3,700,000	12,816,008	
2002	9,134,337			10,350,000	11,690,664	
2003	8,797,495		300,670	10,350,000	10,727,505	241,077
2004	8,412,381		229,658	10,240,000	10,697,618	184,140
2005	8,146,667		282,482	10,120,000	9,768,331	176,786
2006	10,313,613		84,675	12,160,000	12,516,386	34,666

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

* See the Schedule of Demographic and Economic Statistics for personal income and population data.

Total Primary Government	Percentage of Personal Income *	Per Capita *
\$ 24,329,246	8.44%	\$ 1,266
21,955,134	7.06%	1,142
20,436,458	6.57%	1,063
18,775,418	5.74%	977
23,008,746	6.56%	1,075
31,175,001	8.65%	1,456
30,416,747	8.92%	1,420
29,763,797	7.84%	1,390
28,494,266	7.06%	1,331
35,109,340	7.68%	1,640

CITY OF ALVIN, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property¹	Per Capita²
1997	\$ 8,281,706	\$ 588,792	\$ 7,692,914	1.89%	\$ 400
1998	7,702,654	633,859	7,068,795	1.66%	368
1999	7,150,324	711,054	6,439,270	1.44%	335
2000	6,515,626	780,528	5,735,098	1.22%	298
2001	6,492,738	892,217	5,600,521	1.13%	262
2002	9,134,337	921,909	8,212,428	1.53%	384
2003	8,797,495	990,668	7,806,827	1.31%	365
2004	8,412,381	455,181	7,957,200	1.26%	372
2005	8,146,667	479,185	7,667,482	1.17%	358
2006	10,313,613	325,660	9,987,953	1.39%	466

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

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

² Population data can be found in the Schedule of Demographic and Economic Statistics.

CITY OF ALVIN, TEXAS
COMPUTATION OF DIRECT AND ESTIMATED
OVERLAPPING DEBT
September 30, 2006

Governmental Unit	Debt Outstanding	Percentage Applicable to City	Debt Applicable to City
Brazoria County	\$ 40,375,000	4.77%	\$ 1,925,888
Alvin Independent School District	243,959,867	65.00%	158,573,914
Alvin Community College	20,224,000	65.00%	13,145,600
Total Net Overlapping Debt			173,645,401
City of Alvin			
Debt payable from Ad Valorem Taxes			10,313,613
Debt payable from Water/Sewer Revenues			24,413,395
Debt payable from Sanitation Revenues			262,993
Total Direct and Overlapping Net Debt			208,635,402
Ratio of total direct and overlapping net debt to 2006 assessed valuation			28.93%
Direct and overlapping net debt per capita			\$ 9,743

Source - Texas Municipal Advisory Council

Note: The City of Alvin is a Home Rule Charter City with a maximum tax rate for all purposes of \$2.50 per \$100 assessed valuation. This maximum tax rate is imposed both by the constitution of the State of Texas and the City Charter. Within this \$2.50 maximum, there is no legal limit upon the amount of taxes which can be levied for debt service.

CITY OF ALVIN, TEXAS
PLEGDED REVENUE COVERAGE
LAST SEVEN FISCAL YEARS

Fiscal Year	Fiscal Year					
	Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	5,338,808	2,210,210	3,128,598	994,849	818,811	1.73
2001	5,756,706	2,495,442	3,261,264	1,055,244	766,555	1.79
2002	5,261,825	2,257,614	3,004,211	1,125,344	760,163	1.59
2003	5,202,315	2,518,769	2,683,546	1,156,616	938,232	1.28
2004	5,089,319	2,706,898	2,382,421	1,233,053	898,598	1.12
2005	5,306,827	2,683,478	2,623,349	1,183,487	779,463	1.34
2006	6,036,003	2,378,938	3,657,065	1,436,945	826,533	1.62

