

CITY OF KENNEDALE, TEXAS

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

SEPTEMBER 30, 1999

**CITY OF KENNEDALE, TEXAS
GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 1999**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Council and City Manager
City of Kennedale
Kennedale, Texas

We have audited the accompanying general purpose financial statements of the City of Kennedale, Texas, as of and for the year ended September 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City of Kennedale, Texas, as of September 30, 1999, and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.


STOVALL, GRANDEY & WHATLEY, L.L.P.

Fort Worth, Texas
December 28, 1999

CITY OF KENNEDALE, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1999

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)	
	GENERAL	DEBT SERVICE	SPECIAL REVENUE	CAPITAL IMPROVEMENTS	ENTERPRISE		GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	SEPTEMBER 30:	
					WATER AND SEWER	AMBULANCE			1999	1998
ASSETS										
Cash (Note 2)	\$ 231,021	\$ 5,986	\$ 85,619	\$ 4,149	\$ 109,912	\$ 27,552			\$ 464,239	\$ 398,353
Investments (Note 2)	1,051,458		357,974	3,111,385	919,845	27,853			5,468,515	1,909,506
Receivables (net of allowance for estimated uncollectible accounts of \$58,700 in 1998 and \$82,922 in 1999):										
Taxes (Note 3)	56,835	6,016								
Accounts	39,986			9,675	170,712	4,965			62,851	56,707
Accrued interest									225,338	200,592
Due from other funds (Note 10)	14								0	756
Due from other governments (Note 4)	45,539		15,180	29,913	57,049	3,351			90,327	79,947
Restricted assets:									60,719	52,789
Cash (Note 2)		825								
Investments (Note 2)					104,525				105,350	825
Unamortized issue costs					2,091,600				2,091,600	100,070
Property, plant and equipment (net, where applicable, of accumulated depreciation of \$2,529,466 in 1998 and \$2,720,904 in 1999) (Note 5)					27,885				27,885	8,835
Amount available in Debt Service Fund					6,179,653	4,513	8,405,806		14,589,972	12,466,299
Amount to be provided for retirement of General long-term debt								6,369	6,369	10,412
TOTAL ASSETS	\$ 1,424,853	\$ 12,827	\$ 458,773	\$ 3,155,122	\$ 9,661,181	\$ 68,234	\$ 8,405,806	\$ 3,878,669	\$ 27,071,834	\$ 15,673,140

See accompanying notes and auditor's report

CITY OF KENNEDALE, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1999

	GENERAL	DEBT SERVICE	SPECIAL REVENUE	CAPITAL IMPROVEMENTS	WATER AND SEWER	AMBULANCE	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTALS	
									(MEMORANDUM ONLY)	
									SEPTEMBER 30:	
	1999	1998								
LIABILITIES										
Accounts payable	\$ 485,864	\$	\$ 369	\$ 65,694	\$ 223,940	\$ 15,796	\$	\$	\$ 791,663	\$ 380,159
Accrued liabilities	175,876		351		108,336	2,822			287,385	266,355
Certificates of obligation - Current (Note 8)					27,900				27,900	24,800
Payable from restricted assets:										
Deposits					104,525				104,525	100,070
Interest		825							825	825
Due to other funds (Note 10)	57,049				33,264	14			90,327	79,947
Deferred revenue (Note 3)	49,600	5,633							55,233	49,780
Notes Payable (Note 8)								602,038	602,038	190,261
General obligation bonds payable (Note 8)								50,000	50,000	60,000
Certificates of obligation (Note 8)					2,239,100			3,233,000	5,472,100	365,200
TOTAL LIABILITIES	<u>768,389</u>	<u>6,458</u>	<u>720</u>	<u>65,694</u>	<u>2,737,065</u>	<u>18,632</u>	<u>-</u>	<u>3,885,038</u>	<u>7,481,996</u>	<u>1,517,397</u>
FUND EQUITY										
Contributed Capital:										
Municipality					1,496,348	622			1,496,970	1,085,349
Developers					2,016,629				2,016,629	2,016,629
Federal grants					2,294,591				2,294,591	2,078,591
Customers									5,281	5,281
Investments in general fixed assets								8,405,806	8,405,806	6,947,921
Retained earnings:										
Unreserved:					1,116,548	43,699			1,160,247	1,091,703
Fund balances:										
Reserved for encumbrances	13,250		2,000						15,250	12,500
Unreserved:										
Designated for debt service		6,369							6,369	10,412
Designated for subsequent years expenditures	258,728			3,089,428					3,348,156	291,627
Undesignated	384,486		456,053						840,539	615,730
TOTAL FUND EQUITY	<u>656,464</u>	<u>6,369</u>	<u>458,053</u>	<u>3,089,428</u>	<u>6,924,116</u>	<u>49,602</u>	<u>8,405,806</u>	<u>-</u>	<u>19,589,838</u>	<u>14,155,743</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,424,853</u>	<u>\$ 12,827</u>	<u>\$ 458,773</u>	<u>\$ 3,155,122</u>	<u>\$ 9,661,181</u>	<u>\$ 68,234</u>	<u>\$ 8,405,806</u>	<u>\$ 3,885,038</u>	<u>\$ 27,071,834</u>	<u>\$ 15,673,140</u>

