



PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

To the Honorable Mayor and City Council  
City of Kennedale, Texas

In planning and performing our audit of the basic financial statements of the City of Kennedale, Texas, for the year ended September 30, 2005, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of certain matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 28, 2005, on the basic financial statements of the City of Kennedale, Texas.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Pattillo, Brown & Hill, L.L.P.*

November 28, 2005

# CITY OF KENNEDALE, TEXAS

## COMMENTS AND SUGGESTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

### PURCHASING PROCEDURES

It is the City's policy that all items purchased over \$1,000 require three quotes. While reviewing the purchasing procedures, it was noted that three quotes were not always received when ordering computers. The City has been ordering only Dell Computers in order to maintain continuity in the information systems. In order to comply with the City's purchasing policies, we recommend that the City either establish an agreement to purchase computers from the chosen provider or gather at least three quotes prior to purchasing computers.

### PRIOR YEAR COMMENTS

### ECONOMIC CONDITION REPORTING: THE STATISTICAL SECTION

#### *Prior Year Comment:*

Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section*, issued in May 2004, establishes new guidelines for guidelines for preparing the statistical section of a Comprehensive Annual Financial Report (CAFR). GASB Statement No. 44 enhances and updates the statistical section that accompanies the City's basic financial statements to reflect the significant changes that have taken place in government finance, including the more comprehensive government-wide financial information required by GASB Statement No. 34. The Statistical Section will be required to contain the following five categories:

- Financial Trends – trend information to help readers understand how the City's financial performance and well-being have changed over time.
- Revenue Capacity – information to help readers assess the City's most significant local revenue source—its property tax.
- Debt Capacity – information to help readers assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.
- Demographic and Economic Information – offer demographic and economic indicators to help readers understand the environment within which the City's financial activities take place.
- Operating Information – contains service and infrastructure data to help readers understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

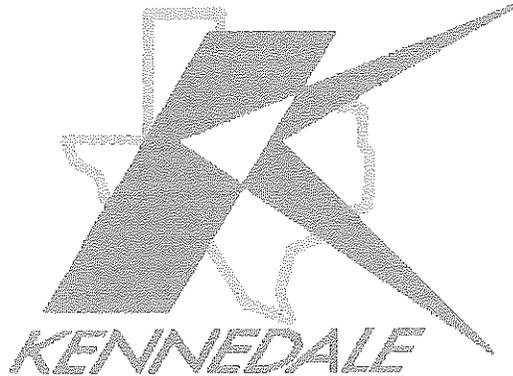
The Government Finance Officers Association (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kennedale, Texas for its Comprehensive Annual Financial Report (CAFR) for three consecutive years. In order to continue to receive this prestigious award, the City will be required to implement the new standard in the fiscal year ending September 30, 2006. We recommend the City become familiar with the new statistical section requirements in order to ensure that all necessary information is available in the year of implementation.

***Current Status:***

The City is working toward complying with these changes for the fiscal year 2006 CAFR.

\* \* \* \* \*

Thank you for the opportunity to be of service to the **City of Kennedale, Texas**. We appreciate the assistance and cooperation shown our personnel during our audit.

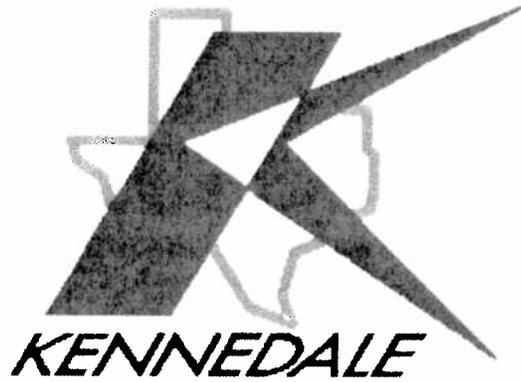


**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CITY OF KENNEDALE, TEXAS**

**YEAR ENDED  
SEPTEMBER 30, 2005**

**PATTILLO, BROWN & HILL, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CITY OF KENNEDALE, TEXAS**

**YEAR ENDED  
SEPTEMBER 30, 2005**

**Prepared by: Department of Finance**

**CITY OF KENNEDALE, TEXAS**

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**INTRODUCTORY SECTION**

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November 28, 2005

Honorable Mayor and City Council,  
Citizens of Kennedale:

The Comprehensive Annual Financial Report (CAFR) of the City of Kennedale, Texas (the "City"), for the fiscal year ended September 30, 2005, is submitted herewith. This report is published to provide the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City has implemented a dramatic change in governmental financial reporting according to Government Accounting Standards Board (GASB). We believe this new presentation will provide better information to users of the CAFR. This new report model 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's MD&A can be found immediately following the independent auditor's report.

The CAFR is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the government's organizational chart and a list of principal officials. The financial section includes the MD&A, Governmental-wide and Major Fund presentations, Required Supplementary Information, combining individual fund statements, as well as the independent auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

## **PROFILE OF THE GOVERNMENT**

The City of Kennedale was incorporated in 1947. The City of Kennedale is located at the apex of the southeast corner of Fort Worth and the southwest border of Arlington in south Tarrant County. The City currently occupies a land area of 6.5 square miles and serves a population of 6,150. The City is empowered to levy property tax on both real and business personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically, when deemed appropriate by the governing council.

The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in even-numbered years and the other terms of the three Councilmembers expiring in odd-numbered years. The City Council is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Secretary, and Municipal Judges. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the executive directors, and heads of departments, and the performance of functions within the municipal organization.

The City of Kennedale provides a full range of services including police, fire, emergency ambulance service, municipal court, library, parks, recreation, water, sewer, refuse collection and disposal, streets and infrastructure, community development (planning and zoning), public improvements, and general administrative services.

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of Kennedale as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are legally separate entities and not part of the primary government's operations. The Kennedale Economic Development Corporation (KEDC) is included in the financial statements as a discretely presented component unit.

The annual budget serves as the foundation for the City of Kennedale's financial planning and control. All agencies of the City of Kennedale are required to submit requests for appropriation to the City Manager on or before June each year. These requests are used to develop a proposed budget. The proposed budget is then presented to the City Council for review on or before August. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City of Kennedale's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Transfer of appropriations within a department and within funds may be made with approval from City Manager. Transfers between funds or additional appropriation require the approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

## **INFORMATION USEFUL IN ASSESSING THE GOVERNMENT'S ECONOMIC CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Kennedale operates.

**LOCAL ECONOMY:** After an election in July of 1947, the Town of Kennedale was incorporated with a population of 300 people. By 1950, the population had increased to 500 residents and a petition to the State of Texas was approved which changed the Township into a recognized City.

The City of Kennedale is located at the apex of the southeast corner of Fort Worth and the southwest border of Arlington in south Tarrant County. Kennedale is becoming one of Tarrant County's fastest growing cities. Fronted by the major highways of I-20 and 287, the City provides an excellent location for major retail and professional businesses. This transportation corridor provides quick and easy access to the Dallas/Fort Worth Intercontinental Airport, downtown Fort Worth just 15 minutes to the west, and downtown Dallas just 20-25 minutes to the east. Furthermore, the City of Kennedale is within just a short drive to major entertainment venues including but not limited to Six Flags over Texas, Hurricane Harbor, Texas Motor Speedway, and the Amerquest Field in Arlington, home of the Texas Rangers baseball team.

Kennedale has experienced steady population growth in the last decade. Beautiful Village Creek slowly winds through the City and provides a tranquil feeling throughout the community. Current and future subdivisions are designed on oversized lots, which result in spacious residential areas that compliment the coveted rural setting.

Currently the City is approximately 7 square miles with the vast majority of this land undeveloped. This allows for selective locations for the incoming developments and pulls the citizen away from the crowds and traffic congestion of a major metropolitan city. As the economy continues to grow and expand into North Texas, Kennedale will be the leading choice for businesses and families alike.

The Kennedale Economic Development Corporation (KEDC) was formed in 1996 to spearhead the anticipated growth of the City. The KEDC is funded by a voter approved, half cent sales tax, which is used to offer grants and other economic incentives to existing and new businesses. The KEDC has successfully upgraded and improved the infrastructure of the City in preparation for commercial and retail businesses locating in Kennedale. With a vision in mind for the future, the KEDC recently teamed with the University of Texas at Arlington for a comprehensive redevelopment plan that is geared toward establishing a Town Square atmosphere. The plan was presented to the Economic Development Board and to the City Council. Currently this redevelopment plan serves as a guide for a comprehensive and detailed plan for the anticipated town square.

## **LONG-TERM FINANCIAL PLANNING**

**CURRENT YEAR PROJECTS.** Current year capital projects include the installation of a sewer connection for the OakCrest Addition of the City. This connection involves a sewer metering station to the Fort Worth outfall line and additional piping to serve the area. The widening of Business Highway 287 (Kennedale Parkway) to a five lane major thoroughfare is on going with an estimated completion date of April 2006. A new 8 inch water line will be constructed on Broadway Street to replace an aging main. In addition the City has negotiated a tax share agreement with a neighboring city to encourage and promote retail development along mutual borders. That proposed retail development has received zoning approval from both cities.

**FUTURE PROJECTS.** A priority is being placed on infrastructure improvements in the upcoming fiscal years. These improvements include but are not limited to the acquisition of the Kee Branch water system from the City of Arlington and the realignment and construction of Bowman Springs Road. A major focus for the City is to make a wholesale connection to the City of Fort Worth water system to provide the needed water for the future growth of Kennedale. It is anticipated that construction will begin during 2006. The City recently completed a Capital Improvement Plan (CIP) which focused on infrastructure needs. This plan highlighted the need for the City to start looking at viable options regarding future water and sewer needs. The CIP was presented to the City Council and the authorization was given to investigate funding options. The City also will be constructing a new library/community center facility sometime during 2006.

**Cash management policies and practices.** Cash temporarily idle during the year can be invested in demand deposits and investment pools. The City has adopted an investment policy to further document the goals and strategy of the City's investment and cash management program. At September 30, 2005, the fair value of the City's investments totaled \$7,407,625 with \$217,005 (2.93%) in bank deposit, and \$7,190,620 (97.07%) in local government investment pools. Investment income generated for the year for all funds within the primary government was \$142,130. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amount, especially in the case of temporary changes in fair value of investments that the City intends to hold to maturity.

**Risk Management.** The City participates in the Texas Municipal League Risk Pool ("TML") for general liability, property, workers' compensation and crime insurance. The City has various deductible amounts ranging from \$500 to \$5000 on various policies. Claims over the self-insured deductibles are covered by TML.

## **AWARDS AND ACKNOWLEDGEMENTS**

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kennedale for its CAFR for the fiscal year ended September 30, 2004. This was the third consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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

**Acknowledgments.** The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and our independent auditors. We would like to express our sincere appreciation to those persons who have made possible the publication of this report. We would also like to thank the mayor and the members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully Submitted,

David Miller  
City Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kennedale,  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2004

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.



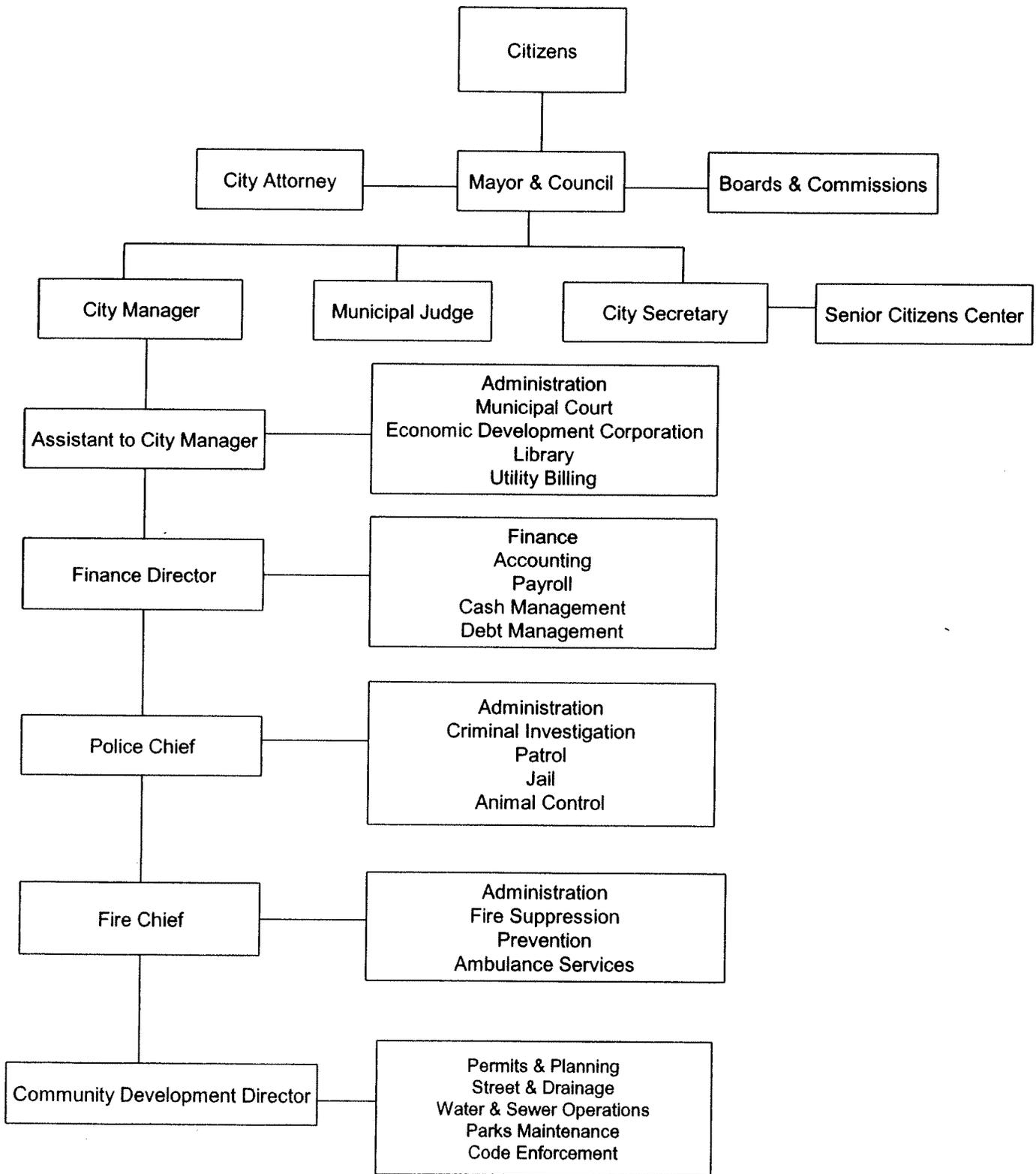
*Carla E. Perry*

President

*Jeffrey R. Egan*

Executive Director

# City of Kennedale, Texas Organization Chart



**CITY OF KENNEDALE, TEXAS**

**PRINCIPAL OFFICIALS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

**ELECTED OFFICIALS**

Mayor  
Council Member/Mayor Pro Tem  
Council Member  
Council Member  
Council Member  
Council Member

Jim Norwood  
George Barrett  
John Clark  
David Green  
Brian Johnson  
Ronnie Nowell

**APPOINTED OFFICIALS**

City Manager  
Assistant to City Manager  
Director of Finance  
Police Chief  
City Secretary  
Director of Community Development

David Miller  
Margaret Eichelberger  
Li Jen Lee  
Jim Rutledge  
Kathy Turner  
Mark White

**FINANCIAL SECTION**

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Kennedale, Texas, as of and for the year ended September 30, 2005, 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 Kennedale's management. Our responsibility is to express an opinion 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kennedale, Texas, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund 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 3 through 10 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 Kennedale, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, 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 nonmajor fund financial statements and schedules 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.