Source: City records
 Only 7 years information available

CITY OF ALVIN, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population¹	Personal Income¹ (Amount in thousands)	Per Capita Personal Income	Median Age¹	Education Level in Years of Formal Schooling	School Enrollment²	Unemployment Rate³
1997	19,221	288,334	15,001	32.0	13.80	11,275	7.00
1998	19,221	311,111	16,186	33.0	13.80	11,396	6.30
1999	19,221	311,111	16,186	33.0	13.80	11,408	6.30
2000	19,221	327,065	17,016	33.0	13.75	11,444	6.00
2001	21,413	350,766	16,381	32.3	13.75	11,619	5.70
2002	21,413	360,445	16,833	33.0	13.75	11,760	8.30
2003	21,413	341,131	15,931	33.0	13.75	12,046	8.20
2004	21,413	379,460	17,721	33.0	13.75	12,100	8.20
2005	21,413	403,635	18,850	34.0	13.75	12,600	7.3%
2006	21,413	457,017	21,343	31.4	13.75	14,000	7.3%

Sources:

- 1- Alvin Manvel Area Chamber of Commerce; 2000 Census.
- 2- Alvin Independent School District.
- 3- Brazoria County Labor Market Information Website

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CITY OF ALVIN, TEXAS
PRINCIPAL EMPLOYERS
Current Year and Eight Years Ago

Employer	2006			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Alvin Independent School District	1,834	1	38.8%	1,627	1	33.1%
Wal-Mart	514	2	10.9%	255	7	5.2%
Alvin Community College	500	3	10.6%	400	5	8.1%
Solutia, Inc.	465	4	9.8%	600	3	12.2%
INEOS Olefins & Polymers USA	429	5	9.1%			0.0%
Ron Carter Automotive Center	310	6	6.6%	262	6	5.3%
Equistar Chocolate Bayou Complex	300	7	6.3%			0.0%
City of Alvin	165	8	3.5%	150	10	3.1%
Rice Tec, Inc.	149	9	3.1%			0.0%
Team, Inc.	65	10	1.4%	170	9	3.5%
Amoco Petrochemical				675	2	13.7%
Input/Output				525	4	10.7%
Oxychem Petrochemicals				246	8	5.1%
Total	4,731		100%	4,910		100%

Source: Alvin-Manvel Chamber of Commerce

CITY OF ALVIN, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	1997	1998	1999	2000
General government				
Administrative	3	3	5	5
Legal	2	2	2	2
Municipal Court	2	2	2	2
City Secretary	2	2	2	3
Finance	8	8	10	9
City Hall	1	1	1	1
Tax	4	4		
Public Safety				
Police	56	58	58	61
Fire				
Fire Marshal				
Humane	2	2	2	2
Culture and Recreation				
Parks	8	8	8	9.5
Building Maintenance				
Economic Development				
Public Works				
Administration & Facility MGMT				3
Street	13	13	13	15
Engineering				
Engineering	7	7	9	8
Permits and Inspection	4	4	4	4
Planning			1	1
Enterprise Fund				
Administration	7	7	6	7
Water, Sewer, WWTP	22	23	24	23
Recycling				
Internal Service Fund	3	3	3	3
Emergency Medical Services	2	2	2	2
Total	146	149	152	160.5

Source: City finance department.

Full-time Equivalent Employees as of September 30

2001	2002	2003	2004	2005	2006
5	4	4	4	5.5	5.5
2	2	2	3	2	3
2	2	2	2	2	2
3	3	3	3	3	3
9	7	7	7	6	7
1	1	1	1		
61	61	67	68	69	70
2	2	2	2.5	2.5	3
			1	1	1
2	2	2	2	2	2
10	9.5	9.5	11	9.5	9.5
			2	1	1
					2
3					
14	13	13	13	16	16
8	8	8	11	9	9
5	9	6	3	3	4
	1	1			
7	7	7	7	6	7.5
23	23	22	23	24	24
5	5	5	5	5	4
2	2	2	2	2	2
164	161.5	163.5	170.5	168.5	175.5