See accompanying notes and auditor's report.

CITY OF KENNEDALE, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
SEPTEMBER 30, 1999

	GOVERNMENTAL FUND TYPES				TOTALS (MEMORANDUM ONLY)	
	GENERAL	DEBT SERVICE	SPECIAL REVENUE	CAPITAL IMPROVEMENTS	SEPTEMBER 30:	
					1999	1998
REVENUES:						
Taxes						
Property taxes	\$ 1,063,720	\$ 80,096	\$	\$	\$ 1,143,816	\$ 1,043,905
Franchise taxes	325,065				325,065	303,927
Sales taxes	673,256		236,871		910,127	878,378
TOTAL TAXES	<i>206,241</i> <u>2,062,411</u>	80,096	236,871	-	2,379,008	2,226,210
Licenses and permits	124,238				124,238	63,522
Intergovernmental revenues	156,084				156,084	159,267
Charges for services	372,455				372,455	358,031
Fines and forfeits	264,106				264,106	196,584
Miscellaneous:	56,546				56,546	
Interest on investments	94,660		15,921	133,190	243,771	69,874
Other			4,000		4,000	110,742
TOTAL REVENUES	<u>3,130,130</u>	<u>80,096</u>	<u>256,792</u>	<u>133,190</u>	<u>3,600,208</u>	<u>3,184,230</u>
EXPENDITURES:						
General government	638,389	<i>346,018</i>	43,289		681,678	609,917
Public safety:						
Police	1,110,593				1,110,593	883,883
Fire	683,405				683,405	572,032
Public works and streets	613,052				613,052	702,323
Culture and recreation	103,534				103,534	81,509
Debt service						
Principal retirement		71,187			71,187	71,187
Interest and fiscal charges		12,952			43,048	13,969
Capital outlay				30,096	97,344	97,344
TOTAL EXPENDITURES	<u>3,148,973</u>	<u>84,139</u>	<u>43,289</u>	<u>127,440</u>	<u>3,403,841</u>	<u>2,934,820</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(18,843)</u>	<u>(4,043)</u>	<u><i>221,640</i></u> 213,503	5,750	196,367	249,410
Other financing sources (uses)						
Proceeds of CO's				3,083,678	3,083,678	
Fund balance, October 1	675,307	10,412	244,550	-	930,269	680,859
Fund balance, September 30	<u>\$ 656,464</u>	<u>\$ 6,369</u>	<u>\$ 458,053</u>	<u>\$ 3,089,428</u>	<u>\$ 4,210,314</u>	<u>\$ 930,269</u>

See accompanying notes and auditor's report.

CITY OF KENNEDALE, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL, DEBT SERVICE AND SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 1999