*Patillo, Brown + Hill, L.L.P.*

November 28, 2005

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kennedale, we offer readers of the City of Kennedale financial statements, this narrative overview, and analysis of the financial activities of the City of Kennedale for the fiscal year ended September 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the accompanying basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Kennedale exceeded its liabilities at the close of the most recent fiscal year by \$24,240,646. Of this amount, \$3,137,088 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Kennedale's net assets increased by \$2,901,604. This increase is primarily the result of an increase in revenues due to contributions from developers for streets and water lines.
- As of the close of the current fiscal year, the City of Kennedale's governmental funds reported combined ending fund balances of \$4,037,693, an increase of \$1,168,251 in comparison with the prior year. Approximately, 98.68% of this amount, \$3,984,312, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$1,954,867 or 39.39% of total General Fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net assets presents information on all of the City of Kennedale's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Kennedale 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 these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net assets and the statement of activities are prepared utilizing the full accrual basis of accounting.

In the Statement of Net Assets and the Statement of Activities, the primary government is divided into two kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including administrative, police, fire, municipal court, community development, public works, parks, senior citizen center and library. Property taxes, sales taxes, franchise fees, license and permit fees finance most of these activities.
- **Business-type activities** – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water and wastewater system and solid waste system are reported here.

The government-wide financial statements include not only the City of Kennedale itself (known as the primary government), but also a legally separate economic development corporation. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kennedale, 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 Kennedale can be divided into two categories: governmental funds and proprietary 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, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as 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 decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Kennedale maintains 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other 9 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Kennedale adopts an annual appropriated budget for its General Fund and Debt Service Fund. Budgetary comparison statements have been provided for the General Fund and the Debt Service Fund to demonstrate compliance with the budget.

**Proprietary funds.** The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. There is one type of proprietary fund: Enterprise Fund. The City's Enterprise Fund is identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City of Kennedale maintains one individual Enterprise Fund to account for its water and wastewater, and solid waste. This fund is considered to be a major fund of the City.

**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. The notes to the financial statements can be found in the financial section.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, over time net assets may serve as a useful indicator of a government's financial position. In the case of the City of Kennedale, assets exceeded liabilities by \$24,240,646 at the close of the most recent fiscal year. By far the largest portion of the City's net assets (\$18,397,406 or 75.9%) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## CITY OF KENNEDALE'S NET ASSETS

|  | Governmental Activities         |                             | Business-type Activities   |                            | Totals                      |                             |
|--|---------------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
|  | Activities<br>2005              | Activities<br>2004          | Activities<br>2005         | Activities<br>2004         | 2005                        | 2004                        |
|  | <b>Current and other assets</b> | <b>\$ 4,650,345</b>         | <b>\$ 3,431,203</b>        | <b>\$ 2,090,263</b>        | <b>\$ 1,884,381</b>         | <b>\$ 6,740,608</b>         |
| Capital assets   | <u>14,726,128</u>               | <u>13,518,573</u>           | <u>10,197,068</u>          | <u>9,315,288</u>           | <u>24,923,196</u>           | <u>22,833,861</u>           |
| <b>Total assets</b>  | <u><b>19,376,473</b></u>        | <u><b>16,949,776</b></u>    | <u><b>12,287,331</b></u>   | <u><b>11,199,669</b></u>   | <u><b>31,663,804</b></u>    | <u><b>28,149,445</b></u>    |
| <b>Long-term liabilities</b>                                   | <b>4,034,852</b>                | <b>3,404,398</b>            | <b>2,164,739</b>           | <b>2,383,373</b>           | <b>6,199,591</b>            | <b>5,787,771</b>            |
| Other liabilities  | <u>578,197</u>                  | <u>511,617</u>              | <u>645,370</u>             | <u>626,271</u>             | <u>1,223,567</u>            | <u>1,137,888</u>            |
| <b>Total liabilities</b>                                       | <u><b>4,613,049</b></u>         | <u><b>3,916,015</b></u>     | <u><b>2,810,109</b></u>    | <u><b>3,009,644</b></u>    | <u><b>7,423,158</b></u>     | <u><b>6,925,659</b></u>     |
| <b>Net assets:</b>   |                                 |                             |                            |                            |                             |                             |
| <b>Invested in capital assets,<br/>    net of related debt</b> | <b>10,564,804</b>               | <b>10,952,522</b>           | <b>7,832,602</b>           | <b>6,743,151</b>           | <b>18,397,406</b>           | <b>17,695,673</b>           |
| <b>Restricted</b>  | <b>2,070,810</b>                | <b>301,751</b>              | <b>635,342</b>             | <b>434,741</b>             | <b>2,706,152</b>            | <b>736,492</b>              |
| <b>Unrestricted</b>  | <u><b>2,127,810</b></u>         | <u><b>1,779,488</b></u>     | <u><b>1,009,278</b></u>    | <u><b>1,012,133</b></u>    | <u><b>3,137,088</b></u>     | <u><b>2,791,621</b></u>     |
| <b>Total net assets</b>  | <u><b>\$ 14,763,424</b></u>     | <u><b>\$ 13,033,761</b></u> | <u><b>\$ 9,477,222</b></u> | <u><b>\$ 8,190,025</b></u> | <u><b>\$ 24,240,646</b></u> | <u><b>\$ 21,223,786</b></u> |

An additional portion of the City of Kennedale's net assets (\$2,706,152, or 11.16%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$3,137,088 or 12.94%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported a positive balance in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

During the current fiscal year, the City's net assets increased by \$2,901,604. This increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. The key elements of this increase are as follows:

## CITY OF KENNEDALE'S CHANGES IN NET ASSETS

|                                    | Governmental Activities |                      | Business-type Activities |                     | Totals               |                      |
|------------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|                                    | 2005                    | 2004                 | 2005                     | 2004                | 2005                 | 2004                 |
| <b>Revenues:</b>                   |                         |                      |                          |                     |                      |                      |
| <b>Program revenues:</b>           |                         |                      |                          |                     |                      |                      |
| Charges for services               | \$ 1,497,288            | \$ 1,190,731         | \$ 2,495,593             | \$ 2,113,109        | \$ 3,992,881         | \$ 3,303,840         |
| Operating grants and contributions | 139,802                 | 108,948              | -                        | -                   | 139,802              | 108,948              |
| Capital grants and contributions   | 1,346,349               | 3,432                | -                        | -                   | 1,346,349            | 3,432                |
| <b>General revenues:</b>           |                         |                      |                          |                     |                      |                      |
| Property taxes                     | 2,504,352               | 2,402,791            | -                        | -                   | 2,504,352            | 2,402,791            |
| Other taxes                        | 1,472,481               | 1,524,724            | -                        | -                   | 1,472,481            | 1,524,724            |
| Other revenues                     | 224,433                 | 149,432              | 999,539                  | 42,773              | 1,223,972            | 192,205              |
| <b>Total revenues</b>              | <u>7,184,705</u>        | <u>5,380,058</u>     | <u>3,495,132</u>         | <u>2,155,882</u>    | <u>10,679,837</u>    | <u>7,535,940</u>     |
| <b>Expenses:</b>                   |                         |                      |                          |                     |                      |                      |
| General government                 | 1,053,375               | 950,507              | -                        | -                   | 1,053,375            | 950,507              |
| Public safety                      | 3,305,087               | 2,919,840            | -                        | -                   | 3,305,087            | 2,919,840            |
| Public works                       | 909,595                 | 965,265              | -                        | -                   | 909,595              | 965,265              |
| Culture and recreation             | 138,623                 | 131,418              | -                        | -                   | 138,623              | 131,418              |
| Interest on long-term debt         | 163,618                 | 159,817              | -                        | -                   | 163,618              | 159,817              |
| Water and wastewater               | -                       | -                    | 2,207,935                | 2,151,422           | 2,207,935            | 2,151,422            |
| <b>Total expenses</b>              | <u>5,570,298</u>        | <u>5,126,847</u>     | <u>2,207,935</u>         | <u>2,151,422</u>    | <u>7,778,233</u>     | <u>7,278,269</u>     |
| Change in net assets               | 1,614,407               | 253,211              | 1,287,197                | 4,460               | 2,901,604            | 257,671              |
| Net assets, beginning              | 13,033,761              | 12,780,550           | 8,190,025                | 8,185,565           | 21,223,786           | 20,966,115           |
| Prior period adjustment            | 115,256                 | -                    | -                        | -                   | 115,256              | -                    |
| <b>Net assets, ending</b>          | <u>\$ 14,763,424</u>    | <u>\$ 13,033,761</u> | <u>\$ 9,477,222</u>      | <u>\$ 8,190,025</u> | <u>\$ 24,240,646</u> | <u>\$ 21,223,786</u> |

**Governmental activities.** Governmental activities net assets increased by \$1,614,407, accounting for 55.64% of the total growth in the net assets. The increase was due to contributions from developers for streets in new developments.

**Business-type activities.** Business-type activities net assets increased by \$1,287,197 accounting for 44.36% of the total growth in the net assets. Gross revenue of the Water and Sewer Fund was \$3,495,132 for the fiscal year, which is \$1,339,250 greater than 2003-2004 fiscal year gross revenue, \$2,155,882. This increase is a result of an increase in water and sewer rates and contributions from developers of water and sewer lines in new developments. Direct operating expenses, excluding depreciation, was \$1,759,069 for the fiscal year. Direct operating expenses are \$11,098 greater than 2003-2004 fiscal year direct operating expenses, \$1,747,971, due to increases in wastewater administration costs.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the 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.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,037,693. Approximately 98.68% of this total amount (\$3,984,312) constitutes unreserved fund balance. The remainder of the fund balance (\$53,381) is reserved to indicate that is not available for new spending because it has already been committed to pay for debt service or to provide for other items.

The General Fund is the chief operating fund of the City of Kennedale. At the end of the current fiscal year, 100% of the General Fund balance (\$1,954,867) was unreserved. As a measure of the General Fund's liquidity, it may be useful to compare unreserved General Fund balance and total General Fund expenditures. Unreserved fund balance represents 39.39% of total General Fund expenditures.

In the General Fund, the City budgeted for an increase of fund balance in the amount of \$282,163. The General Fund balance increased by \$195,165, or 11.1% during the current fiscal year. Significant revenue increases were in the following areas:

- Property tax
- Licenses and permits
- Public safety fees
- Intergovernmental revenues
- Investment earnings

The Debt Service Fund has a total fund balance of \$53,381, all of which is reserved for the payment of debt.

**Proprietary funds.** At the end of the year, unrestricted net assets for Water and Sewer Fund was \$1,009,278. The total growth in net assets for the fund was \$1,287,197. See business-type activity discussion above.

**General Fund budgetary highlights.** The actual expenditures for the year were \$4,962,967, which was \$100,471 higher than the budget.

For FY 2004-05, the actual revenues were \$5,255,319 as compared to the budget amount of \$5,241,846. Contributing to the variance was higher than anticipated revenues from property taxes (\$43,813 higher than the budget), public safety fees (\$68,957 higher than the budget) and investment earnings (\$44,452 higher than the budget). Also contributing to the variance were lower than anticipated revenues from licenses and permits (\$95,806 lower than the budget) and fines and forfeitures (\$91,336 lower than the budget).

With higher revenues and higher expenditures, the General Fund balance increased by \$195,165, which was \$86,998 lower than the final budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** The investment in capital assets for its governmental and business type activities as of September 30, 2005, amounts to \$24,923,196 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, infrastructure, construction work in progress, and water and sewer systems. Approximately 59.09% of the capital assets are governmental and 40.91% are business type activities.

### CITY OF KENNEDALE'S CAPITAL ASSETS AT YEAR-END

|   | Governmental Activities |                      | Business-type Activities |                     | Totals               |                      |
|---|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|   | 2005                    | 2004                 | 2005                     | 2004                | 2005                 | 2004                 |
| Land  | \$ 645,650              | \$ 595,960           | \$ 173,443               | \$ 173,443          | \$ 819,093           | \$ 769,403           |
| Buildings and improvements                          | 3,081,040               | 3,115,888            | 2,107,181                | 2,107,181           | 5,188,221            | 5,223,069            |
| Machinery and equipment                             | 2,178,559               | 1,918,124            | 330,687                  | 330,687             | 2,509,246            | 2,248,811            |
| Infrastructure/water and<br>wastewater distribution | 16,291,956              | 14,883,723           | 10,579,158               | 8,571,578           | 26,871,114           | 23,455,301           |
| Construction in progress                            | 180,095                 | 142,655              | 62,928                   | 868,769             | 243,023              | 1,011,424            |
| Less accumulated depreciation                       | ( 7,651,172)            | ( 7,137,777)         | ( 3,056,329)             | ( 2,736,370)        | ( 10,707,501)        | ( 9,874,147)         |
| <b>Total capital assets, net</b>                    | <b>\$ 14,726,128</b>    | <b>\$ 13,518,573</b> | <b>\$ 10,197,068</b>     | <b>\$ 9,315,288</b> | <b>\$ 24,923,196</b> | <b>\$ 22,833,861</b> |

Major governmental-type capital asset events during the current fiscal year included the following:

|   |            |
|---|------------|
| Governmental activities equipment purchase            | \$ 210,680 |
| Governmental activities infrastructure capitalization | 1,408,233  |
| Governmental activities land purchase                 | 55,190     |
| Governmental activities construction in progress      | 37,440     |
| Governmental activities sale of assets                | 40,348     |
| Business-type activities sewer system capitalization  | 2,007,580  |
| Business-type activities construction in progress     | 62,928     |

Additional information on the capital assets can be found in Note 4 on pages 34 – 35 of this report.

**Long-term debt.** At year-end, the City had total bonded debt, capital lease and loan payable obligations of \$6,425,584. Of this amount, \$5,540,000 represents bonded debt backed by the full faith and credit of the City. The City's capitalized lease obligation of \$318,794 pertains to the purchase of a fire truck. The loan payable of \$566,790 pertains to the loan agreement for financing the relocation of utilities along a roadway.

**OUTSTANDING DEBT AT YEAR-END  
BONDS, CAPITAL LEASE AND LOAN PAYABLE**

|                                  | <u>Governmental Activities</u> |                     | <u>Business-type Activities</u> |                     | <u>Totals</u>       |                     |
|----------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
|                                  | <u>2005</u>                    | <u>2004</u>         | <u>2005</u>                     | <u>2004</u>         | <u>2005</u>         | <u>2004</u>         |
| Certificates of obligation bonds | \$ 3,727,800                   | \$ 3,053,700        | \$ 1,812,200                    | \$ 1,921,300        | \$ 5,540,000        | \$ 4,975,000        |
| Capital leases                   | 318,794                        | 347,476             | -                               | -                   | 318,794             | 347,476             |
| Loan payable                     | -                              | -                   | 566,790                         | 667,410             | 566,790             | 667,410             |
| <b>Total</b>                     | <b>\$ 4,046,594</b>            | <b>\$ 3,401,176</b> | <b>\$ 2,378,990</b>             | <b>\$ 2,588,710</b> | <b>\$ 6,425,584</b> | <b>\$ 5,989,886</b> |

The City's certificates of obligation bonds continue to carry Baa1 from Moody's Investor Services.

