



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kennedale, Texas for the year ended September 30, 2008, and have issued our report thereon dated February 12, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U. S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated November 20, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include management's estimate of uncollectible accounts and accumulated depreciation. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 12, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City of Kennedale, Texas, and is not intended to be and should not be used by anyone other than these specified parties.

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

February 12, 2009



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

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

Members of the Council:

In planning and performing our audit of the financial statements of the City of Kennedale, Texas, as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of certain matters that 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 February 12, 2009, on the 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.

February 12, 2009

CITY OF KENNEDALE, TEXAS

COMMENTS AND SUGGESTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

STATEMENTS ON AUDITING STANDARDS NOS. 104-111

In March 2006, the AICPA Auditing Standards Board (ASB) issued 11 amendments to existing auditing standards to improve the quality and effectiveness of audits. The primary objective of amendments, Statements on Auditing Standards (SAS) Nos. 104-111, is to enhance the auditors' application of the audit risk model by requiring:

- A more in-depth understanding of the entity and its environment, including internal control, to identify the risks of material misstatement in the financial statements and to determine what the entity is doing to mitigate those risks.
- Testing of controls. The auditors' understanding of internal control would include a requirement to evaluate the design of internal controls.
- A more rigorous assessment of the risks and the nature, timing, and the extent of audit procedures performed in response to those risks.
- Improved linkage between the assessed risks and the nature, timing, and the extent of audit procedures performed in response to those risks.
- Greater emphasis on testing disclosures. The standards add disclosures to the risk of material misstatement and require auditors to test the completeness of the disclosures and their understandability to users.
- Expanded documentation. Each of the items discussed above is accompanied by expanded audit documentation.

These standards would be effective for audits of financial statements for periods beginning on or after December 15, 2006. In order to prepare for the implementation of SAS Nos. 104-111, it will be important for the City to understand the provisions of the new standard and develop a detailed action plan. Several actions to consider are listed below:

- Identify an individual or team that will oversee the preparation for the implementation of this standard;
- Identify and document the key internal controls that support the various financial processes;
- Perform risk assessment procedures to determine the areas which are most susceptible to fraud, financial reporting, strategic, and operation risk; and
- ~~Prioritize key action steps that can be accomplished this fiscal year.~~

ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, issued in June 2004, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

From an accrual accounting perspective, the cost of OPEB generally should be associated with the periods in which the exchange occurs, rather than with the periods (often many years later) when benefits are paid or provided. However, in current practice, most OPEB plans are financed on a pay-as-you-go basis, and financial statements generally do not report the financial effects of OPEB until the promised benefits are paid. As a result, current financial reporting generally fails to:

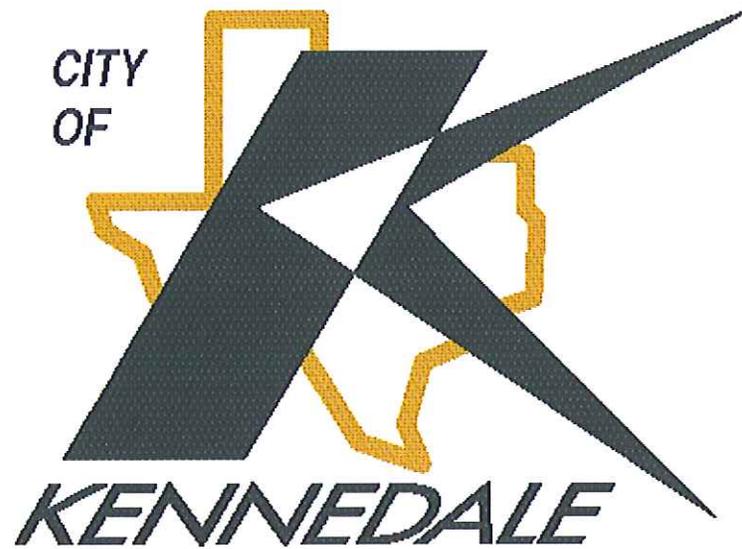
- Recognize the cost of benefits in periods when the related services are received by the employer;
- Provide information about the actuarial accrued liabilities for promised benefits associated with past services and whether and to what extent those benefits have been funded; and
- Provide information useful in assessing potential demands on the employer's future cash flows.

This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

Implementation is required for the City in the first fiscal period beginning after December 15, 2008. We recommend the City begin to formulate strategies to meet the demands of the new standard.

* * * * *

We appreciate this opportunity to be of service to the **City of Kennedale, Texas**. Should you have any questions or require further information, please do not hesitate to call.



COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF KENNEDALE, TEXAS

**YEAR ENDED
SEPTEMBER 30, 2008**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF KENNEDALE, TEXAS

**YEAR ENDED
SEPTEMBER 30, 2008**

Prepared by: Department of Finance

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KENNEDALE, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2008

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i – vi
GFOA Certificate of Achievement	vii
Organizational Chart	viii
Principal City Officials	ix
FINANCIAL SECTION	
Independent Auditors' Report.....	1 – 2
Management's Discussion and Analysis	3 – 11
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	12
Statement of Activities.....	13 – 14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16

(continued)

CITY OF KENNEDALE, TEXAS

TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2007

Page
Number

FINANCIAL SECTION (Continued)

Fund Financial Statements (Continued)

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities..... 17

Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual – General Fund..... 18

Statement of Net Assets – Proprietary Fund..... 19

Statement of Revenues, Expenses and Changes in
Fund Net Assets – Proprietary Fund..... 20

Statement of Cash Flows – Proprietary Fund 21

Notes to Financial Statements..... 22 – 44

Combining Fund Statements and Schedules

Nonmajor Governmental Funds

Combining Balance Sheet..... 45 – 46

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances 47 – 48

Nonmajor Debt Service Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual..... 49

(continued)

CITY OF KENNEDALE, TEXAS

TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2007

	<u>Table Number</u>	<u>Page Number</u>
STATISTICAL SECTION (Unaudited)		
Net Assets By Component.....	1	50
Change In Net Assets.....	2	51 - 52
Fund Balances Governmental Funds	3	53
Changes In Fund Balances Governmental Funds	4	54 - 55
Assessed Value and Estimated Actual Value of Taxable Property	5	56
Direct and Overlapping Property Tax Rates.....	6	57
Principal Property Taxpayers.....	7	58
Property Tax Levies And Collections.....	8	59
Ratios Of Outstanding Debt By Type.....	9	60
Ratios Of General Bonded Debt Outstanding.....	10	61
Direct And Overlapping Governmental Activities Debt	11	62
Legal Debt Margin Information.....	12	63
Pledged Revenue Coverage	13	64
Demographic And Economic Statistics	14	65
Principal Employers.....	15	66
Fulltime Equivalent City Government Employees By Function.....	16	67
Operating Indicators By Function.....	17	68
Capital Asset Statistics By Function/Program.....	18	69

THIS PAGE LEFT BLANK INTENTIONALLY

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



February 12, 2009

Honorable Mayor and City Council,
Citizens of Kennedale:

The City of Kennedale (the “City”) Financial Management Policies requires that the City’s Finance Department prepare a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Accordingly, the Comprehensive Annual Financial Report for the City of Kennedale, Texas for the fiscal year ended September 30, 2008, is hereby issued.

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

The City’s financial statements have been audited by Pattillo, Brown and Hill LLP, Independent Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2008, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City’s financial statements for the fiscal year ended September 30, 2008, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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

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 7 square miles and serves a population of 6,450. 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.

FACTORS AFFECTING FINANCIAL 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.

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, the Ballpark at Arlington, home of the Texas Rangers baseball team, and soon to be home of the Dallas Cowboys football 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 TownCenter 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 much anticipated Town Square.

Accounting System and Budgetary Control. The City's accounting records for general government operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities incurred. Accounting records for the City's utilities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concepts of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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 of 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 the 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.

Long-Term Financial Planning.

CURRENT YEAR PROJECTS. The City of Kennedale secured a long-term water supply through a wholesale water contract with the City of Fort Worth. A 16-inch water main was constructed to provide the water. The project was completed during the fiscal year with final acceptance of the project in early 2009. The City will maintain use of its four water wells and gradually shift to Fort Worth water as demand grows.

The City is also working with Tarrant County and the City of Arlington to construct three major road projects: Bowman Springs Road realignment, reconstruction, and extension; Little-School Road reconstruction and extension; and the reconstruction of Sublett Road. Surveying of the projects began in late 2008 with design and right-of-way acquisition to occur in 2009. Utility relocation and construction is planned for 2010 with completion during 2011. Bowman Springs Road will be four-lane. Little-School Road and Sublett Road will be three lanes with a landscaped median and will contain round-a-bouts at the major intersections in order to more smoothly move traffic.

FUTURE PROJECTS. The City has partnered with the University of Texas @ Arlington to prepare a strategic plan – *Imagine Kennedale 2015*. The planning effort involves almost 50 citizens and will continue through the first half of 2009. The strategic plan will be the basis for preparing future annual operating budgets.