	GENERAL FUND			DEBT SERVICE FUND			SPECIAL REVENUE		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:									
Taxes									
Property taxes	\$ 1,071,045	\$ 1,063,720	\$ (7,325)	\$ 84,520	\$ 80,096	\$ (4,424)	\$	\$	\$ -
Franchise taxes	310,000	325,065	15,065						
Sales taxes	527,000	673,256	146,256						
TOTAL TAXES	1,908,045	2,062,041	153,996	84,520	80,096	(4,424)	175,000	236,871	61,871
Licenses and permits	99,200	124,238	25,038						
Intergovernmental revenues	156,081	156,084	3						
Charges for services	295,300	372,455	77,155						
Fines and forfeits	230,000	264,106	34,106						
Miscellaneous:	50,000	56,546	6,546						
Interest on investments	118,050	94,660	(23,390)				10,500	15,921	5,421
Other								4,000	4,000
TOTAL REVENUES	2,856,676	3,130,130	273,454	84,520	80,096	(4,424)	185,500	256,792	71,292
EXPENDITURES:									
General government	582,650	638,389	(55,739)				64,033	43,289	20,744
Public safety:									
Police	988,152	1,110,593	(122,441)						
Fire	633,691	683,405	(49,714)						
Public works and streets	636,360	613,052	23,308						
Culture and recreation	89,330	103,534	(14,204)						
Debt service									
Principal retirement				71,187	71,187	-			
Interest and fiscal charges				13,333	12,952	381			
TOTAL EXPENDITURES	2,930,183	3,148,973	(218,790)	84,520	84,139	381	64,033	43,289	20,744
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(73,507)	(18,843)	54,664	-	(4,043)	(4,043)	121,467	213,503	92,036
Fund balance, October 1	675,307	675,307		10,412	10,412		244,550	244,550	
Fund balance, September 30	\$ 601,800	\$ 656,464	\$ 54,664	\$ 10,412	\$ 6,369	\$ (4,043)	\$ 366,017	\$ 458,053	\$ 92,036

See accompanying notes and auditor's report.

CITY OF KENNEDALE, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES - ALL ENTERPRISE FUND TYPES
YEAR ENDED SEPTEMBER 30, 1999

	WATER AND SEWER FUND	AMBULANCE FUND	TOTALS (MEMORANDUM ONLY)	
			SEPTEMBER 30:	
			1999	1998
OPERATING REVENUES				
Charges for services	\$ 1,190,751	\$ 220,968	\$ 1,411,719	\$ 1,412,908
OPERATING EXPENSES				
Personal services	235,042	90,924	325,966	314,445
Contractual services	22,796		22,796	73,271
Supplies	37,199	22,260	59,459	57,770
Materials	65,101	2,544	67,645	31,269
General services	277,754	36,276	314,030	320,650
Depreciation	212,735	14,318	227,053	218,686
Bad debts	3,986	57,655	61,641	49,025
Intergovernmental charges	323,585		323,585	312,768
TOTAL OPERATING EXPENSES	1,178,198	223,977	1,402,175	1,377,884
OPERATING INCOME	12,553	(3,009)	9,544	35,024
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	154,026	1,676	155,702	45,366
Interest expense and fiscal charges	(97,493)		(97,493)	(15,710)
TOTAL NONOPERATING REVENUE (EXPENSE)	56,533	1,676	58,209	29,656
NET INCOME	69,086	(1,333)	67,753	64,680
RETAINED EARNINGS, October 1	1,047,462	45,032	1,092,494	1,027,814
RETAINED EARNINGS, September 30	\$ 1,116,548	\$ 43,669	\$ 1,160,247	\$ 1,092,494

See accompanying notes and auditor's report.

CITY OF KENNEDALE, TEXAS
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ALL ENTERPRISE FUND TYPES
YEAR ENDED SEPTEMBER 30, 1999
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

			TOTALS		
			(MEMORANDUM ONLY)		
			SEPTEMBER 30:		
WATER AND SEWER FUND	AMBULANCE FUND	1999	1998		
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 1,161,509	\$ 221,823	\$ 1,383,332	\$ 1,356,847	
Other income	5,084		5,084		
Cash paid to suppliers	(619,611)	(108,089)	(727,700)	(797,728)	
Cash paid to employees	(282,454)	(93,885)	(376,339)	(308,934)	
Net cash provided by operating activities	<u>264,528</u>	<u>19,849</u>	<u>284,377</u>	<u>250,185</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Water & sewer deposits	4,455		4,455	2,495	
Net cash provided by noncapital financing activities	<u>4,455</u>		<u>4,455</u>	<u>2,495</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital expenditures	(261,597)	(3,622)	(265,219)	(85,677)	
Interest and fiscal charges paid	(33,668)		(33,668)	(15,710)	
Payments of COS	(24,800)		(24,800)	(24,800)	
Principal payments on loan		(7,135)	(7,135)	(4,167)	
Proceeds from COS	2,050,000		2,050,000		
Restricted funds for construction	(2,091,600)		(2,091,600)		
Net cash used for capital and related financing activities	<u>(361,665)</u>	<u>(10,757)</u>	<u>(372,422)</u>	<u>(130,354)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	154,026	1,676	155,702	46,544	
Net cash provided by investing activities	<u>154,026</u>	<u>1,676</u>	<u>155,702</u>	<u>46,544</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	61,344	10,768	72,112	168,870	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,072,938	44,637	1,117,575	948,707	
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,134,282</u>	<u>\$ 55,405</u>	<u>\$ 1,189,687</u>	<u>\$ 1,117,577</u>	

See accompanying notes and auditor's report.