Additional information on the long-term debt can be found in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2006 budget, tax rates, and fees. The population growth experienced by the City has stimulated local business and development activity, and the community has placed additional demands on the City to maintain or enhance services provided to our citizens.

During the current fiscal year, the General Fund unreserved fund balance increased to \$1,954,867, 39.39% of General Fund expenditures. Council decided to maintain the same ad valorem tax rate in 2006 budget \$0.7225 per \$100 assessed valuation to meet the growth demand.

The 2006 budget includes a 3% across the board cost of living raise and 1% increase in the Texas Municipal Retirement System employee contribution. Salary adjustments were made to bring city employees into the 35-50<sup>th</sup> percentile of competitive ranges for like positions of cities in our area. The Council also approved a longevity pay program.

Additionally, the General Fund has budgeted for 2 full time street workers, one police dispatcher, one fire captain and three fire fighters. A lease purchase program is approved to fund a side boom mower and a crack seal machine. The equipment will allow the city to eliminate \$22,000 annual cost of contract mowing and crack sealing.

In the 2006 budget, the City increases the water rate to meet the needs of the 2005-2006 budget and increases the wastewater rate to offset an increase of wastewater treatment charges from the City of Arlington. These adjustments equate to an average increase of \$4.07 per month, assuming an average monthly consumption of 7,000 gallons. A lease purchase program is approved to fund a sewer jet cleaner truck, a dump truck, and a pneumatic boring machine. The equipment is to improve the effectiveness and efficiency of water and sewer operation.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of the City of Kennedale'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 the Director of Finance, City of Kennedale, 405 Municipal Dr., Kennedale, Texas 76060.

**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF KENNEDALE, TEXAS**

**STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2005**

|   | Primary Government         |                             |                      | Component Unit                         |
|---|----------------------------|-----------------------------|----------------------|--|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                | Economic<br>Development<br>Corporation |
| <b>ASSETS</b>                                       |                            |                             |                      |  |
| Cash and investments                                | \$ 4,075,085               | \$ 1,626,175                | \$ 5,701,260         | \$ 1,632,066                           |
| Receivables (net of allowances for uncollectibles): |                            |                             |                      |  |
| Taxes   | 401,810                    | -                           | 401,810              | -                                      |
| Accounts  | 108,041                    | 347,339                     | 455,380              | -                                      |
| Intergovernmental                                   | -                          | -                           | -                    | 63,777                                 |
| Inventories   | -                          | 27,926                      | 27,926               | -                                      |
| Deferred charges                                    | 65,409                     | 14,524                      | 79,933               | -                                      |
| Restricted cash and investments                     | -                          | 74,299                      | 74,299               | -                                      |
| Deferred contributions                              | -                          | -                           | -                    | 39,594                                 |
| Capital assets:                                     |                            |                             |                      |  |
| Land  | 645,650                    | 173,443                     | 819,093              | -                                      |
| Buildings and improvements                          | 3,081,040                  | 2,107,181                   | 5,188,221            | -                                      |
| Machinery and equipment                             | 2,178,559                  | 330,687                     | 2,509,246            | -                                      |
| Infrastructure/water and wastewater distribution    | 16,291,956                 | 10,579,158                  | 26,871,114           | -                                      |
| Construction in progress                            | 180,095                    | 62,928                      | 243,023              | -                                      |
| Less: accumulated depreciation                      | ( 7,651,172)               | ( 3,056,329)                | ( 10,707,501)        | -                                      |
| Total capital assets                                | <u>14,726,128</u>          | <u>10,197,068</u>           | <u>24,923,196</u>    | <u>-</u>                               |
| <b>Total assets</b>                                 | <u>19,376,473</u>          | <u>12,287,331</u>           | <u>31,663,804</u>    | <u>1,735,437</u>                       |
| <b>LIABILITIES</b>                                  |                            |                             |                      |  |
| Accounts payable                                    | 213,133                    | 246,911                     | 460,044              | 37,945                                 |
| Accrued liabilities                                 | 90,149                     | 7,974                       | 98,123               | -                                      |
| Due to other governments                            | 48,547                     | -                           | 48,547               | -                                      |
| Accrued interest payable                            | 34,487                     | 22,711                      | 57,198               | -                                      |
| Premium on debt issuance                            | 3,960                      | -                           | 3,960                | -                                      |
| Customer deposits                                   | -                          | 144,030                     | 144,030              | -                                      |
| Noncurrent liabilities:                             |                            |                             |                      |  |
| Due within one year                                 | 187,921                    | 223,744                     | 411,665              | -                                      |
| Due in more than one year                           | <u>4,034,852</u>           | <u>2,164,739</u>            | <u>6,199,591</u>     | <u>-</u>                               |
| Total liabilities                                   | <u>4,613,049</u>           | <u>2,810,109</u>            | <u>7,423,158</u>     | <u>37,945</u>                          |
| <b>NET ASSETS</b>                                   |                            |                             |                      |  |
| Invested in capital assets, net of related debt     | 10,564,804                 | 7,832,602                   | 18,397,406           | -                                      |
| Restricted for:                                     |                            |                             |                      |  |
| Debt service  | 43,257                     | 74,299                      | 117,556              | -                                      |
| Capital improvements                                | 2,027,553                  | 561,043                     | 2,588,596            | -                                      |
| Unrestricted  | <u>2,127,810</u>           | <u>1,009,278</u>            | <u>3,137,088</u>     | <u>1,697,492</u>                       |
| <b>Total net assets</b>                             | <u>\$ 14,763,424</u>       | <u>\$ 9,477,222</u>         | <u>\$ 24,240,646</u> | <u>\$ 1,697,492</u>                    |

**The notes to the financial statements are an integral part of this statement.**

**CITY OF KENNEDALE, TEXAS**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

| <u>Functions/Programs</u>       | <u>Expenses</u>            | <u>Program Revenues</u>     |   |   |
|---------------------------------|----------------------------|-----------------------------|---|---|
|                                 |                            | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| <b>Primary Government:</b>      |                            |                             |   |   |
| Governmental activities:        |                            |                             |   |   |
| General government              | \$ 1,053,375               | \$ 712,712                  | \$ -                                      | \$ -                                    |
| Public safety                   | 3,305,087                  | 627,204                     | 135,404                                   | 1,343,483                               |
| Public works                    | 909,595                    | 106,801                     | -   | -                                       |
| Culture and recreation          | 138,623                    | 50,571                      | 4,398                                     | 2,866                                   |
| Interest on long-term debt      | 163,618                    | -                           | -   | -                                       |
| Total governmental activities   | <u>5,570,298</u>           | <u>1,497,288</u>            | <u>139,802</u>                            | <u>1,346,349</u>                        |
| Business-type activities:       |                            |                             |   |   |
| Water/Wastewater                | 2,207,935                  | 2,495,593                   | -   | -                                       |
| Total business-type activities  | <u>2,207,935</u>           | <u>2,495,593</u>            | <u>-</u>                                  | <u>-</u>                                |
| <b>Total primary government</b> | <b>\$ <u>7,778,233</u></b> | <b>\$ <u>3,992,881</u></b>  | <b>\$ <u>139,802</u></b>                  | <b>\$ <u>1,346,349</u></b>              |
| <b>Component Unit:</b>          |                            |                             |   |   |
| Kennedale Economic              |                            |                             |   |   |
| Development Corporation         | \$ <u>134,873</u>          | \$ <u>-</u>                 | \$ <u>-</u>                               | \$ <u>-</u>                             |
| General revenues:               |                            |                             |   |   |
| Taxes:                          |                            |                             |   |   |
| Property - general purposes     |                            |                             |   |   |
| Property - debt service         |                            |                             |   |   |
| Sales                           |                            |                             |   |   |
| Franchise                       |                            |                             |   |   |
| Investment earnings             |                            |                             |   |   |
| Miscellaneous                   |                            |                             |   |   |
| Total general revenues          |                            |                             |   |   |
| Change in net assets            |                            |                             |   |   |
| Net assets, beginning           |                            |                             |   |   |
| Prior period adjustment         |                            |                             |   |   |
| Net assets, ending              |                            |                             |   |   |

**The notes to the financial statements are an integral part of this statement.**

Net (Expense) Revenue and  
Changes in Net Assets

| Primary Government         |                             |                | Component Unit                         |
|----------------------------|-----------------------------|----------------|--|
| Governmental<br>Activities | Business-type<br>Activities | Total          | Economic<br>Development<br>Corporation |
| \$( 340,663)               | \$ -                        | \$( 340,663)   | \$ -                                   |
| ( 1,198,996)               | -                           | ( 1,198,996)   | -                                      |
| ( 802,794)                 | -                           | ( 802,794)     | -                                      |
| ( 80,788)                  | -                           | ( 80,788)      | -                                      |
| ( 163,618)                 | -                           | ( 163,618)     | -                                      |
| ( 2,586,859)               | -                           | ( 2,586,859)   | -                                      |
| -                          | 287,658                     | 287,658        | -                                      |
| -                          | 287,658                     | 287,658        | -                                      |
| \$( 2,586,859)             | \$ 287,658                  | \$( 2,299,201) | \$ -                                   |
| -                          | -                           | -              | ( 134,873)                             |
| 2,192,843                  | -                           | 2,192,843      | -                                      |
| 311,509                    | -                           | 311,509        | -                                      |
| 1,004,050                  | -                           | 1,004,050      | 330,942                                |
| 468,431                    | -                           | 468,431        | -                                      |
| 104,592                    | 37,538                      | 142,130        | 38,702                                 |
| 119,841                    | 962,001                     | 1,081,842      | -                                      |
| 4,201,266                  | 999,539                     | 5,200,805      | 369,644                                |
| 1,614,407                  | 1,287,197                   | 2,901,604      | 234,771                                |
| 13,033,761                 | 8,190,025                   | 21,223,786     | 1,462,721                              |
| 115,256                    | -                           | 115,256        | -                                      |
| \$ 14,763,424              | \$ 9,477,222                | \$ 24,125,390  | \$ 1,697,492                           |

**CITY OF KENNEDALE, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2005**

|  | <u>General</u>      | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|---|---|
| <b>ASSETS</b>                                      |                     |   |   |
| Cash and investments                               | \$ 1,994,347        | \$ 2,080,738                            | \$ 4,075,085                            |
| Receivables (net of allowance for uncollectibles): |                     |   |   |
| Taxes  | 375,947             | 25,863                                  | 401,810                                 |
| Accounts   | <u>102,857</u>      | <u>5,184</u>                            | <u>108,041</u>                          |
| Total assets                                       | <u>2,473,151</u>    | <u>2,111,785</u>                        | <u>4,584,936</u>                        |
| <b>LIABILITIES AND FUND BALANCES</b>               |                     |   |   |
| Liabilities:                                       |                     |   |   |
| Accounts payable                                   | 212,097             | 1,036                                   | 213,133                                 |
| Accrued liabilities                                | 86,589              | 3,560                                   | 90,149                                  |
| Due to other governments                           | 48,547              | -                                       | 48,547                                  |
| Deferred revenue                                   | <u>171,051</u>      | <u>24,363</u>                           | <u>195,414</u>                          |
| Total liabilities                                  | <u>518,284</u>      | <u>28,959</u>                           | <u>547,243</u>                          |
| Fund balances:                                     |                     |   |   |
| Reserved for:                                      |                     |   |   |
| Debt service                                       | -                   | 53,381                                  | 53,381                                  |
| Unreserved, reported in:                           |                     |   |   |
| General fund                                       | 1,954,867           | -                                       | 1,954,867                               |
| Special revenue funds                              | -                   | 1,892                                   | 1,892                                   |
| Capital projects funds                             | <u>-</u>            | <u>2,027,553</u>                        | <u>2,027,553</u>                        |
| Total fund balances                                | <u>1,954,867</u>    | <u>2,082,826</u>                        | 4,037,693                               |
| Total liabilities and fund balances                | <u>\$ 2,473,151</u> | <u>\$ 2,111,785</u>                     |   |

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

14,726,128

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

195,414

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

( 4,195,811)

Net assets of governmental activities

\$ 14,763,424

**The notes to the financial statements are an integral part of this statement.**

**CITY OF KENNEDALE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

|   | <u>General</u>      | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|---|---|
| <b>REVENUES</b>                             |                     |   |   |
| Taxes:                                      |                     |   |   |
| Property                                    | \$ 2,185,742        | \$ 312,430                              | \$ 2,498,172                            |
| Sales                                       | 1,004,050           | -                                       | 1,004,050                               |
| Franchise fees                              | 468,431             | -                                       | 468,431                                 |
| Licenses and permits                        | 406,744             | 119,771                                 | 526,515                                 |
| Fines and forfeitures                       | 204,229             | 1,203                                   | 205,432                                 |
| Public safety fees                          | 340,433             | -                                       | 340,433                                 |
| Intergovernmental                           | 105,384             | 110,664                                 | 216,048                                 |
| Charges for services                        | 345,522             | -                                       | 345,522                                 |
| Investment earnings                         | 57,765              | 46,827                                  | 104,592                                 |
| Other                                       | 137,019             | 5,509                                   | 142,528                                 |
| Total revenues                              | <u>5,255,319</u>    | <u>596,404</u>                          | <u>5,851,723</u>                        |
| <b>EXPENDITURES</b>                         |                     |   |   |
| Current:                                    |                     |   |   |
| General government                          | 1,070,024           | -                                       | 1,070,024                               |
| Public safety                               | 3,220,589           | 111,742                                 | 3,332,331                               |
| Public works                                | 545,254             | 24,150                                  | 569,404                                 |
| Culture and recreation                      | 127,100             | -                                       | 127,100                                 |
| Capital outlay                              | -                   | 38,797                                  | 38,797                                  |
| Debt service:                               |                     |   |   |
| Principal                                   | -                   | 144,582                                 | 144,582                                 |
| Interest and fiscal charges                 | -                   | 156,818                                 | 156,818                                 |
| Total expenditures                          | <u>4,962,967</u>    | <u>476,089</u>                          | <u>5,439,056</u>                        |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> | <u>292,352</u>      | <u>120,315</u>                          | <u>412,667</u>                          |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                     |   |   |
| Transfers in                                | -                   | 97,187                                  | 97,187                                  |
| Transfers out                               | ( 97,187)           | -                                       | ( 97,187)                               |
| Bond proceeds                               | -                   | 790,000                                 | 790,000                                 |
| Premium on debt issuance                    | -                   | 4,057                                   | 4,057                                   |
| Bond issuance costs                         | -                   | ( 38,473)                               | ( 38,473)                               |
| Total other financing sources and (uses)    | <u>( 97,187)</u>    | <u>852,771</u>                          | <u>755,584</u>                          |
| <b>NET CHANGE IN FUND BALANCES</b>          | 195,165             | 973,086                                 | 1,168,251                               |
| <b>FUND BALANCES, BEGINNING</b>             | <u>1,759,702</u>    | <u>1,109,740</u>                        | <u>2,869,442</u>                        |
| <b>FUND BALANCES, ENDING</b>                | <u>\$ 1,954,867</u> | <u>\$ 2,082,826</u>                     | <u>\$ 4,037,693</u>                     |

The notes to the financial statements are an integral part of this statement.