CITY OF ALVIN, TEXAS
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	1997	1998	1999	2000
Police				
Physical arrests	1,640	1,793	1,795	1,928
Traffic violations	n/a	n/a	n/a	n/a
Fire				
Number of calls answered	469	495	593	633
Inspections	n/a	n/a	n/a	n/a
Highways and streets				
Sanitation				
Monthly residential pickups	4,554	4,643	4,658	4,693
Commercial Containers	720	729	735	748
Culture and recreation				
Athletic Fields	12	12	12	19
Water				
New connections	91	115	82	62
Total number of water connects	5,316	5,431	5,513	5,575
Average daily consumption (thousands of gallons)	2.350 MGD.	2.541 MGD.	2.541 MGD.	2.541 MGD.
Sewer				
Average daily sewage treatment (thousands of gallons)	3.000 MGD.	3.000 MGD	3.000 MGD.	3.000 MGD.

Source: Various City departments.

Note: Indicators are not available for the general government function.

Fiscal Year						
2001	2002	2003	2004	2005	2006	
2,005	2,136	2,388	2,351	2,506	2,627	
2,737	3,476	4,118	2,840	2,378	1,936	
549	612	579	626	710	724	
n/a	n/a	694	673	634	747	
4,734	4,766	4,846	4,819	4,903	5,042	
775	788	765	792	797	602	
19	21	21	21	21	21	
101	87	26	170	96	237	
5,676	5,763	5,789	5,959	6,055	6,975	
2.496 MGD.	2.496 MGD.	2.496 MGD.	2.311 MGD.	2.350 MGD.	2.287 MGD.	
3.150 MGD.	3.150 MGD.	3.150 MGD.	3.250 MGD.	3.500 MGD.	2.395 MGD.	

CITY OF ALVIN, TEXAS
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	1997	1998	1999	2000
Public safety				
Police				
Stations	1	1	1	1
Police units	31	31	31	31
Fire				
Fire stations	2	2	2	2
Volunteers	65	60	60	54
Highways and streets				
Streets (miles)	113	113	113	113
Culture and recreation				
Parks acreage	83.7	83.7	83.7	83.7
Parks	13	13	13	13
Swimming pools	1	1	1	1
Tennis courts	2	2	2	2
Water				
Water wells	4	4	4	4
Water mains (miles)	160.00	161.50	161.50	162.0
Fire hydrants	543	598	598	598
Maximum daily capacity (thousands of gallons)	2.474 MGD.	4.347 MGD.	4.347 MGD.	4.347 MGD.
Sewer				
Sanitary sewers (miles)	111.0	111.0	111.0	111.0
Storm sewers (miles)	27.0	28.5	28.5	29.0
Maximum daily treatment capacity (thousands of gallons)	12.000 MGD.	10.749 MGD.	10.749 MGD.	10.749 MGD.

Source: Various City departments.

Note: No capital asset indicators are available for the general government function.

Fiscal Year						
2001	2002	2003	2004	2005	2006	
1	1	1	1	1	1	1
31	31	35	35	32	32	32
2	2	2	2	2	2	2
54	62	63	61	63	57	57
113	113	113	169	192	178	178
83.7	83.7	83.7	88.0	88.0	91.0	91.0
13	13	13	13	13	15	15
1	1	1	1	1	1	1
2	2	2	2	2	2	2
5	5	5	5	5	5	5
162.0	162	170	175	137	142	142
603	603	603	785	891	876	876
4.199 MGD.	2.496 MGD.	2.496 MGD.	2.311 MGD.	2.496 MGD.	2.496 MGD.	2.496 MGD.
100.0	100.0	106.0	110.0	135.0	138.0	138.0
29.0	29.0	29.0	29.0	35.0	38.0	38.0
15.000 MGD.	15.000 MGD.	15.000 MGD.	15.000 MGD.	15.000 MGD.	15.000 MGD.	15.000 MGD.