CITY OF KENNEDALE, TEXAS
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES
PROPRIETARY FUND TYPE - ALL ENTERPRISE FUND TYPES
YEAR ENDED SEPTEMBER 30, 1999

			TOTALS	
			(MEMORANDUM ONLY)	
			SEPTEMBER 30:	
	WATER AND SEWER FUND	AMBULANCE FUND	1999	1998
OPERATING INCOME	\$ 12,553	\$ (3,009)	\$ 9,544	\$ 34,233
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	213,913	14,318	228,231	218,686
Change in assets and liabilities:				
Decrease in accounts receivable		855	855	659
Increase in accounts receivable	(20,171)		(20,171)	(7,696)
Decrease in due from other funds			-	202
Increase in due from other funds	(98)	(2,785)	(2,883)	(214)
Increase in accounts payable	73,045	13,432	86,477	-
Decrease in accounts payable			-	(43,058)
Increase in accrued liabilities		(2,962)	(2,962)	48,317
Decrease in accrued liabilities	(47,412)		(47,412)	(1,172)
Increase in due to other funds	32,698		32,698	228
	<u>264,528</u>	<u>19,849</u>	<u>284,377</u>	<u>250,185</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 264,528	\$ 19,849	\$ 284,377	\$ 250,185

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Developers paid for and contributed waterlines and storm sewers in the amount of	\$	411,621
C.D.B.G. paid for and contributed waterlines and storm sewers in the amount of		216,000

See accompanying notes and auditor's report.

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kennedale was incorporated in 1947. The City operates under a Manager-Council form of government and provides the following services:

Police and fire protection, public works, public library, ambulance and general administrative services. In addition, the City owns and operates a water and sewer system.

The combined general purpose financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units.

The reporting entity for financial reporting purposes include all activities over which the City Council exercises oversight responsibility. The activities of the Kennedale Economic Development Corporation (KEDC), a non-profit corporation, are blended and reported as a Special Revenue Fund because the City Council has oversight responsibility. General Purpose Financial Statements for KEDC are available in the office of the director. Therefore, the following are not included because they are autonomous entities:

Kennedale Independent School District - provides educational services.

The accounting policies of the City of Kennedale, Texas, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. Basis of presentation – fund accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues and expenditures/expenses. The various funds are grouped by type in the combined general purpose financial statements. The following fund types and account groups are used by the City:

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in the proprietary fund type) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental fund types:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. There are five sub funds of the general fund, and they are reported there.

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Improvements Fund - The Capital Improvements Fund is used to account for expenditures from the proceeds of Certificates of Obligation issued November 1998 for improvements to water and sewer lines, streets and construction of a new municipal complex.

PROPRIETARY FUND TYPE

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. The following are the City's account groups:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the City, other than those accounted for in proprietary funds.

General Long-Term Debt Account Group - This group of accounts is established to account for all long-term debt of the City except that accounted for in proprietary funds.

Total Columns On Combined Statements - Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

B. Basis of accounting

The modified accrual basis of accounting is followed by the governmental funds. These revenues are recognized when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred, if measurable. Interest on long-term debt is recorded when due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance.

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and sales tax revenues are recorded under the susceptible to accrual concept. Franchise taxes, licenses and permits, fines and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

The accrual basis of accounting is utilized by the proprietary fund type.

For purposes of the statement of cash flows, the Water and Sewer Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

C. Budgetary data

1. General Budget Policies

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

Prior to the beginning of the fiscal year, the City Manager submits to the City Council a proposed budget. The budget includes proposed expenditures and the means of financing them.