**CITY OF KENNEDALE, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

Amounts reported for governmental activities in the Statement of Activities (pages 12 - 13) are different because:

|   |                     |
|---|---------------------|
| Net change in fund balances - total governmental funds (page 15)  | \$ 1,168,251        |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | 1,092,299           |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  | 6,180               |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental  | ( 6,905)            |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.   | <u>( 645,418)</u>   |
| Change in net assets of governmental activities (pages 12 -13)  | <u>\$ 1,614,407</u> |

**The notes to the financial statements are an integral part of this statement.**

**CITY OF KENNEDALE, TEXAS**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

|   | Budget              |                     | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|---|
|   | Original            | Final               |                     |   |
| <b>REVENUES</b>                                 |                     |                     |                     |   |
| Taxes:  |                     |                     |                     |   |
| Property  | \$ 2,141,929        | \$ 2,141,929        | \$ 2,185,742        | \$ 43,813   |
| Sales   | 1,013,000           | 1,013,000           | 1,004,050           | ( 8,950)  |
| Franchise fees                                  | 466,124             | 466,124             | 468,431             | 2,307   |
| Licenses and permits                            | 499,050             | 502,550             | 406,744             | ( 95,806)   |
| Fines and forfeitures                           | 295,565             | 295,565             | 204,229             | ( 91,336)   |
| Public safety fees                              | 186,960             | 271,476             | 340,433             | 68,957  |
| Intergovernmental                               | 24,643              | 88,493              | 105,384             | 16,891  |
| Charges for service                             | 394,909             | 336,409             | 345,522             | 9,113   |
| Investment earnings                             | 12,000              | 13,313              | 57,765              | 44,452  |
| Other   | 15,800              | 112,987             | 137,019             | 24,032  |
| Total revenues                                  | <u>5,049,980</u>    | <u>5,241,846</u>    | <u>5,255,319</u>    | <u>13,473</u>   |
| <b>EXPENDITURES</b>                             |                     |                     |                     |   |
| Current:  |                     |                     |                     |   |
| General government                              | 937,135             | 992,324             | 1,070,024           | ( 77,700)   |
| Public safety                                   | 2,925,109           | 3,078,620           | 3,220,589           | ( 141,969)  |
| Public works                                    | 651,386             | 651,386             | 545,254             | 106,132   |
| Culture and recreation                          | 140,166             | 140,166             | 127,100             | 13,066  |
| Total expenditures                              | <u>4,653,796</u>    | <u>4,862,496</u>    | <u>4,962,967</u>    | <u>( 100,471)</u>                                       |
| <b>EXCESS OF REVENUES<br/>OVER EXPENDITURES</b> |                     |                     |                     |   |
|   | <u>396,184</u>      | <u>379,350</u>      | <u>292,352</u>      | <u>( 86,998)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                     |                     |                     |   |
| Transfers out                                   | ( 10,000)           | ( 97,187)           | ( 97,187)           | -   |
| Total other financing sources (uses)            | <u>( 10,000)</u>    | <u>( 97,187)</u>    | <u>( 97,187)</u>    | <u>-</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>               | 386,184             | 282,163             | 195,165             | ( 86,998)   |
| <b>FUND BALANCE, BEGINNING</b>                  | <u>1,759,702</u>    | <u>1,759,702</u>    | <u>1,759,702</u>    | <u>-</u>  |
| <b>FUND BALANCE, ENDING</b>                     | <u>\$ 2,145,886</u> | <u>\$ 2,041,865</u> | <u>\$ 1,954,867</u> | <u>\$ ( 86,998)</u>                                     |

The notes to the financial statements are an integral part of this statement.

**CITY OF KENNEDALE, TEXAS**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUND**

**SEPTEMBER 30, 2005**

|  | Business-type<br>Activities-<br>Enterprise Fund<br>Water and<br>Wastewater |
|--|--|
| <b>ASSETS</b>  |  |
| Current assets:  |  |
| Cash and investments                                       | \$ 1,626,175   |
| Accounts receivable - net of allowances for uncollectibles | 347,339  |
| Inventories  | 27,926   |
| Restricted cash and investments                            | 74,299   |
| Total current assets                                       | <u>2,075,739</u>   |
| Noncurrent assets:   |  |
| Deferred charges   | 14,524   |
| Capital assets:  |  |
| Land   | 173,443  |
| Buildings and improvements                                 | 2,107,181  |
| Equipment  | 330,687  |
| Water and wastewater distribution                          | 10,579,158   |
| Construction in progress                                   | 62,928   |
| Less: accumulated depreciation                             | <u>( 3,056,329)</u>  |
| Total capital assets                                       | <u>10,197,068</u>  |
| Total noncurrent assets                                    | <u>10,211,592</u>  |
| Total assets   | <u>12,287,331</u>  |
| <b>LIABILITIES</b>   |  |
| Current liabilities:                                       |  |
| Accounts payable   | 246,911  |
| Accrued liabilities  | 7,974  |
| Accrued interest   | 22,711   |
| Customer deposits  | 144,030  |
| Compensated absences                                       | 1,899  |
| Loan payable   | 104,645  |
| Certificates of obligation                                 | 117,200  |
| Total current liabilities                                  | <u>645,370</u>   |
| Long-term liabilities:                                     |  |
| Compensated absences                                       | 7,594  |
| Loan payable   | 462,145  |
| Certificates of obligation                                 | 1,695,000  |
| Total long-term liabilities                                | <u>2,164,739</u>   |
| Total liabilities  | <u>2,810,109</u>   |
| <b>NET ASSETS</b>  |  |
| Invested in capital assets, net of related debt            | 7,832,602  |
| Restricted for:  |  |
| Debt service   | 74,299   |
| Capital improvements                                       | 561,043  |
| Unrestricted   | <u>1,009,278</u>   |
| Total net assets   | <u>\$ 9,477,222</u>  |

The notes to the financial statements are an integral part of this statement.

**CITY OF KENNEDALE, TEXAS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**

**PROPRIETARY FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

|   | <u>Business-type<br/>Activities-<br/>Enterprise Fund<br/>Water and<br/>Wastewater</u> |
|---|---|
| <b>OPERATING REVENUES</b>               |   |
| Water sales                             | \$ 1,192,941  |
| Wastewater charges                      | 1,022,304   |
| Tap and collection fees                 | 237,063   |
| Other service charges                   | 43,285  |
| Total operating revenues                | <u>2,495,593</u>  |
| <b>OPERATING EXPENSES</b>               |   |
| Cost of sales and services              | 1,430,228   |
| Administration                          | 328,841   |
| Depreciation                            | 319,959   |
| Total operating expenses                | <u>2,079,028</u>  |
| <b>OPERATING INCOME</b>                 | 416,565   |
| <b>NONOPERATING REVENUES (EXPENSES)</b> |   |
| Investment earnings                     | 37,538  |
| Miscellaneous income                    | 962,001   |
| Interest and fiscal charges on debt     | ( 110,952)  |
| Miscellaneous expense                   | ( 17,955)   |
| Total nonoperating revenues (expenses)  | <u>870,632</u>  |
| <b>NET INCOME</b>                       | 1,287,197   |
| <b>RETAINED EARNINGS, BEGINNING</b>     | <u>8,190,025</u>  |
| <b>RETAINED EARNINGS, ENDING</b>        | <u>\$ 9,477,222</u>   |

**The notes to the financial statements are an integral part of this statement.**

**CITY OF KENNEDALE, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

|  | <u>Business-type<br/>Activities-<br/>Enterprise Fund<br/>Water and<br/>Wastewater</u> |
|--|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |
| Cash received from customers   | \$ 2,436,137  |
| Cash payments to employees for services  | ( 321,497)  |
| Cash payments to suppliers for goods and services  | ( 1,447,292)  |
| Cash provided by operating activities  | <u>667,348</u>  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                            |   |
| Principal repayments on bonds  | ( 209,720)  |
| Interest and fiscal charges on debt  | ( 111,860)  |
| Disposal of capital assets   | 868,769   |
| Acquisition and construction of capital assets   | ( 1,123,736)  |
| Cash used for capital and related financing activities                                     | <u>( 576,547)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |
| Interest on investments  | <u>37,538</u>   |
| Cash provided by investing activities  | <u>37,538</u>   |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>   | 128,339   |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING</b>  | <u>1,572,135</u>  |
| <b>CASH AND CASH EQUIVALENTS, ENDING</b>   | <u>\$ 1,700,474</u>   |
| (Including \$74,268 reported in restricted cash and investments)                           |   |
| <b>RECONCILIATION OF OPERATING INCOME TO NET<br/>CASH PROVIDED BY OPERATING ACTIVITIES</b> |   |
| Operating income   | \$ 416,565  |
| Adjustments to reconcile operating income to<br>net cash provided by operating activities: |   |
| Depreciation   | 319,959   |
| Change in assets and liabilities:  |   |
| Decrease (increase) in accounts receivable   | ( 67,606)   |
| Decrease (increase) in inventories   | 3,243   |
| Increase (decrease) in accounts payable  | ( 20,307)   |
| Increase (decrease) in accrued liabilities   | 3,328   |
| Increase (decrease) in customer deposits   | 8,150   |
| Increase (decrease) in compensated absences  | <u>4,016</u>  |
| Total adjustments  | <u>250,783</u>  |
| Net cash provided by operating activities  | <u>\$ 667,348</u>   |

**The accompanying notes are an integral part of this statement.**

**CITY OF KENNEDALE, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Kennedale, Texas (the "City") was incorporated in 1947. The City operates as a home-rule City under a council-manager form of government and provides the following services as authorized by its charter: police, fire, planning, zoning and code enforcement, public works, streets, parks and recreation, public library, ambulance, water and sewer utilities and general administrative services. Sanitation collection services are provided through a private contractor.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

**Discretely Presented Component Unit:** The Kennedale Economic Development Corporation ("KEDC"). KEDC is a legally separate entity incorporated on December 2, 1996. The City Council appoints the governing board for this entity and is able to impose its will upon the Corporation, which serves the purpose of promoting economic development within the City. KEDC is presented as a governmental fund type.

Separate financial statements of KEDC may be obtained from:

City of Kennedale, Texas  
Director of Finance  
405 Municipal Drive  
Kennedale, Texas 76060

(continued)

# 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 activities) report information on all of the 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 revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

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.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

The Water and Wastewater Fund accounts for the activities necessary for the provision of water and wastewater services.

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

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

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

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

**D. Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments**

The City pools substantially all cash and investments except for separate cash and investment accounts, which are maintained in accordance with legal restrictions. Investments maturing within one year of date of purchase are stated at cost or amortized cost, all other investments are stated at fair value, which is based on quoted market prices. Investment income is recorded in the funds in which the investments are recorded.

The City invests in The Texas Local Government Investment Pool (TexPool). The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poor's, as well as the Office of the Comptroller of Public Accounts for review. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**Deposits and Investments (Continued)**

The City also invests in Texas Short-term Asset Reserve Program (TexSTAR). TexSTAR is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and authorize eligible governmental entities to invest their public funds and funds under their control through the investment pools. TexSTAR is currently rated AAAM by Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share.

The City also invests in TexasDAILY. TexasDAILY is a local government investment portfolio established to allow counties, municipalities, school districts, municipal authorities and other governmental entities in Texas to pool their funds for investment under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, the PTIA and other cooperative statutes and under the statutes governing investment of funds by those local governments. TexasDAILY is rated AAAM by Standard and Poor's. TexasDAILY seeks to maintain a constant net asset value of \$1.00 per share.

The City also invests in a government obligations money market fund at Federated. The fund invests in U. S. Treasury securities, government agency securities and repurchase agreements backed by government securities. The fund is rated AAAM by Standard & Poor's.

For purpose of presenting the proprietary fund cash flow statement, cash and cash equivalents includes demand deposits and investments with a maturity date within three months of the date acquired by the City.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied each October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. The Tarrant County Tax Assessor/Collector bills and collects the City's property taxes. Any uncollected property taxes as of September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred revenue.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

As a City that operates under a home-rule charter, the City has a tax rate limitation of \$2.50 per \$100 assessed valuation. For the year ended September 30, 2005, the City had a tax rate of \$.7225 per \$100 of which \$.632409 was allocated for general government and \$.090091 was allocated for payment of principal and interest on general long-term debt.

**Inventories**

All inventories are valued using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**Restricted Assets**

Certain proceeds of the Enterprise Fund bonds and certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure (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. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

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

| <u>Assets</u>                         | <u>Years</u> |
|---------------------------------------|--------------|
| Plants and buildings                  | 20           |
| Machinery and equipment               | 4 - 10       |
| Infrastructure (streets and drainage) | 35 - 125     |
| Other structures                      | 50           |

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**Compensated Absences**

Vacation is earned in varying amounts up to a maximum of 160 hours per year for 40-hour week personnel with 6 or more years of service. Vacation leave does not accumulate from one year to the next for amounts over 160 hours.

40-hour per week personnel accrue one-half working day (4 hours) of sick leave for each full month of employment in the calendar year. Upon separation from employment, a permanent employee who has completed six months of employment is entitled to be paid the amount of salary for the employee's accumulated sick leave but not to exceed 60 hours for 40-hour per week employees.

All unused vested vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported 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 straight-line method. Bonds payable are reported net of the applicable bond premium or discount. 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 issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

**Net Assets**

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

**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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$4,195,811 difference are as follows:

|  |    |                  |
|--|----|------------------|
| Certificates of obligation bonds   | \$ | 3,727,800        |
| Deferred charges for issuance costs (to be amortized over life of debt)  | (  | 61,449)          |
| Capitalized lease obligations  |    | 318,794          |
| Accrued interest payable   |    | 34,487           |
| Compensated absences   |    | <u>176,179</u>   |
| Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i> | \$ | <u>4,195,811</u> |

(continued)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(Continued)

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities**

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,092,299 difference are as follows:

|  |                     |
|--|---------------------|
| Capital outlay   | \$ 1,711,542        |
| Capital asset deletions  | ( 15,955)           |
| Depreciation expense   | ( 603,288)          |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | \$ <u>1,092,299</u> |

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$645,418 difference are as follows:

|  |                      |
|--|----------------------|
| Principal repayments:  |                      |
| General obligation debt  | \$ 115,900           |
| Capital lease  | 28,682               |
| Debt issuance:   |                      |
| General obligation debt  | ( 790,000)           |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | \$( <u>645,418</u> ) |

(continued)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(Continued)

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities** (Continued)

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$6,905 difference are as follows:

|  |                    |
|--|--------------------|
| Compensated absences   | \$( 31,165)        |
| Accrued interest   | 31,157             |
| Amortization of issuance costs   | <u>( 6,897)</u>    |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | \$( <u>6,905</u> ) |

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Budgetary Information**

The City Council follows these procedures in establishing the budgets reflected in the financial statements.

1. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.
4. The City Manager has the authority to transfer appropriation balances from one expenditure account to another within a single fund. The City Council, however, must approve any transfer of unencumbered appropriation balances or portions thereof from one fund to another as well as any increases in fund appropriations. At the end of the fiscal year, all appropriations lapse.

(continued)

### 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

#### Budgetary Information (Continued)

5. Annual budgets are only adopted for the General and Debt Service Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP").
6. The budgetary data presented has been amended from the original budget by the City Council. There were no significant supplemental appropriations necessary during the year.
7. Expenditures may not legally exceed appropriations at the fund level.

### 4. DETAILED NOTES ON ALL FUNDS

#### Deposits and Investments

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

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

- a. **Custodial Credit Risk:** Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2005, all of the City's \$96,328 deposit balance was covered by FDIC insurance.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

- b. **Credit Risk:** It is the City's policy to limit investments to investment types with an investment quality rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The City's investments were rated AAAM by Standard and Poor's Investors Services.
- c. **Interest Rate Risk:** In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 90 days or less, dependent on market conditions.
- d. **Concentration of Credit Risk:** The government's investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

At September 30, 2005, the primary government's investments consisted of:

|   | <u>Fair<br/>Value</u> |
|---|-----------------------|
| TexStar                                     | \$ 1,453,222          |
| Texas Daily                                 | 1,165,024             |
| State Treasurer's Investment Pool (TexPool) | 1,867,104             |
| Federated money market fund                 | <u>1,113,831</u>      |
|   | \$ <u>5,599,181</u>   |

During the fiscal year, the City managed the investments of the KEDC. The KEDC investments are categorized in the same manner as the City's and consist of the following:

|   | <u>Fair<br/>Value</u> |
|---|-----------------------|
| TexStar                                     | \$ 582,230            |
| Texas Daily                                 | 466,876               |
| State Treasurer's Investment Pool (TexPool) | 405,532               |
| Federated money market fund                 | <u>136,801</u>        |
|   | \$ <u>1,591,439</u>   |

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

**Deposits and Investments** (Continued)

At September 30, 2005, all of the above investments are not categorized by risk. TexStar, TexPool, Federated Funds and Texas Daily balances are not evidenced by securities that exist in physical or book entry form and, accordingly, are not categorized by risk. However, the nature of these funds requires that they be used to purchase investments authorized by the Texas Public Funds Investment Act of 1995. The primary objective of these investment pools is to provide a safe environment for the placement of public funds in short-term, fully collateralized investments.

**Receivables**

Receivables as of year-end for the City's individual major fund and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|                                       | <u>General</u>    | <u>Water and<br/>Wastewater</u> | <u>Nonmajor<br/>Governmental</u> | <u>Total</u>      |
|---------------------------------------|-------------------|---------------------------------|----------------------------------|-------------------|
| Receivables:                          |                   |                                 |                                  |                   |
| Taxes                                 | \$ 372,881        | \$ -                            | \$ 25,863                        | \$ 398,744        |
| Accounts                              | 270,121           | 381,630                         | 5,184                            | 656,935           |
| Other                                 | <u>3,066</u>      | <u>-</u>                        | <u>-</u>                         | <u>3,066</u>      |
| Gross receivables                     | 646,068           | 381,630                         | 31,047                           | 1,058,745         |
| Less: allowance for<br>uncollectibles | <u>( 167,264)</u> | <u>( 34,291)</u>                | <u>-</u>                         | <u>( 201,555)</u> |
| Net total receivables                 | <u>\$ 478,804</u> | <u>\$ 347,339</u>               | <u>\$ 31,047</u>                 | <u>\$ 857,190</u> |

Governmental funds report *deferred revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

|                                      | <u>Unavailable</u> |
|--------------------------------------|--------------------|
| General fund:                        |                    |
| Delinquent property taxes receivable | \$ 171,051         |
| Debt service fund:                   |                    |
| Delinquent property taxes receivable | <u>24,363</u>      |
| Governmental Funds                   | <u>\$ 195,414</u>  |

(continued)

**4. DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets**

Capital asset activity for the year ended September 30, 2005, was as follows:

**Primary Government**

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u>     | <u>Adjustments</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|---------------------|----------------------|--------------------|---------------------------|
| <b>Government activities:</b>                 |                              |                     |                      |                    |                           |
| <b>Capital assets, not being depreciated:</b> |                              |                     |                      |                    |                           |
| Land  | \$ 595,960                   | \$ 55,190           | \$ ( 5,500)          | \$ -               | \$ 645,650                |
| Construction work in progress                 | <u>142,655</u>               | <u>37,440</u>       | <u>-</u>             | <u>-</u>           | <u>180,095</u>            |
| Total capital assets not being depreciated    | <u>738,615</u>               | <u>92,630</u>       | <u>( 5,500)</u>      | <u>-</u>           | <u>825,745</u>            |
| <b>Capital assets, being depreciated:</b>     |                              |                     |                      |                    |                           |
| Buildings                                     | 3,115,888                    | -                   | ( 34,848)            | -                  | 3,081,040                 |
| Machinery and equipment                       | 1,918,124                    | 210,680             | -                    | 49,755             | 2,178,559                 |
| Infrastructure                                | <u>14,883,723</u>            | <u>1,408,233</u>    | <u>-</u>             | <u>-</u>           | <u>16,291,956</u>         |
| Total capital assets being depreciated        | <u>19,917,735</u>            | <u>1,618,913</u>    | <u>( 34,848)</u>     | <u>49,755</u>      | <u>21,551,555</u>         |
| <b>Less accumulated depreciation:</b>         |                              |                     |                      |                    |                           |
| Buildings                                     | 907,001                      | 71,444              | ( 24,393)            | -                  | 954,052                   |
| Machinery and equipment                       | 1,542,564                    | 151,536             | -                    | ( 65,501)          | 1,628,599                 |
| Infrastructure                                | <u>4,688,212</u>             | <u>380,309</u>      | <u>-</u>             | <u>-</u>           | <u>5,068,521</u>          |
| Total accumulated depreciation                | <u>7,137,777</u>             | <u>603,289</u>      | <u>( 24,393)</u>     | <u>( 65,501)</u>   | <u>7,651,172</u>          |
| Total capital assets, being depreciated, net  | <u>12,779,958</u>            | <u>1,015,624</u>    | <u>( 10,455)</u>     | <u>115,256</u>     | <u>13,900,383</u>         |
| Governmental activities capital assets, net   | <u>\$ 13,518,573</u>         | <u>\$ 1,108,254</u> | <u>\$ ( 15,955)</u>  | <u>\$ 115,256</u>  | <u>\$ 14,726,128</u>      |
| <b>Business-type activities:</b>              |                              |                     |                      |                    |                           |
| <b>Capital assets, not being depreciated:</b> |                              |                     |                      |                    |                           |
| Land  | \$ 173,443                   | \$ -                | \$ -                 | \$ -               | \$ 173,443                |
| Construction work in progress                 | <u>868,769</u>               | <u>62,928</u>       | <u>( 868,769)</u>    | <u>-</u>           | <u>62,928</u>             |
| Total assets not being depreciated            | <u>1,042,212</u>             | <u>62,928</u>       | <u>( 868,769)</u>    | <u>-</u>           | <u>236,371</u>            |
| <b>Capital assets, being depreciated:</b>     |                              |                     |                      |                    |                           |
| Buildings                                     | 2,107,181                    | -                   | -                    | -                  | 2,107,181                 |
| Machinery and equipment                       | 330,687                      | -                   | -                    | -                  | 330,687                   |
| Improvements other than buildings             | <u>8,571,578</u>             | <u>2,007,580</u>    | <u>-</u>             | <u>-</u>           | <u>10,579,158</u>         |
| Total capital assets, being depreciated       | <u>11,009,446</u>            | <u>2,007,580</u>    | <u>-</u>             | <u>-</u>           | <u>13,017,026</u>         |
| <b>Less accumulated depreciation:</b>         |                              |                     |                      |                    |                           |
| Buildings                                     | 1,242,690                    | 86,585              | -                    | -                  | 1,329,275                 |
| Machinery and equipment                       | 261,276                      | 23,148              | -                    | -                  | 284,424                   |
| Improvement other than buildings              | <u>1,232,404</u>             | <u>210,226</u>      | <u>-</u>             | <u>-</u>           | <u>1,442,630</u>          |
| Total accumulated depreciation                | <u>2,736,370</u>             | <u>319,959</u>      | <u>-</u>             | <u>-</u>           | <u>3,056,329</u>          |
| Total capital assets being depreciated, net   | <u>8,273,076</u>             | <u>1,687,621</u>    | <u>-</u>             | <u>-</u>           | <u>9,960,697</u>          |
| Business-type activities capital assets, net  | <u>\$ 9,315,288</u>          | <u>\$ 1,750,549</u> | <u>\$ ( 868,769)</u> | <u>\$ -</u>        | <u>\$ 10,197,068</u>      |

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

**Capital Assets** (Continued)

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

|   |    |                |
|---|----|----------------|
| Governmental activities:                              |    |                |
| General government                                    | \$ | 59,703         |
| Public works  |    | 383,586        |
| Public safety   |    | 149,236        |
| Culture and recreation                                |    | <u>10,764</u>  |
| Total depreciation expense - governmental activities  | \$ | <u>603,289</u> |
| Business-type activities:                             |    |                |
| Water and wastewater                                  | \$ | <u>319,959</u> |
| Total depreciation expense - business-type activities | \$ | <u>319,959</u> |

**Interfund Transfers**

| <u>Transfer In</u>    | <u>Transfer Out</u> | <u>Amount</u>    |
|-----------------------|---------------------|------------------|
| Nonmajor governmental | General             | \$ <u>97,187</u> |

The transfer was used to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Capital Leases**

The City has acquired certain capital assets for governmental activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

|                           | <u>Asset</u>      | <u>Accumulated<br/>Depreciation</u> | <u>Total</u>      |
|---------------------------|-------------------|-------------------------------------|-------------------|
| Governmental activities   |                   |                                     |                   |
| Assets:                   |                   |                                     |                   |
| Fire trucks and equipment | \$ <u>444,000</u> | \$ <u>207,200</u>                   | \$ <u>236,800</u> |
| Total                     | \$ <u>444,000</u> | \$ <u>207,200</u>                   | \$ <u>236,800</u> |

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Leases** (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2005, were as follows:

| <u>Year Ending<br/>September 30,</u>    | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| 2006                                    | \$ 43,255                          |
| 2007                                    | 43,255                             |
| 2008                                    | 43,255                             |
| 2009                                    | 43,255                             |
| 2010                                    | 43,255                             |
| 2011-2015                               | <u>173,022</u>                     |
| Total minimum lease payments            | 389,297                            |
| Less: amount representing interest      | <u>70,503</u>                      |
| Present value of minimum lease payments | <u>\$ 318,794</u>                  |

**Long-term Debt**

**Certificates of Obligation Bonds**

The City issues certificates of obligation bonds to provide funds for the acquisition and construction of major capital facilities. Certificates of obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenue. The original amount of certificates of obligation bonds issued in prior years was \$5,605,000. During the year, certificates of obligation bonds totaling \$790,000 were issued for construction of the new library and community center.

Certificates of obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. Certificates of obligation bonds currently outstanding are as follows:

| <u>Purpose</u>           | <u>Interest Rates</u> | <u>Amount</u>       |
|--------------------------|-----------------------|---------------------|
| Governmental activities  | 4.25 - 5.875          | \$ 3,727,800        |
| Business-type activities | 4.25 - 5.875          | <u>1,812,200</u>    |
|                          |                       | <u>\$ 5,540,000</u> |

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

**Long-term Debt** (Continued)

**Certificates of Obligation Bonds (Continued)**

Annual debt service requirements to maturity for certificates of obligation bonds are as follows:

| Year Ending<br>September 30, | Governmental Activities |                     | Business-type Activities |                   |
|------------------------------|-------------------------|---------------------|--------------------------|-------------------|
|                              | Principal               | Interest            | Principal                | Interest          |
| 2006                         | \$ 122,800              | \$ 183,319          | \$ 117,200               | \$ 80,084         |
| 2007                         | 105,000                 | 159,755             | 80,000                   | 74,971            |
| 2008                         | 135,000                 | 154,523             | 85,000                   | 71,362            |
| 2009                         | 140,000                 | 148,545             | 90,000                   | 67,534            |
| 2010                         | 145,000                 | 142,348             | 95,000                   | 63,487            |
| 2011-2015                    | 855,000                 | 605,393             | 525,000                  | 251,548           |
| 2016-2020                    | 1,070,000               | 395,253             | 665,000                  | 117,623           |
| 2021-2025                    | 1,095,000               | 124,881             | 155,000                  | 3,681             |
| 2026-2030                    | 60,000                  | 1,320               | -                        | -                 |
| Total                        | <u>\$ 3,727,800</u>     | <u>\$ 1,915,337</u> | <u>\$ 1,812,200</u>      | <u>\$ 730,290</u> |

Certificates of obligation are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions.

**Loan Payable**

The City entered into a loan agreement for financing a project that includes the relocation of utilities along a roadway. The original amount of the loan was \$857,189. The loan balance currently outstanding is as follows:

| <u>Purpose</u>           | <u>Interest Rate</u> | <u>Amount</u> |
|--------------------------|----------------------|---------------|
| Business-type activities | 4.0%                 | \$ 566,790    |

Annual debt service requirements to maturity for the Loan Payable are as follows:

| Year Ending<br>September 30, | Business-type Activities |                  |
|------------------------------|--------------------------|------------------|
|                              | Principal                | Interest         |
| 2006                         | \$ 104,645               | \$ 22,672        |
| 2007                         | 108,831                  | 18,486           |
| 2008                         | 113,184                  | 14,133           |
| 2009                         | 117,711                  | 9,605            |
| 2010                         | 122,419                  | 4,897            |
| Total                        | <u>\$ 566,790</u>        | <u>\$ 69,793</u> |

(continued)

#### 4. DETAILED NOTES ON ALL FUNDS (Continued)

##### Long-term Debt (Continued)

The various bond obligations contain certain financial limitations and restrictions. The ordinances authorizing the issuance of certificates of obligation bonds created an interest and sinking fund (general debt service fund). The ordinances require the City to ascertain a rate and amount of tax which will be sufficient to pay interest as it comes due and provide a reserve fund which is adequate to meet principal as it matures. The City is in compliance with all such significant financial restrictions.