The City is also working with the Kennedale Economic Development (EDC) Corporation to develop the Kennedale TownCenter. The development of the TownCenter is a long sought project to bring office and retail services to Kennedale. The City intends to create a Tax Increment Financing (TIF) District and a Municipal Management District (MMD) to generate public funds for the project. A development agreement with Cypress Properties, Cedar Park, Texas, is being negotiated to develop the six acre – 90,000 square feet project. The TownCenter is anticipated to take eight to ten years to complete.

Similarly, the City intends to establish a TIF District to assist in the redevelopment of the Oak Crest area in anticipation of the existing sexually-oriented businesses closing and relocating from Kennedale in February 2012.

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, 2008, the fair value of the City's investments totaled \$14,885,982 with \$6,283,882 (42.21%) in bank deposit, and \$8,602,100 (57.79%) in local government investment pools. Investment income generated for the year for all funds within the primary government was \$326,202. 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 \$5,000 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, 2007. 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.

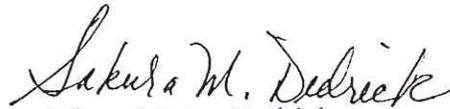
A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,



Bob Hart
City Manager



Sakura Moten-Dedrick
Director of Finance

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, 2007

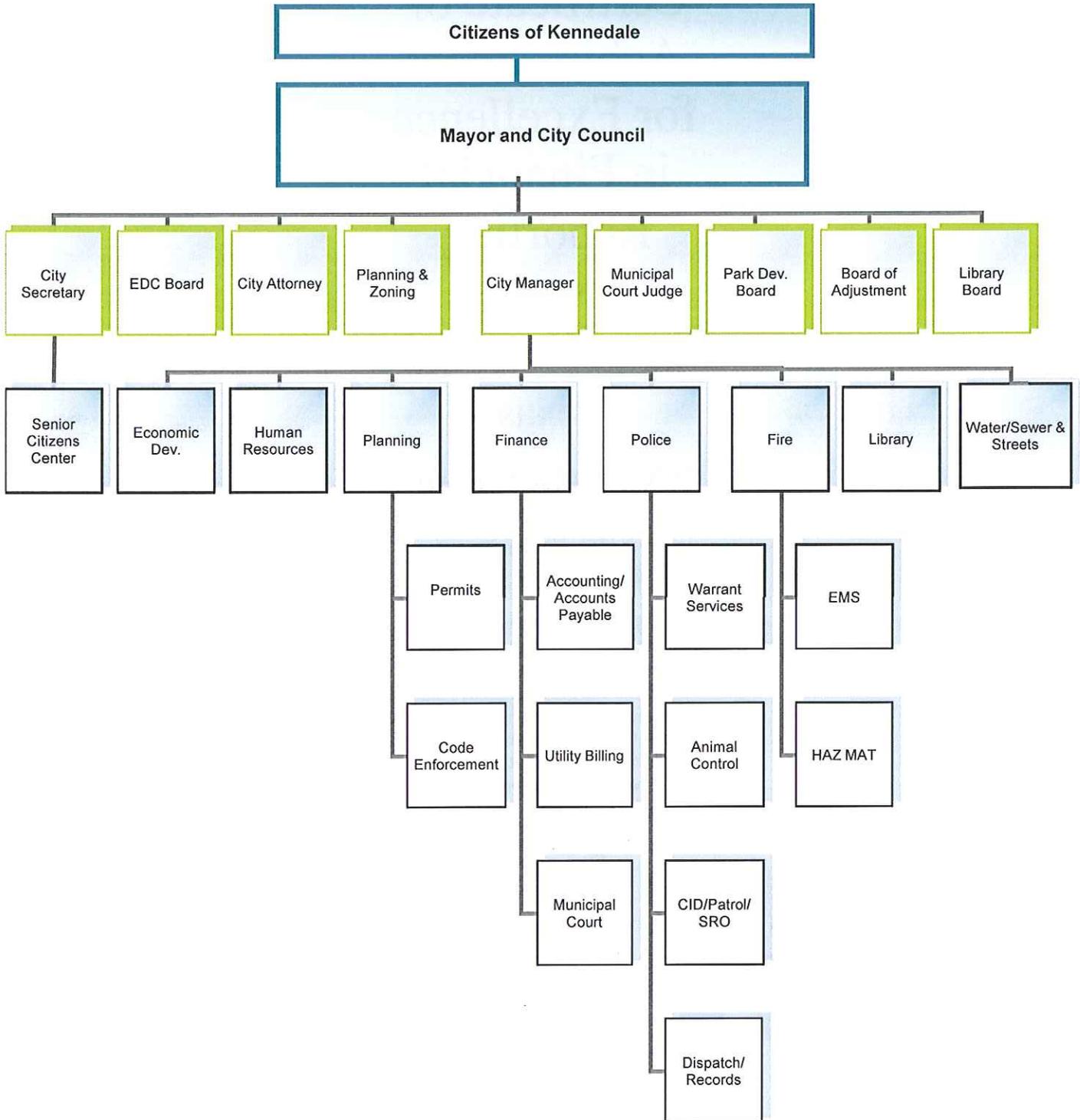
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF KENNEDALE ORGANIZATIONAL CHART