- a. Public hearings are conducted to obtain taxpayer comments.
- b. Prior to September 30, the budget is legally enacted through passage of an ordinance. The annual appropriations lapse at year-end.
- c. Revisions that alter the total expenditures of any fund must be approved by the City Council.
- d. Budgets for the General and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts presented in the general purpose financial statements are as originally adopted and amended.

D. Encumbrances

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

E. Investments

Investments are stated at cost, which approximates market. (See Note 2)

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. General fixed assets

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost in the General Fixed Assets Account Group. Contributed fixed assets are recorded at estimated fair market value at the time received.

Fixed assets consisting of certain improvements (other than buildings and street improvements funded by General Obligation Bonds) including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have not been capitalized prior to 1980. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures is satisfied without recording these assets.

No depreciation has been provided on general fixed assets and no interest has been capitalized.

G. Property, plant and equipment – enterprise funds

Property, plant and equipment owned by Enterprise Funds are stated at cost or estimated fair market value at the date contributed. Depreciation has been provided on a straight-line basis over the estimated useful lives of the respective assets as follows:

Buildings, structures and improvements	20 & 50 years
Machinery and equipment	4 - 10 years
No interest has been capitalized.	

H. Compensated absences

Vacation, sick leave and compensatory time are granted to City employees in limited amounts. Accumulated vested amounts that are expected to be liquidated with expendable available financial resources are accrued as expenditures and fund liabilities in the General Fund and Enterprise Funds. Liabilities accrued as of September 30, 1999, by fund are:

General Fund	\$ 110,520
Water and Sewer Fund	14,264
Ambulance Fund	0
Economic Development Corp.	0
	\$ 124,784

I. Reserves

Retained earnings have been reserved for the excess of restricted assets over related liabilities.

J. Unbilled charges

Unbilled utility service charges of the Water and Sewer Fund at year end are estimated and recorded as receivables, net of estimated uncollectibles.

K. Transactions between funds

Residual equity transfers between funds are reported as changes to fund balances of governmental funds and contributed capital of the proprietary funds. There were none this year.

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

All other transfers between funds are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

NOTE 2 - CASH AND INVESTMENTS

The City maintains a cash pool and an investment pool that is available for use by all funds. Each fund type's portion of these pools is displayed on the combined balance sheet as "Cash" and "Investments". In addition, investments are separately held by several of the City's funds.

Deposits

At year-end, the carrying amount of the City's cash on hand and deposits was \$ 568,774 (including deposits in transit) and the bank balance was \$ 567,877. The bank balance was entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Investments

The City in general, is authorized to invest its public funds in any obligations or securities described in Section 2 or 3 of the Public Funds Investment Act of 1987 as amended; and, specifically three government pools within certain limitations.

The City's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

	CATEGORY			CARRYING AMOUNT	MARKET VALUE
	1	2	3		
None	\$ 0	\$ 0	\$ 0	\$	\$
Mutual funds/pools: (not subject to category placement)					
Texpool				2,627,718	2,627,718
Lone Star Investment Pool				2,422,768	2,422,768
Local Government Investment Cooperative				2,509,629	2,509,629
Total Investments				\$ 7,560,115	\$ 7,560,115

Investments during the fiscal year ended September 30, ²⁰⁰⁰~~1999~~ were limited to governmental pools investing in government securities and to U. S. Treasury obligations only.

NOTE 3 - PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each October 1 on the assessed value for all real property and certain personal property located in the City. The assessed value, net of exemptions, upon which the fiscal 1998-99 levy was based was approximately \$ 187,300,999.

General property taxes are limited by the Texas Constitution to \$1.50 per \$100 of assessed valuation. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 1999 was \$.611377 per \$100.00 of assessed valuation.

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

Property taxes are due by January 31 following the levy date. Current tax collections for the year ended September 30, 1999 were 97.19% of the tax levy. Property taxes are being collected by Tarrant County for the City.

NOTE 3 - PROPERTY TAX (continued)

Property taxes of \$ 1,145,115 were levied for 1998-99 and are recorded as receivables, net of estimated uncollectibles. The net receivables collected and those considered "available" at September 30, 1999 (i.e., property taxes collected within 60 days of year-end) are recognized as revenues in 1999. Prior year levies were recorded using these same principles. The remaining receivables are reflected as deferred revenue.