##### **Changes in Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2005, was as follows:

|                                  | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|----------------------------------|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| <b>Government activities</b>     |                              |                   |                   |                           |                                |
| Certificates of obligation bonds | \$ 3,053,700                 | \$ 790,000        | \$ 115,900        | \$ 3,727,800              | \$ 122,800                     |
| Capital leases                   | 347,476                      | -                 | 28,682            | 318,794                   | 29,885                         |
| Compensated absences             | 145,014                      | 135,857           | 104,692           | 176,179                   | 35,236                         |
| Governmental activity            |                              |                   |                   |                           |                                |
| Long-term liabilities            | \$ <u>3,546,190</u>          | \$ <u>925,857</u> | \$ <u>249,274</u> | \$ <u>4,222,773</u>       | \$ <u>187,921</u>              |
| <b>Business-type activities</b>  |                              |                   |                   |                           |                                |
| Certificates of obligation bonds | \$ 1,921,300                 | \$ -              | \$ 109,100        | \$ 1,812,200              | \$ 117,200                     |
| Loan payable                     | 667,410                      | -                 | 100,620           | 566,790                   | 104,645                        |
| Compensated absences             | 5,477                        | 9,600             | 5,584             | 9,493                     | 1,899                          |
| Business-type activity           |                              |                   |                   |                           |                                |
| Long-term liabilities            | \$ <u>2,594,187</u>          | \$ <u>9,600</u>   | \$ <u>215,304</u> | \$ <u>2,388,483</u>       | \$ <u>223,744</u>              |

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

##### Other Information

##### **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, 2005, the City paid premiums to TML for provisions of various liability, property and casualty insurance. The City has various deductible amounts ranging from \$500 to \$5,000 on various policies. At year-end, the City did not have any significant claims.

(continued)

#### 4. DETAILED NOTES ON ALL FUNDS (Continued)

##### Other Information (Continued)

##### **Risk Management** (Continued)

The City also provides workers' compensation insurance on its employees through TML. Workers' compensation is subject to change when audited by TML. At year-end, September 30, 2005, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

##### Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is periodically the defendant in lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and, accordingly, no provision for losses has been recorded.

##### Retirement 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 801 currently administered by TMRS, an agent multiple-employer public employee retirement system. The City is one of 801 municipalities having their benefit plan administered by TMRS. Each of the 801 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2004, valuations are contained in the 2004 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

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.

(continued)

**4. DETAILED NOTES ON ALL FUNDS (Continued)**

**Retirement Plan (Continued)**

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. Plan provisions for the City were as follows (as of April 1, 2005).

Deposit Rate: **6%**

Matching Ratio (City to Employee): **2 to 1**

A member is vested after **5 years**

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are: **5 yrs/age 60, 20 yrs/any age**

**Contributions**

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 cost 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 (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization 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 for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2004 valuation is effective for rates beginning January 2006).

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

**Retirement Plan** (Continued)

**Contributions** (Continued)

**Schedule of Actuarial Liabilities and Funding Progress**

| Actuarial Valuation Date                            | 12/31/02     | 12/31/03     | 12/31/04     |
|---|--------------|--------------|--------------|
| Actuarial value of assets                           | \$ 1,546,339 | \$ 1,883,390 | \$ 2,154,661 |
| Actuarial accrued liability                         | 2,048,385    | 2,571,170    | 2,939,390    |
| Percentage funded                                   | 75.5%        | 73.3%        | 73.3%        |
| Unfunded actuarial accrued liability (UAAL)         | 502,046      | 687,780      | 784,729      |
| Annual covered payroll                              | 2,131,046    | 2,256,984    | 2,589,821    |
| UAAL as percentage of covered payroll               | 23.6%        | 30.5%        | 30.3%        |
| Net pension obligation (NPO) at beginning of period | -            | -            | -            |
| Annual pension cost:                                |              |              |              |
| Annual required contribution (ARC)                  | 178,434      | 173,217      | 245,004      |
| Contributions made                                  | 178,434      | 173,217      | 245,004      |
| Increase in NPO                                     | -            | -            | -            |
| NPO at the end of the period                        | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |

**Actuarial Assumptions**

|                               |   |  |  |
|-------------------------------|---|--|--|
| Actuarial Cost Method         | - | Unit Credit  |  |
| Amortization Method           | - | Level Percent of Payroll   |  |
| Remaining Amortization Period | - | 25 Years - Open Period   |  |
| Asset Valuation Method        | - | Amortized Cost (to accurately reflect the requirements of GASB Statement No. 25, paragraphs 36e and 138) |  |
| Amortization Period           | - | Open   |  |
| Investment Rate of Return     | - | 7%   |  |
| Projected Salary Increases    | - | None   |  |
| Includes Inflation at         | - | 3.5%   |  |
| Cost-of-living Adjustments    | - | None   |  |

**Prior Period Adjustment**

A prior period adjustment was required to record a piece of equipment not included in the fixed assets. Also, accumulated depreciation was lowered to remove an item deleted in prior years.

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**COMBINING FUND  
STATEMENTS AND SCHEDULES**

## NONMAJOR GOVERNMENTAL FUNDS

*Special Revenue Funds* are used to account for specific revenue that is legally restricted to expenditures for particular purposes.

**Police Seizure** – to account for the receipt and expenditures of revenues derived from crime seizures that are for police purposes.

**Homeland Security** – to account for grant revenue that is legally restricted to expenditures for homeland security.

The *Debt Service Fund* is used to account for the accumulation of r and payment of general obligation bond principal and interest from g resources.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of general major capital facilities. Financial provided primarily by the sale of general obligation bonds r contributions.

**Park Dedication** – to account for the acquisition, improvement and maintenance of park areas funded by neighborhood park land dedication fees.

**Street Construction** – to account for the construction of streets from funds contributed by third parties.

**1998 Certificates of Obligation** – to account for the construction of street improvements and new City Hall funded by the proceeds of the certificates of obligation.

**Roadway Impact Fee** – to account for the assessments to developers on projects identified in the roadway impact fee study that was adopted by the City Council on May 9, 2002.

**Library Building** – to account for the construction of a new library from funds contributed by third parties.

**2005 Certificates of Obligation** – to account for the construction of a new library and community center

**CITY OF KENNEDALE, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2005**

|   | <u>Special Revenue Funds</u> |                              |                         |
|---|------------------------------|------------------------------|-------------------------|
|   | <u>Police<br/>Seizure</u>    | <u>Homeland<br/>Security</u> | <u>Debt<br/>Service</u> |
| <b>ASSETS</b>   |                              |                              |                         |
| Cash and investments                                  | \$ 2,123                     | \$ 64                        | \$ 55,441               |
| Receivables (net of allowance<br>for uncollectibles): |                              |                              |                         |
| Taxes   | -                            | -                            | 25,863                  |
| Other   | -                            | -                            | -                       |
| <u>          </u>                                     | <u>          </u>            | <u>          </u>            | <u>          </u>       |
| Total assets  | <u>\$ 2,123</u>              | <u>\$ 64</u>                 | <u>\$ 81,304</u>        |
| <b>LIABILITIES</b>                                    |                              |                              |                         |
| Accounts payable                                      | \$ 295                       | \$ -                         | \$ -                    |
| Accrued liabilities                                   | -                            | -                            | 3,560                   |
| Deferred revenue                                      | -                            | -                            | 24,363                  |
| <u>          </u>                                     | <u>          </u>            | <u>          </u>            | <u>          </u>       |
| Total liabilities                                     | <u>295</u>                   | <u>-</u>                     | <u>27,923</u>           |
| <b>FUND BALANCES</b>                                  |                              |                              |                         |
| Reserved for debt service                             | -                            | -                            | 53,381                  |
| Unreserved  | 1,828                        | 64                           | -                       |
| <u>          </u>                                     | <u>          </u>            | <u>          </u>            | <u>          </u>       |
| Total fund balances                                   | <u>1,828</u>                 | <u>64</u>                    | <u>53,381</u>           |
| <br>Total liabilities and fund balances               | <br><u>\$ 2,123</u>          | <br><u>\$ 64</u>             | <br><u>\$ 81,304</u>    |

Capital Projects Funds

| <u>Park<br/>Dedication</u> | <u>Street<br/>Construction</u> | <u>1998<br/>Certificates<br/>of Obligation</u> | <u>Roadway<br/>Impact<br/>Fee</u> | <u>Library<br/>Building</u> | <u>2005<br/>Certificates<br/>of Obligation</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|----------------------------|--------------------------------|--|-----------------------------------|-----------------------------|--|--|
| \$ 224,417                 | \$ 47,864                      | \$ 805,711                                     | \$ 90,545                         | \$ 6,698                    | \$ 847,875                                     | \$ 2,080,738   |
| -                          | -                              | -  | -                                 | -                           | -  | 25,863   |
| -                          | -                              | -  | -                                 | -                           | 5,184  | 5,184  |
| <u>\$ 224,417</u>          | <u>\$ 47,864</u>               | <u>\$ 805,711</u>                              | <u>\$ 90,545</u>                  | <u>\$ 6,698</u>             | <u>\$ 853,059</u>                              | <u>\$ 2,111,785</u>                                  |
| \$ -                       | \$ -                           | \$ 741   | \$ -                              | \$ -                        | \$ -   | \$ 1,036   |
| -                          | -                              | -  | -                                 | -                           | -  | 3,560  |
| -                          | -                              | -  | -                                 | -                           | -  | 24,363   |
| -                          | -                              | 741  | -                                 | -                           | -  | 28,959   |
| -                          | -                              | -  | -                                 | -                           | -  | 53,381   |
| 224,417                    | 47,864                         | 804,970  | 90,545                            | 6,698                       | 853,059  | 2,029,445  |
| <u>224,417</u>             | <u>47,864</u>                  | <u>804,970</u>                                 | <u>90,545</u>                     | <u>6,698</u>                | <u>853,059</u>                                 | <u>2,082,826</u>                                     |
| <u>\$ 224,417</u>          | <u>\$ 47,864</u>               | <u>\$ 805,711</u>                              | <u>\$ 90,545</u>                  | <u>\$ 6,698</u>             | <u>\$ 853,059</u>                              | <u>\$ 2,111,785</u>                                  |

**CITY OF KENNEDALE, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

|  | <u>Special Revenue Funds</u> |                              |                         |
|--|------------------------------|------------------------------|-------------------------|
|  | <u>Police<br/>Seizure</u>    | <u>Homeland<br/>Security</u> | <u>Debt<br/>Service</u> |
| <b>REVENUES</b>  |                              |                              |                         |
| Property taxes   | \$ -                         | \$ -                         | \$ 312,430              |
| Intergovernmental  | -                            | 110,664                      | -                       |
| Fines and forfeitures  | -                            | -                            | -                       |
| Licenses and permits   | -                            | -                            | -                       |
| Investment earnings  | 56                           | 64                           | 2,357                   |
| Other  | 2,000                        | -                            | -                       |
| <b>Total revenues</b>  | <u>2,056</u>                 | <u>110,728</u>               | <u>314,787</u>          |
| <b>EXPENDITURES</b>  |                              |                              |                         |
| Current  |                              |                              |                         |
| Public safety  | 1,078                        | 110,664                      | -                       |
| Public works   | -                            | -                            | -                       |
| Debt service   |                              |                              |                         |
| Interest   | -                            | -                            | 144,582                 |
| Sinking fund and fiscal control                                | -                            | -                            | 156,818                 |
| Capital  | -                            | -                            | -                       |
| <b>Total expenditures</b>                                      | <u>1,078</u>                 | <u>110,664</u>               | <u>301,400</u>          |
| <b>EXCESS (DEFICIT) REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>978</u>                   | <u>64</u>                    | <u>13,387</u>           |
| <b>OTHER FINANCING SOURCES</b>                                 |                              |                              |                         |
| Transfers in   | -                            | -                            | -                       |
| Bond proceeds  | -                            | -                            | -                       |
| Premium on debt issuance                                       | -                            | -                            | -                       |
| Bond issuance costs  | -                            | -                            | -                       |
| <b>Total other financing sources</b>                           | <u>-</u>                     | <u>-</u>                     | <u>-</u>                |
| <b>NET CHANGE IN FUND BALANCES</b>                             | 978                          | 64                           | 13,387                  |
| <b>FUND BALANCES, BEGINNING</b>                                | <u>850</u>                   | <u>-</u>                     | <u>39,994</u>           |
| <b>FUND BALANCES, ENDING</b>                                   | <u>\$ 1,828</u>              | <u>\$ 64</u>                 | <u>\$ 53,381</u>        |

Capital Projects Funds

| <u>Park<br/>Dedication</u> | <u>Street<br/>Construction</u> | <u>1998<br/>Certificates<br/>of Obligation</u> | <u>Roadway<br/>Impact<br/>Fee</u> | <u>Library<br/>Building</u> | <u>2005<br/>Certificates<br/>of Obligation</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|----------------------------|--------------------------------|--|-----------------------------------|-----------------------------|--|--|
| \$ -                       | \$ -                           | \$ -   | \$ -                              | \$ -                        | \$ -   | \$ 312,430   |
| -                          | -                              | -  | -                                 | -                           | -  | 110,664  |
| 48,618                     | -                              | -  | -                                 | 1,203                       | -  | 1,203  |
| 5,466                      | 1,193                          | 22,672   | 71,153                            | -                           | -  | 119,771  |
| -                          | -                              | 3,509  | 1,288                             | 153                         | 13,578   | 46,827   |
| <u>54,084</u>              | <u>1,193</u>                   | <u>26,181</u>                                  | <u>72,441</u>                     | <u>1,356</u>                | <u>13,578</u>                                  | <u>5,509</u>   |
| -                          | -                              | -  | -                                 | -                           | -  | 596,404  |
| -                          | -                              | -  | -                                 | -                           | -  | 111,742  |
| -                          | -                              | 24,150   | -                                 | -                           | -  | 24,150   |
| -                          | -                              | -  | -                                 | -                           | -  | 144,582  |
| 25,507                     | -                              | -  | -                                 | -                           | -  | 156,818  |
| <u>25,507</u>              | <u>-</u>                       | <u>24,150</u>                                  | <u>-</u>                          | <u>-</u>                    | <u>13,290</u>                                  | <u>38,797</u>  |
| -                          | -                              | -  | -                                 | -                           | -  | 476,089  |
| <u>28,577</u>              | <u>1,193</u>                   | <u>2,031</u>                                   | <u>72,441</u>                     | <u>1,356</u>                | <u>288</u>                                     | <u>120,315</u>                                       |
| -                          | -                              | -  | -                                 | -                           | 97,187   | 97,187   |
| -                          | -                              | -  | -                                 | -                           | 790,000  | 790,000  |
| -                          | -                              | -  | -                                 | -                           | 4,057  | 4,057  |
| -                          | -                              | -  | -                                 | -                           | ( 38,473)                                      | ( 38,473)  |
| -                          | -                              | -  | -                                 | -                           | <u>852,771</u>                                 | <u>852,771</u>                                       |
| 28,577                     | 1,193                          | 2,031  | 72,441                            | 1,356                       | 853,059  | 973,086  |
| 195,840                    | 46,671                         | 802,939  | 18,104                            | 5,342                       | -  | 1,109,740  |
| <u>\$ 224,417</u>          | <u>\$ 47,864</u>               | <u>\$ 804,970</u>                              | <u>\$ 90,545</u>                  | <u>\$ 6,698</u>             | <u>\$ 853,059</u>                              | <u>\$ 2,082,826</u>                                  |