CITY OF KENNEDALE, TEXAS

PRINCIPAL OFFICIALS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

ELECTED OFFICIALS

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

Bryan Lankhorst
John Clark
David Green
Brian Johnson
Kelly Turner
Jerry Miller

APPOINTED OFFICIALS

City Manager
Director of Finance
Police Chief
City Secretary
Director of Economic Development

Bob Hart
Sakura Moten-Dedrick
Thomas Williams
Kathy Turner
Mike Soab

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,
City Council and City Manager
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 the City of Kennedale, Texas as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2008, and the respective changes in financial position and cash flows, and where applicable, 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 11 is not a required part of the basic financial statements but is 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's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, 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.

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

February 12, 2009

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2008. 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 \$27,977,646. Of this amount, \$7,652,116 (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 \$241,808. This increase is approximately the same as the increase in the prior year due to an increase in operating grants and contributions on property tax revenue offset by increase general government expenses.
- As of the close of the current fiscal year, the City of Kennedale's governmental funds reported combined ending fund balances of \$10,726,944, an increase of \$6,776,087 in comparison with the prior year. Approximately, 99.5% of this amount, \$10,678,178, 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 \$1,433,468 or 22.53% 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 decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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 and Capital Bond Fund, which are considered to be major funds. Data from the other 8 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 \$27,977,646 at the close of the most recent fiscal year. By far the largest portion of the City's net assets (\$20,276,764 or 72.47%) 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	Activities	Activities	Activities	2008	2007
	2008	2007	2008	2007		
Current and other assets	\$ 12,169,064	\$ 4,885,848	\$ 4,327,630	\$ 4,992,629	\$ 16,496,694	\$ 9,878,477
Capital assets	<u>16,516,182</u>	<u>16,437,147</u>	<u>12,442,442</u>	<u>11,955,233</u>	<u>28,958,624</u>	<u>28,392,380</u>
Total assets	<u>28,685,246</u>	<u>21,322,995</u>	<u>16,770,072</u>	<u>16,947,862</u>	<u>45,455,318</u>	<u>38,270,857</u>
Long-term liabilities	11,156,429	4,323,519	4,794,067	5,108,877	15,950,496	9,432,396
Other liabilities	<u>1,101,071</u>	<u>655,308</u>	<u>426,105</u>	<u>447,315</u>	<u>1,527,176</u>	<u>1,102,623</u>
Total liabilities	<u>12,257,500</u>	<u>4,978,827</u>	<u>5,220,172</u>	<u>5,556,192</u>	<u>17,477,672</u>	<u>10,535,019</u>
Net assets:						
Invested in capital assets,						
net of related debt	12,612,099	12,344,055	7,664,665	6,903,231	20,276,764	19,247,286
Restricted	48,766	78,464	-	924,985	48,766	1,003,449
Unrestricted	<u>3,766,881</u>	<u>3,921,649</u>	<u>3,885,235</u>	<u>3,563,454</u>	<u>7,652,116</u>	<u>7,485,103</u>
Total net assets	\$ <u>16,427,746</u>	\$ <u>16,344,168</u>	\$ <u>11,549,900</u>	\$ <u>11,391,670</u>	\$ <u>27,977,646</u>	\$ <u>27,735,838</u>

An additional portion of the City of Kennedale's net assets (\$48,766 or 0.17%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7,652,116 or 27.35%) 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 \$241,808. 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 increases in capital grants and contributions and property tax revenue offset by the increase in general government, interest on long-term debt and water and wastewater expenses.