The appraisal of property within the City is the responsibility of a county-wide Appraisal District as required by legislation passed by the Texas Legislature. The Appraisal District is required under such legislation to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of the property within the Appraisal District must be reviewed every two years; however, the City may, at its own expense, require annual reviews of appraised values.

NOTE 4 - DUE FROM OTHER GOVERNMENTS

The amounts due for City sales tax revenue for September 1999 are \$ 45,539 for the General Fund and \$15,180 for the Economic Development Corporation (Special Revenue Fund).

NOTE 5 - FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>BALANCE OCTOBER 1 1998</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE SEPTEMBER 30 1999</u>
Land, buildings and improvements	\$ 1,634,886	\$ 50,172	\$ -	\$ 1,685,058
Machinery and equipment	1,874,773	644,721	119,763	2,399,731
Streets and other improvements	<u>3,438,262</u>	<u>882,755</u>	<u>-</u>	<u>4,321,017</u>
	<u>\$ 6,947,921</u>	<u>\$ 1,577,648</u>	<u>\$ 119,763</u>	<u>\$ 8,405,806</u>

A summary of proprietary fund type property, plant and equipment at September 30, 1999 follows:

	<u>WATER AND SEWER FUND</u>	<u>AMBULANCE FUND</u>
Land	\$ 66,060	\$ -
Buildings, structures and improvements	8,273,970	
Machinery and equipment	<u>400,954</u>	<u>164,086</u>
	8,740,984	164,086
Less accumulated depreciation	<u>2,561,331</u>	<u>159,573</u>
	<u>\$ 6,179,653</u>	<u>\$ 4,513</u>

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE 5 - FIXED ASSETS (continued)

CAPITAL LEASES

Leased property at September 30, 1999 under Capital leases is capitalized in general fixed assets - Machinery and equipment in the amount of \$453,868.

The following is a schedule by years of future minimum lease payments under Capital leases together with the present value of the net minimum lease payments as of September 30, 1999:

Year ending September 30:

2000	\$	45,987
2001		45,987
2002		45,987
2003		45,986
Total minimum lease payments		<u>183,947</u>
Less: Amount representing interest		<u>28,110</u>
Present value of net minimum lease payments	\$	<u><u>155,837</u></u>

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE 6 - RISK MANAGEMENT

The City carries its general insurance risks with a public entity risk pool by transferring all risks to the insurance carrier except for small deductible amounts.

NOTE 7 - EMPLOYEE PLANS

a. Deferred Compensation Plan

The government offers its employees a deferred compensation plan administered by a trust established by public employers in which the deferred amounts are not held by nor required to be considered assets of the City and are not subject to the claims of the City's general creditors. No costs or liabilities are incurred by the City.

b. Volunteer Fire/Ambulance Incentive Program (VIP)

This program was established March 9, 1989 by City Council as an incentive to encourage volunteers to join and/or stay in the program by providing life insurance and savings plan benefits. All costs are to be paid by the City and includes furnishing \$10,000 of term life insurance and \$200 per year in the savings plan for each volunteer. The volunteers may continue the insurance coverage at their own expense in case of departure. The savings program vests 75% after 10 years up to 100% after 15 years. The City reserves the right to discontinue the program at anytime by giving 30 days notice.

There were no contributions by the City to the savings plan for the current year. The balance including interest in the cash account at September 30, 1999 was \$25,899. Life insurance premiums paid during the year amounted to \$378.

c. Cafeteria Plan (IRC Sec 125)

Plan benefits consist of a health plan (hospitalization) and a dental plan for which the City pays the employee portion of the premiums. Dependent coverage is funded by charges to employees. Disability and accident coverage is paid entirely by employees.

d. Pension Plan

1. Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 700 administered by TMRS, an agent multiple-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.

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE 7 - EMPLOYEE PLANS (continued)

Members can retire at ages 60 and above with 10 or more years of service or with 25 years of service regardless of age. A member is vested after 10 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.