**CITY OF KENNEDALE, TEXAS**

**DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

|                                   | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|-----------------------------------|-------------------------|------------------|---|
| <b>REVENUES</b>                   |                         |                  |   |
| Taxes - property                  | \$ 303,306              | \$ 312,430       | \$ 9,124                                    |
| Investment earnings               | 900                     | 2,357            | 1,457                                       |
| Total revenues                    | <u>304,206</u>          | <u>314,787</u>   | <u>10,581</u>                               |
| <b>EXPENDITURES</b>               |                         |                  |   |
| Debt service:                     |                         |                  |   |
| Principal                         | 144,582                 | 144,582          | -   |
| Interest and fiscal charges       | <u>158,724</u>          | <u>156,818</u>   | <u>1,906</u>                                |
| Total debt service                | <u>303,306</u>          | <u>301,400</u>   | <u>1,906</u>                                |
| Total expenditures                | <u>303,306</u>          | <u>301,400</u>   | <u>1,906</u>                                |
| <b>NET CHANGE IN FUND BALANCE</b> | 900                     | 13,387           | 12,487                                      |
| <b>FUND BALANCE, BEGINNING</b>    | <u>39,994</u>           | <u>39,994</u>    | -   |
| <b>FUND BALANCE, ENDING</b>       | <u>\$ 40,894</u>        | <u>\$ 53,381</u> | <u>\$ 12,487</u>                            |

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**STATISTICAL SECTION**

**CITY OF KENNEDALE, TEXAS**

TABLE 1

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**

**LAST TEN FISCAL YEARS (1)  
(UNAUDITED)**

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Culture and Recreation</u> | <u>Debt Service</u> | <u>Capital Outlay</u> | <u>Economic Development</u> | <u>Total</u> |
|--------------------|---------------------------|----------------------|---------------------|-------------------------------|---------------------|-----------------------|-----------------------------|--------------|
| 1996               | \$ 492,059                | \$ 1,113,858         | \$ 465,285          | \$ 64,121                     | \$ 86,751           | \$ -                  | \$ -                        | \$ 2,222,074 |
| 1997 (2)           | 605,966                   | 1,270,837            | 482,969             | 90,467                        | 85,602              | -                     | -                           | 2,535,841    |
| 1998               | 554,442                   | 1,455,915            | 702,323             | 81,509                        | 85,156              | -                     | 55,475                      | 2,934,820    |
| 1999               | 638,389                   | 1,793,998            | 613,052             | 103,534                       | 84,139              | -                     | 43,289                      | 3,276,401    |
| 2000               | 563,087                   | 2,229,079            | 444,996             | 102,162                       | 369,195             | -                     | 66,946                      | 3,775,465    |
| 2001               | 821,352                   | 2,437,740            | 428,019             | 130,181                       | 263,857             | -                     | 131,481                     | 4,212,630    |
| 2002               | 733,645                   | 2,354,592            | 518,303             | 131,904                       | 279,528             | -                     | 90,167                      | 4,108,139    |
| 2003               | 876,349                   | 2,658,585            | 347,854             | 158,760                       | 658,911             | -                     | 448,083                     | 5,148,542    |
| 2004               | 898,043                   | 2,744,531            | 386,467             | 108,835                       | 301,338             | 104,369               | 48,498                      | 4,592,081    |
| 2005               | 1,070,024                 | 3,332,331            | 545,254             | 127,100                       | 301,400             | -                     | 134,873                     | 5,510,982    |

(1) Includes General, Special Revenue and Debt Service Funds and discretely presented component units.

(2) Economic Development Corporation was established in 1997. It was included in General Fund in 1997.

Source: Annual audited financial statements of the City.

**CITY OF KENNEDALE, TEXAS**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS (1)**  
**(UNAUDITED)**

| Fiscal Year | Taxes        | Licenses and Permits | Inter-governmental | Charges for Services | Fines and Forfeitures | Public Safety | Investment Earnings | Other     | Total        |
|-------------|--------------|----------------------|--------------------|----------------------|-----------------------|---------------|---------------------|-----------|--------------|
| 1996        | \$ 1,651,519 | \$ 85,809            | \$ 123,651         | \$ 216,680           | \$ 156,733            | \$ -          | \$ 42,168           | \$ 77,760 | \$ 2,354,320 |
| 1997        | 1,706,157    | 89,529               | 146,127            | 298,046              | 179,112               | -             | 50,460              | 93,436    | 2,562,867    |
| 1998        | 2,226,210    | 63,522               | 159,267            | 358,031              | 196,584               | -             | 69,874              | 110,742   | 3,184,230    |
| 1999        | 2,379,008    | 124,238              | 156,084            | 372,455              | 264,106               | -             | 110,581             | 60,546    | 3,467,018    |
| 2000        | 2,893,361    | 173,696              | 197,000            | 389,549              | 303,461               | -             | 107,341             | 83,575    | 4,147,983    |
| 2001        | 3,248,275    | 195,288              | 15,000             | 489,122              | 209,723               | -             | 91,038              | 69,032    | 4,317,478    |
| 2002        | 3,650,942    | 192,410              | 37,037             | 460,739              | 192,820               | -             | 38,596              | 32,653    | 4,605,197    |
| 2003        | 3,849,816    | 203,790              | 37,386             | 368,764              | 253,322               | -             | 24,892              | 121,271   | 4,859,241    |
| 2004        | 4,246,142    | 243,568              | 108,948            | 315,752              | 238,475               | 243,963       | 28,979              | 63,944    | 5,489,771    |
| 2005        | 4,301,595    | 406,744              | 216,048            | 345,522              | 204,229               | 340,433       | 98,944              | 139,019   | 6,052,534    |

(1) Includes General, Special Revenue and Debt Service Funds and discretely presented component units.

Source: Annual audited financial statements of the City.

**CITY OF KENNEDALE, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

| <u>Fiscal Period</u> | <u>Total Adjusted Tax Levy</u> | <u>Collection of Current Year's Taxes During Period</u> | <u>Percentage of Levy Collected During Period</u> | <u>Collection and Adjustments Prior Years' Taxes During Period</u> | <u>Total Collections and Prior Years' Adjustments</u> | <u>Ratio of Total Collections and Prior Years' Adjustments to Current Tax Levy</u> | <u>Accumulated Delinquent Taxes</u> | <u>Ratio of Accumulated Delinquent Taxes to Current Levy</u> |
|----------------------|--------------------------------|---|---|--|---|--|-------------------------------------|--|
| 1996                 | \$ 899,110                     | \$ 892,334  | 99.25%  | \$ 13,794  | \$ 906,128  | 100.8%   | \$ 54,084                           | 6.0%   |
| 1997                 | 1,014,373                      | 935,729   | 92.25%  | 16,871   | 952,600   | 93.9%  | 49,252                              | 4.9%   |
| 1998                 | 1,039,170                      | 1,026,842   | 98.81%  | 17,063   | 1,043,905   | 100.5%   | 56,707                              | 5.5%   |
| 1999                 | 1,140,375                      | 1,127,526   | 98.87%  | 22,043   | 1,149,569   | 100.8%   | 62,851                              | 5.5%   |
| 2000                 | 1,363,615                      | 1,311,973   | 96.21%  | 22,665   | 1,334,638   | 97.9%  | 70,707                              | 6.1%   |
| 2001                 | 1,473,050                      | 1,422,391   | 96.56%  | 36,004   | 1,458,395   | 99.0%  | 100,707                             | 7.2%   |
| 2002                 | 1,789,907                      | 1,739,768   | 97.20%  | 38,266   | 1,778,034   | 99.3%  | 100,707                             | 7.4%   |
| 2003                 | 2,102,624                      | 2,018,440   | 96.00%  | 34,386   | 2,052,826   | 97.6%  | 172,193                             | 8.2%   |
| 2004                 | 2,344,396                      | 2,266,784   | 96.69%  | 20,823   | 2,337,608   | 99.7%  | 198,918                             | 8.5%   |
| 2005                 | 2,439,472                      | 2,368,435   | 97.09%  | 80,115   | 2,448,550   | 100.4%   | 207,413                             | 8.5%   |

Source: Tarrant County Tax Office

## CITY OF KENNEDALE, TEXAS

## ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS  
(UNAUDITED)

| <u>Fiscal<br/>Year</u> | <u>Real and<br/>Personal Property<br/>Assessed Value</u> | <u>Estimated<br/>Market<br/>Value</u> | <u>Ratio of Total<br/>Assessed Value<br/>to Estimated<br/>Market Value</u> |
|------------------------|--|---------------------------------------|--|
| 1996                   | \$ 154,346,946   | \$ 154,346,946                        | 100%   |
| 1997                   | 175,473,701  | 175,473,701                           | 100%   |
| 1998                   | 173,194,984  | 173,194,984                           | 100%   |
| 1999                   | 187,259,946  | 187,259,946                           | 100%   |
| 2000                   | 214,787,434  | 214,787,434                           | 100%   |
| 2001                   | 233,819,195  | 233,819,195                           | 100%   |
| 2002                   | 260,344,707  | 260,344,707                           | 100%   |
| 2003                   | 295,105,130  | 295,105,130                           | 100%   |
| 2004                   | 310,501,026  | 310,501,026                           | 100%   |
| 2005                   | 336,665,851  | 336,665,851                           | 100%   |

Source: Tarrant County Appraisal District

**CITY OF KENNEDALE, TEXAS**  
**PROPERTY TAX RATES AND TAX LEVIES**  
**ALL DIRECT AND OVERLAPPING GOVERNMENTS**  
**(PER \$100 OF ASSESSED VALUE)**

**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

**TAX RATES:**

| Fiscal Year | City        | School      | County      | Tarrant County College District | Tarrant County Hospital District | Total       |
|-------------|-------------|-------------|-------------|---------------------------------|----------------------------------|-------------|
| 1996        | \$ 0.582525 | \$ 1.533000 | \$ 0.266603 | \$ 0.055460                     | \$ 0.239840                      | \$ 2.677428 |
| 1997        | 0.578077    | 1.593322    | 0.264836    | 0.057690                        | 0.234070                         | 2.727995    |
| 1998        | 0.600000    | 1.665641    | 0.264836    | 0.106410                        | 0.234070                         | 2.870957    |
| 1999        | 0.611377    | 1.665641    | 0.264836    | 0.106410                        | 0.234070                         | 2.870957    |
| 2000        | 0.635000    | 1.550816    | 0.264836    | 0.106410                        | 0.234070                         | 2.800000    |
| 2001        | 0.635000    | 1.612795    | 0.274785    | 0.106410                        | 0.234070                         | 2.863060    |
| 2002        | 0.692500    | 1.612795    | 0.274785    | 0.106410                        | 0.234070                         | 2.920560    |
| 2003        | 0.712500    | 1.623076    | 0.272500    | 0.139380                        | 0.234070                         | 2.979856    |
| 2004        | 0.732500    | 1.614421    | 0.272500    | 0.1                             | 0.234070                         | 2.953561    |
| 2005        | 0.722500    | 1.804252    | -           | -                               | -                                | 2.526752    |

**TAX LEVIES:**

| Fiscal Year | City       | School       | County         | Tarrant County College District | Tarrant County Hospital District | Total          |
|-------------|------------|--------------|----------------|---------------------------------|----------------------------------|----------------|
| 1996        | \$ 899,110 | \$ 4,898,005 | \$ 125,584,484 | \$ 27,566,790                   | \$ 110,967,692                   | \$ 269,916,081 |
| 1997        | 1,014,373  | 5,533,309    | 133,296,559    | 29,341,890                      | 117,764,138                      | 286,950,269    |
| 1998        | 1,039,170  | 5,847,545    | 144,477,096    | 58,785,283                      | 127,693,164                      | 337,842,258    |
| 1999        | 1,140,375  | 6,527,738    | 156,798,283    | 63,776,530                      | 138,555,573                      | 366,798,499    |
| 2000        | 1,363,615  | 6,631,231    | 157,006,004    | 63,882,547                      | 138,747,489                      | 367,630,886    |
| 2001        | 1,473,050  | 7,887,252    | 181,092,175    | 70,939,334                      | 154,230,830                      | 415,622,641    |
| 2002        | 1,789,907  | 8,797,552    | 200,826,483    | 78,805,815                      | 171,040,043                      | 461,259,800    |
| 2003        | 2,068,341  | 10,122,796   | 215,751,544    | 111,618,881                     | 183,969,402                      | 523,530,964    |
| 2004        | 2,344,396  | 11,492,023   | 231,764,505    | 119,622,047                     | 200,168,256                      | 565,391,227    |
| 2005        | -          | 13,291,394   | -              | -                               | -                                | 13,291,394     |

Source: Tarrant County Appraisal District, City of Kennedale, Kennedale Independent School District.

**CITY OF KENNEDALE, TEXAS**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**SEPTEMBER 30, 2005**  
**(UNAUDITED)**

Article XI, Section 5 of the State of Texas Constitution states in part: "no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such city.

The City Charter of the City of Kennedale, Texas, does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to \$2.50 per \$100 assessed valuation.

|                    |                  |
|--------------------|------------------|
| Tax Rate Limit     | \$ 2.5000        |
| Current Tax Rate   | <u>0.7225</u>    |
| Available Tax Rate | \$ <u>1.7775</u> |

No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

## CITY OF KENNEDALE, TEXAS

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE  
AND NET BONDED DEBT PER CAPITALAST TEN FISCAL YEARS  
(UNAUDITED)

| Fiscal Year | Population | Assessed Value<br>(1) | Bonded Debt<br>(2) | Less Debt Service Funds | Net Bonded Debt | Net Bonded Debt as a Percent of Assessed Value | Net Bonded Debt Per Capita |
|-------------|------------|-----------------------|--------------------|-------------------------|-----------------|--|----------------------------|
| 1996        | 5,000      | \$ 154,346,946        | \$ 252,900         | \$ 18,144               | \$ 234,756      | 0.15%  | \$ 47                      |
| 1997        | 5,300      | 175,473,701           | 233,400            | 12,059                  | 221,341         | 0.13%  | 42                         |
| 1998        | 5,400      | 173,194,984           | 208,200            | 10,412                  | 197,788         | 0.11%  | 37                         |
| 1999        | 5,850      | 187,259,946           | 3,283,000          | 6,369                   | 3,276,631       | 1.75%  | 560                        |
| 2000        | 5,850      | 214,787,434           | 3,255,900          | 548                     | 3,255,352       | 1.52%  | 556                        |
| 2001        | 5,950      | 233,819,195           | 3,228,800          | 5,062                   | 3,223,738       | 1.38%  | 542                        |
| 2002        | 6,100      | 260,344,707           | 3,196,700          | 21,633                  | 3,175,067       | 1.22%  | 521                        |
| 2003        | 6,100      | 295,665,896           | 3,162,700          | 23,251                  | 3,139,449       | 1.06%  | 510                        |
| 2004        | 6,100      | 310,501,026           | 3,053,700          | 39,994                  | 3,013,706       | 0.97%  | 494                        |
| 2005        | 6,150      | 336,665,851           | 3,727,800          | 53,381                  | 3,674,419       | 1.09%  | 602                        |

(1) Includes adjustments to certified rolls.

(2) Certificate Obligation Bonds reported in the Enterprise Funds with government commitment have been excluded.