2. Contributions

The contribution rate for the employees is 5%, and the City matching ratio is currently 1 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. Currently, the unfunded actuarial liability is being amortized over the 25-year period which began January 1997. 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, 1997 valuation is effective for rates beginning January 1999)

3. Pension Costs

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9-30-99	\$ 67,549	100%	\$ -
9-30-98	62,573	100	-
9-30-97	53,653	100	-
9-30-96	46,555	100	-

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE 7 - EMPLOYEE PLANS (continued)

SCHEDULE OF ACTUARIAL LIABILITIES AND FUNDING PROGRESS

Actual Valuation Date	12/31/1998	12/31/1997	12/31/1996	12/31/1995	12/31/1994	12/31/1993	12/31/1992
Actuarial Value of Assets	\$ 777,298	\$ 608,210	\$ 467,764	\$ 354,003	\$ 238,125	\$ 142,835	N/A
Actuarial Accrued Liability	968,216	794,014	637,826	514,580	382,968	279,865	N/A
Percentage Funded	80.3%	76.6%	73.3%	68.8%	62.1%	51.0%	N/A
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	190,918	185,804	170,062	160,577	144,843	137,330	N/A
Annual Covered Payroll	1,574,885	1,479,614	1,381,292	1,284,812	1,137,004	1,084,343	689,087 *
UAAL as a Percentage of Covered Payroll	12.1%	12.6%	12.3%	12.5%	12.7%	12.6%	-
Net Pension Obligation (NPO) at the Beginning of Period	-	-	-	-	-	-	-
Annual Pension Cost: Annual required contribution (ARC)	67,549	54,516	55,942	48,052	40,772	39,686	25,909
Contributions Made Increase in NPO	67,549	54,516	55,942	48,052	40,772	39,686	25,909
NPO at the end of the Period	-	-	-	-	-	-	-
	<u>\$ -</u>						
City began participation April, 1, 1992							

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE 8 - LONG-TERM DEBT

Long-term debt transactions of the City for the year ended September 30, 1999, were as follows:

	<u>DATE OF ISSUE</u>	<u>ORIGINAL AMOUNT</u>	<u>BALANCE AT 10-01-98</u>	<u>DEBT INCURRED</u>	<u>DEBT RETIRED</u>	<u>BALANCE AT 09-30-99</u>	<u>INTEREST RATE</u>	<u>MATURITY DATES</u>
GENERAL LONG-TERM DEBT GROUP								
<u>General Obligation Bonds</u>								
Sewer system	11/01/62	\$ 30,000	\$ 20,000	\$ -	\$ 10,000	\$ 10,000	5.5%	2000
Sewer construction	07/10/64	25,000	25,000	-	-	25,000	5.0%	2001-2002
Sewer system	05/01/65	15,000	15,000	-	-	15,000	5.5%	2003
TOTAL BONDS			60,000	-	10,000	50,000		
<u>Certificates of Obligation</u>								
* Series 1996	03/01/96	172,900	148,200	-	15,200	133,000	4.25-5.5%	2000-2006
* Series 1998	11/01/98	3,100,000		3,100,000	-	3,100,000	4.8-5.875%	2004-2024
TOTAL CERTIFICATES OF OBLIGATION			148,200	3,100,000	15,200	3,233,000		
<u>Other Long-Term Debt</u>								
<u>To Whom Payable</u> <u>Security</u>								
Liabilities on Capital Lease/Purchase:								
Corporation	Copier Equipment	03/02/94	12,789	1,065	-	1,605	-	
Corporation	Radio Equipment	05/24/93	323,291	188,656	-	32,818		
Corporation	Fire Truck	05/13/99	446,200		446,200		6.98	2000-2003
TOTAL OTHER			190,261	446,200	34,423	602,038	5.68	2000-2014
TOTALS PER GENERAL LONG-TERM DEBT ACCOUNT GROUP			\$ 398,461	\$ 3,546,200	\$ 59,623	\$ 3,885,038		

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE 8 - LONG-TERM DEBT (continued)

Long-term debt transactions of the City for the year ended September 30, 1999, were as follows:

	<u>DATE OF ISSUE</u>	<u>ORIGINAL AMOUNT</u>	<u>BALANCE AT 10-01-98</u>	<u>DEBT INCURRED</u>	<u>DEBT RETIRED</u>	<u>BALANCE AT 09-30-99</u>	<u>INTEREST RATE</u>	<u>MATURITY DATES</u>
WATER AND SEWER FUND								
	<u>Certificates of Obligation</u>							
* Series 1996	3/1/1996	282,100 \$	241,800 \$	-	24,800 \$	217,000 \$	4.25-5.50	2000-2006
* Series 1998	11/1/1998	2,050,000		2,050,000		2,050,000	4.75-5.875	2002-2021
		<u>\$ 241,800</u>	<u>\$ 2,050,000</u>	<u>\$ 2,050,000</u>	<u>\$ 24,800</u>	<u>\$ 2,267,000</u>		
				<u>3/1/1996</u>	<u>11/1/1998</u>			
* Combination Tax and Revenue Certificates of Obligation			\$ 455,000	\$ 5,150,000				
Less: Revenue certificates to be paid by the Water & Sewer Fund			<u>282,100</u>	<u>2,050,000</u>				
BALANCE - TAX CERTIFICATES			<u>\$ 172,900</u>	<u>\$ 3,100,000</u>				

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE 8 – LONG-TERM DEBT (continued)

The annual requirements to amortize all debt outstanding as of September 30, 1999, including interest of \$4,150,270 are as follows:

<u>FISCAL YEAR ENDED</u>	<u>GENERAL LONG TERM DEBT GROUP</u>	<u>PROPRIETARY DEBT</u>	<u>TOTAL DEBT</u>
2000	388,260	213,065	601,325
2001	271,620	134,510	406,130
2002	275,290	196,248	471,538
2003	275,542	194,063	469,605
2004	300,117	193,517	493,634
2005	300,538	195,655	496,193
2006	300,534	197,286	497,820
2007	276,880	154,971	431,851
2008	272,286	156,362	428,648
2009	272,583	157,534	430,117
2010	272,661	158,487	431,148
2011	282,302	154,331	436,633
2012	276,614	155,065	431,679
2013	275,801	155,568	431,369
2014	274,715	155,810	430,525
2015	228,350	155,775	384,125
2016	231,561	155,458	387,019
2017	234,281	154,884	389,165
2018	231,618	158,935	390,553
2019	233,477	157,540	391,017
2020	234,735	155,806	390,541
2021	230,591	158,681	389,272
2022	231,040	0	231,040
2023	230,960	0	230,960
2024	230,400	0	230,400
	<u>\$ 6,632,756</u>	<u>\$ 3,669,551</u>	<u>\$ 10,302,307</u>

The ordinances of authorizing the issuance of General Obligation Bonds created the Debt Service Fund. All taxes levied and collected for and on account of said bonds are pledged to the Debt Service Fund in amounts authorized by the City Council, but never less than annual maturing interest and principal requirements. \$6,369 is available in the Debt Service Fund to service the General Obligation Bonds.

NOTE 9 - SEGMENTS OF ENTERPRISE ACTIVITIES

This requirement is effectively met in this report by the combined financial statement presentations because the City maintains only two Enterprise Funds, and both are reported individually in the statements.

*prin 2267050
int 1402551*

*2021
2000
22*

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE 10 - TRANSACTIONS BETWEEN FUNDS

Individual fund interfund receivable and payable balances at September 30, 1999, were as follows:

FUND	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 14	\$ 57,049
Water & Sewer Fund	57,049	33,264
Ambulance Fund	3,351	14
Capital Improvements	29,913	
	\$ 90,327	\$ 90,327

The Water & Sewer Fund paid the General Fund \$ 323,585 as its share of overhead expense as authorized in the budget. The charges are classified as intergovernmental charges.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

A sewer contract with the City of Fort Worth is based on volume and is paid monthly.

A garbage disposal contract with a third party commercial contractor is paid monthly with a portion retained as franchise revenue.

The Council has authorized \$1,000,000 for the construction of a municipal complex and \$872,894 for a deep water well and related storage facility.

NOTE 12 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 2000.

The City has completed an inventory of computer systems that may be affected by the Year 2000 issue and that are necessary to conducting the City's operations.

The financial reporting system has been assessed, remediated and tested and validated.

The City utilizes an external service organization for its payroll and employee benefit system. The external service organizations are responsible for remediating these systems.

Tarrant County collects property taxes for distribution to the City. Tarrant County is responsible for remediating its tax collection system.

The SCADA control system for the water and sewer system has been assessed, remediated, and tested and validated. The radio tracking system has been assessed, remediated, and tested and validated.

The 911 system has been assessed, remediated, and tested and validated. The radio system for the Police Department has been assessed, remediated, tested and validated.

Because of the unprecedented nature of the Year 2000 issue, its effect and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the City is or will be Year 2000 ready, that the City's remediation efforts will be successful in whole or in part, or that parties with whom the City does business will be year 2000 ready.