TABLE 8

**CITY OF KENNEDALE, TEXAS**

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES  
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES**

**LAST TEN FISCAL YEARS  
(UNAUDITED)**

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest and Fiscal Charges</u> | <u>Total Debt Service</u> | <u>Total General Governmental Expenditures</u> (1) | <u>Debt Service As a Percent of Total General Expenditures</u> |
|--------------------|------------------|------------------------------------|---------------------------|--|--|
| 1996               | \$ 79,986        | \$ 6,765                           | \$ 86,751                 | \$ 2,685,827                                       | 3.23%  |
| 1997               | 65,487           | 20,115                             | 85,602                    | 2,535,841  | 3.38%  |
| 1998               | 71,187           | 13,969                             | 85,156                    | 2,934,820  | 2.90%  |
| 1999               | 71,187           | 43,048                             | 114,235                   | 3,403,841  | 3.36%  |
| 2000               | 92,730           | 276,465                            | 369,195                   | 4,426,420  | 8.34%  |
| 2001               | 85,419           | 178,438                            | 263,857                   | 5,915,148  | 4.46%  |
| 2002               | 96,220           | 183,308                            | 279,528                   | 4,432,263  | 6.31%  |
| 2003               | 122,036          | 176,198                            | 298,234                   | 4,789,060  | 6.23%  |
| 2004               | 142,067          | 159,271                            | 301,338                   | 4,748,988  | 6.35%  |
| 2005               | 144,582          | 156,818                            | 301,400                   | 5,439,056  | 5.54%  |

(1) Includes all governmental funds.

Source: Annual audited financial statements of the City

**CITY OF KENNEDALE, TEXAS**

TABLE 9

**COMPUTATION OF DIRECT AND ESTIMATED OVERLAPPING  
BONDED DEBT PAYABLE FROM AD VALOREM TAXES**

**SEPTEMBER 30, 2005  
(UNAUDITED)**

| <u>Taxing Jurisdiction</u>        | <u>Gross Bonded Debt</u> | <u>Percentage of Debt Applicable to Area</u> | <u>Kennedale Geographical Area Share of Debt</u> |
|-----------------------------------|--------------------------|--|--|
| Fort Worth ISD                    | \$ 358,150,248           | 0.02%  | \$ 71,630  |
| Kennedale ISD                     | 54,700,000               | 44.67%                                       | 24,434,490                                       |
| Tarrant County                    | 167,040,000              | 0.38%  | 634,752  |
| Tarrant County College District   | 65,980,000               | 0.38%  | 250,724  |
| Tarrant County Hospital District  | -                        | 0.38%  | -  |
| Total Overlapping Debt            | 645,870,248              |  | 25,391,596                                       |
| City of Kennedale                 | <u>5,540,000</u>         | 100.00%                                      | <u>5,540,000</u>                                 |
| Total Direct and Overlapping Debt | <u>\$ 651,410,248</u>    |  | <u>\$ 30,931,596</u>                             |
| Percentage of Assessed Value      |                          |  | 9.96%  |
| Average Debt Per Capita           |                          |  | \$ 5,071   |

Source: First Southwest Company

## CITY OF KENNEDALE, TEXAS

## REVENUE BOND COVERAGE: WATER AND WASTEWATER BONDS

LAST TEN FISCAL YEARS  
(UNAUDITED)

| <u>Fiscal Year</u> | <u>Gross Revenue (1)</u> | <u>Direct Operating Expenses (Net of Depreciation) (2)</u> | <u>Net Revenue Available for Debt Service (3)</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Coverage</u> |
|--------------------|--------------------------|--|---|------------------|-----------------|--------------|-----------------|
| 1996               | \$ 1,128,666             | \$ 782,896   | \$ 345,770  | \$ 28,210        | \$ 9,212        | \$ 37,422    | \$ 9.24         |
| 1997               | 1,128,248                | 864,978  | 263,270   | 29,622           | 6,416           | 36,038       | 7.31            |
| 1998               | 1,260,174                | 974,314  | 285,860   | 30,225           | 6,820           | 37,045       | 7.72            |
| 1999               | 1,344,777                | 965,463  | 379,314   | 103,045          | 63,752          | 166,797      | 2.27            |
| 2000               | 1,594,415                | 1,121,612  | 472,803   | 106,624          | 57,971          | 164,595      | 2.87            |
| 2001               | 1,566,188                | 1,001,241  | 564,947   | 166,099          | 55,539          | 221,638      | 2.55            |
| 2002               | 1,799,370                | 1,180,649  | 618,721   | 156,605          | 61,514          | 218,119      | 2.84            |
| 2003               | 1,810,770                | 1,417,310  | 393,460   | 154,803          | 57,579          | 212,382      | 1.85            |
| 2004               | 2,051,082                | 1,747,971  | 303,111   | 152,277          | 53,726          | 206,003      | 1.47            |
| 2005               | 2,347,364                | 1,759,069  | 588,295   | 148,687          | 50,005          | 198,692      | 2.96            |

- (1) Gross revenue includes all water and sewer revenue exclusive of impact fees and capital contributions.
- (2) Direct operating expenses include all water and sewer operating expenses, less depreciation.
- (3) The method of calculation reflects the average annual remaining principal and interest payments. Average annual debt service is the average principal and interest payments due over the remaining term of commitment for Certificates of Obligation and State Infrastructure Loan.

## CITY OF KENNEDALE, TEXAS

## DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS  
(UNAUDITED)

| <u>Fiscal Year</u> | <u>Estimated Population</u> | <u>Median Household Income</u> | <u>Per Capita Income</u> | <u>Median Age</u> | <u>School Enrollment</u> | <u>Unemployment Rate</u> |
|--------------------|-----------------------------|--------------------------------|--------------------------|-------------------|--------------------------|--------------------------|
| 1996               | 5,000                       | \$ 29,221                      | \$ 13,082                | 31.7              | 2,291                    | 2.1%                     |
| 1997               | 5,300                       | 29,221                         | 13,082                   | 31.7              | 2,388                    | 2.1%                     |
| 1998               | 5,400                       | 29,221                         | 13,082                   | 31.7              | 2,467                    | 1.9%                     |
| 1999               | 5,850                       | 29,221                         | 13,082                   | 31.7              | 2,520                    | 1.9%                     |
| 2000               | 5,850                       | 49,091                         | 53,901                   | 34.7              | 2,567                    | 1.9%                     |
| 2001               | 5,950                       | 49,091                         | 53,901                   | 34.7              | 2,732                    | 2.7%                     |
| 2002               | 6,100                       | 49,091                         | 53,901                   | 34.7              | 2,745                    | 3.8%                     |
| 2003               | 6,100                       | 49,091                         | 53,901                   | 34.7              | 2,940                    | 3.8%                     |
| 2004               | 6,100                       | 49,091                         | 53,901                   | 34.7              | 2,929                    | 3.1%                     |
| 2005               | 6,150                       | 49,091                         | 53,901                   | 34.7              | 2,926                    | 4.9%                     |

## Data Sources:

Estimated Population - U. S. Census Bureau (2000 population) and North Central Texas Council of Governments

Median Household Income - U. S. Census Bureau (compiled every 10 years)

Per Capita Income - U. S. Census Bureau (compiled every 10 years)

Median Age - U. S. Census Bureau (compiled every 10 years)

School Enrollment - Kennedale Independent School District

Unemployment - Texas Workforce Commission

**CITY OF KENNEDALE, TEXAS**  
**CONSTRUCTION ACTIVITY AND PROPERTY VALUE**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

| Fiscal<br>Year | Total<br>Property<br>Value (2) | Construction (1)     |                     |                      |                      |
|----------------|--------------------------------|----------------------|---------------------|----------------------|----------------------|
|                |                                | Number<br>of Permits | Commercial<br>Value | Number<br>of Permits | Residential<br>Value |
| 1996           | \$ 154,346,946                 | -                    | \$ -                | 47                   | \$ 5,018,493         |
| 1997           | 175,473,701                    | -                    | -                   | 48                   | 7,464,621            |
| 1998           | 173,194,984                    | 4                    | 2,518,000           | 23                   | 3,065,458            |
| 1999           | 187,259,946                    | 2                    | 193,000             | 26                   | 2,988,598            |
| 2000           | 214,787,434                    | 4                    | 655,000             | 72                   | 8,308,560            |
| 2001           | 233,819,195                    | 5                    | 1,875,877           | 56                   | 8,559,230            |
| 2002           | 260,344,707                    | 2                    | 531,625             | 52                   | 10,499,254           |
| 2003           | 295,105,130                    | 5                    | 986,000             | 37                   | 6,462,578            |
| 2004           | 310,501,026                    | 2                    | 360,000             | 27                   | 3,175,403            |
| 2005           | 336,665,851                    | 1                    | 345,000             | 67                   | 14,059,032           |

(1) City of Kennedale - Public Works Department

(2) Tarrant County Tax Assessor-Collector

CITY OF KENNEDALE, TEXAS

TABLE 13

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2005  
(UNAUDITED)

| <u>Taxpayer</u>                     | <u>Type of Business</u> | <u>2004-2005 Assessed Valuation (1)</u> | <u>Percentage of Total Assessed Value</u> |
|-------------------------------------|-------------------------|---|---|
| Goss International Americas, Inc.   | Manufacturer            | \$ 9,542,036                            | 2.83%                                     |
| FWT, Inc. and FWT, Inc.             | Manufacturer            | 8,574,937                               | 2.55%                                     |
| Excel Polymers, LLC                 | Manufacturer            | 7,329,408                               | 2.18%                                     |
| Southwestern Bell                   | Telephone company       | 6,580,931                               | 1.95%                                     |
| TXU Electric Delivery Co.           | Utility                 | 6,275,395                               | 1.86%                                     |
| Harrison Jet Guns, II, LP           | Manufacturer            | 4,562,291                               | 1.36%                                     |
| Hawk Steel Industrial               | Manufacturer            | 3,629,352                               | 1.08%                                     |
| Rebar Services and Supply Co.       | Manufacturer            | 3,300,528                               | 0.98%                                     |
| Redi Mix, Inc.                      | Manufacturer            | 2,629,732                               | 0.78%                                     |
| Bloxom D. E., Sr. FND. RP Hold, LLC | Manufacturer            | <u>2,246,382</u>                        | <u>0.67%</u>                              |
| Total                               |                         | \$ <u>54,670,992</u>                    | <u>16.24%</u>                             |

(1) Source: Tarrant County Appraisal District

**CITY OF KENNEDALE, TEXAS**  
**MISCELLANEOUS STATISTICAL DATA**  
**SEPTEMBER 30, 2005**  
**(UNAUDITED)**

|                                     |                  |                          |        |
|-------------------------------------|------------------|--------------------------|--------|
| Date of Incorporation:              | July 1947        | Public Library           | 1      |
| Date of City Charter Adoption:      | January 22, 1998 | Number of volumes        | 16,137 |
| Population:                         | 6,150            | Annual circulation       | 16,431 |
| Area (square miles)                 | 7.0000           |                          |        |
| Form of Government:                 | Council-Manager  | Parks:                   |        |
| Council Members                     | 6                | Number of acres          | 19     |
| Employees                           | 73               | Public parks             | 2      |
| Street System:                      |                  | Community Center         | 1      |
| Miles of paved                      | 39.48 miles      | Senior Recreation Center | 1      |
| Number street lights                | 193              | Public Education:        |        |
| Building Permits:                   |                  | Number of students       | 2,929  |
| Permits issued                      | 29               | Average daily attendance | 2,731  |
| Estimated cost                      | \$3,535,403      | Number of teachers       | 185    |
| Fire Protection:                    |                  | Informative schools      | 2      |
| Stations                            | 1                | Elementary schools       | 1      |
| Fire fighters                       | 15               | Jr. High school          | 1      |
| Chief                               | 1                | High school              | 1      |
| Administrative assistant            | 1                | Elections:               |        |
| Police Protection:                  |                  | Registered voters        | 3,650  |
| Station                             | 1                | Number of votes cast in  |        |
| Police officers                     | 18               | last general election    | 564    |
| Dispatches                          | 5                | Percentage of votes      |        |
| Animal control officer              | 1                | cast to number of        |        |
| Chief                               | 1                | registered voters        | 15.45% |
| Administrative assistant            | 1                |                          |        |
| Water System:                       |                  |                          |        |
| Number customers                    | 2,134            |                          |        |
| Daily average consumption (gallons) | 676,811          |                          |        |
| Storage capacity (million gallons)  | 3                |                          |        |
| Miles of water mains                | 52.5             |                          |        |
| Number of fire hydrants             | 332              |                          |        |
| Sewer System:                       |                  |                          |        |
| Sewer connections                   | 1,931            |                          |        |
| Miles of sewers:                    |                  |                          |        |
| Storm                               | 0                |                          |        |
| Sanitary                            | 42               |                          |        |

**CITY OF KENNEDALE, TEXAS**  
**SCHEDULE OF INSURANCE IN FORCE**  
**SEPTEMBER 30, 2005**  
**(UNAUDITED)**

| <u>Name of Company</u>                                    | <u>Type of Coverage</u>                      | <u>Limits of Coverage</u>             | <u>Self-Insured Deductibles</u> | <u>Premium</u>  |
|---|--|---------------------------------------|---------------------------------|-----------------|
| <b>TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL</b> |  |                                       |                                 |                 |
| Policy No. 3895   |  |                                       |                                 |                 |
| Policy Period: 10/01/03 - 09/30/04                        |  |                                       |                                 |                 |
| 1. Property   | Real and Personal Property                   | \$ 9,877,276                          | \$ 2,500                        | \$ 10,072       |
|   | Sublimits:                                   |                                       |                                 |                 |
|   | Transit                                      | 1,000,000                             |                                 |                 |
|   | Valuable papers and records                  | 100,000                               |                                 |                 |
|   | Accounts receivable                          | 15,000                                |                                 |                 |
|   | Loss of revenues/extra expense and rents     | 25,000                                |                                 |                 |
|   | Personal property of employees and officials | 5,000                                 |                                 |                 |
|   | Leasehold interests                          | 5,000                                 |                                 |                 |
|   | Mobile Equipment                             | 216,181                               | 2,500                           | 927             |
|   | Boiler and Machinery -<br>Compression        | 2078000                               | 2500                            | Included        |
|   | Auto Physical Damage                         | Per schedule                          | 1,000                           | 6,892           |
|   |  | Per Occurrence                        | 10,000                          |                 |
| 2. Liability  | General                                      | Per Occurrence<br>Annual Aggregate    | 1,000,000<br>2,000,000          | 5,000<br>7,200  |
|   | Automobile                                   | Per Occurrence                        | 1,000,000                       | 5,000           |
|   | Sublimit - medical payment                   | Per Person                            | 25,000                          | 12,086          |
|   | Law enforcement                              | Per Occurrence<br>Annual Aggregate    | 1,000,000<br>2,000,000          | 5,000<br>9,311  |
|   | Errors and omissions                         | Each Wrongful Act<br>Annual Aggregate | 1,000,000<br>2,000,000          | 5,000<br>10,409 |
| 3. Workers' Compensation                                  |  | Per Accident<br>Annual Aggregate      | Statutory<br>-                  | -<br>60,293     |
| 4. Crime  | Public Employee Dishonesty                   | 100,000                               | 2,000                           | 586             |
|   | Theft, disappearance, destruction            | Inside Limit                          | 4,500                           | 245             |
|   |  | Outside Limit                         | 4,350                           |                 |

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