CITY OF KENNEDALE'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 1,225,316	\$ 1,262,149	\$ 2,585,218	\$ 2,552,255	\$ 3,810,534	\$ 3,814,404
Operating grants and contributions	143,139	191,039	-	-	143,139	191,039
Capital grants and contributions	402,146	-	-	-	402,146	-
General revenues:						
Property taxes	3,194,210	2,891,614	-	-	3,194,210	2,891,614
Other taxes	1,698,031	1,666,337	-	-	1,698,031	1,666,337
Other revenues	591,450	436,649	135,778	222,607	727,228	659,256
Total revenues	<u>7,254,292</u>	<u>6,447,788</u>	<u>2,720,996</u>	<u>2,774,862</u>	<u>9,975,288</u>	<u>9,222,650</u>
Expenses:						
General government	1,614,745	1,051,485	-	-	1,614,745	1,051,485
Public safety	3,843,086	3,895,186	-	-	3,843,086	3,895,186
Public works	1,162,378	1,227,223	-	-	1,162,378	1,227,223
Culture and recreation	273,145	251,217	-	-	273,145	251,217
Interest on long-term debt	297,360	184,457	-	-	297,360	184,457
Water and wastewater	-	-	2,542,766	2,377,911	2,542,766	2,377,911
Total expenses	<u>7,190,714</u>	<u>6,609,568</u>	<u>2,542,766</u>	<u>2,377,911</u>	<u>9,733,480</u>	<u>8,987,479</u>
Change in net assets before transfers	63,578	(161,780)	178,230	396,951	241,808	235,171
Transfers	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	83,578	(161,780)	158,230	396,951	241,808	235,171
Net assets, beginning	<u>16,344,168</u>	<u>16,505,948</u>	<u>11,391,670</u>	<u>10,994,719</u>	<u>27,735,838</u>	<u>27,500,667</u>
Net assets, ending	<u>\$ 16,427,746</u>	<u>\$ 16,344,168</u>	<u>\$ 11,549,900</u>	<u>\$ 11,391,670</u>	<u>\$ 27,977,646</u>	<u>\$ 27,735,838</u>

Governmental activities. Governmental activities net assets increased by \$83,578. The increase was due primarily to an increase in capital gains and contributions and property tax revenue. These increases compensated for the increase in general government expenses and interest on long-term debt.

Business-type activities. Business-type activities net assets increased by \$158,230. Gross revenue of the Water and Sewer Fund was \$2,720,996 for the fiscal year, which is \$53,866 less than the 2006-2007 fiscal year gross revenue, \$2,774,862. This decrease is a result of the decrease in investment income due to decreased cash and investments from the payment of construction costs on water and wastewater system improvements. Direct operating expenses, excluding depreciation, was \$2,135,459 for the fiscal year. Direct operating expenses are \$114,706 more than 2006-2007 fiscal year direct operating expenses, \$2,020,753, due to increased costs for water system maintenance and administration service charges.

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 City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,726,944. Approximately 99.5% of this total amount (\$10,678,178) constitutes unreserved fund balance. \$9,233,185 of this unreserved amount is held in capital projects funds. These funds are set to be used to finance future capital projects. Some of these amounts have been obtained through the issuance of debt and must be used to finance the items stated in the debt issuance. The remainder of the fund balance (\$48,766) 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 (\$1,433,468) 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 22.53% of total General Fund expenditures.

In the General Fund, the City budgeted for a decrease of fund balance in the amount of \$717,832. The General Fund balance decreased by \$728,596, or 33.70% during the current fiscal year. Significant revenue and expenditure increases were in the following areas:

- Property tax
- Charges for services
- General government
- Transfers out

The Debt Service Fund has a total fund balance of \$48,766, all of which is reserved for the payment of debt.

Proprietary funds. At the end of the year, unrestricted net assets for the Water and Sewer Fund were \$3,885,235. The total growth in net assets for the fund was \$158,230. See business-type activity discussion above.

General Fund budgetary highlights. The actual expenditures for the year were \$6,361,406, which was \$84,929 less than the budget.

For FY 2007-08, the actual revenues were \$5,868,797 as compared to the budget amount of \$5,732,692. Contributing to the variance was higher than anticipated revenues from Licenses and permits (\$79,899 higher than the budget), charges for services (\$48,814 higher than the budget) and other revenue (\$282,207 higher than the budget). Also contributing to the variance was lower than anticipated revenues from fines and forfeitures (\$32,794 lower than the budget), sales tax (\$132,744 lower than the budget) and investment earnings (\$65,921 lower than the budget).

With higher revenues and higher expenditures, the General Fund balance decreased by \$728,596, which was \$10,764 lower than the final budget due to unbudgeted transfers out of \$255,987.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The investment in capital assets for its governmental and business type activities as of September 30, 2008, amounts to \$28,958,624 (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 57.03% of the capital assets are governmental and 42.97% are business type activities.

CITY OF KENNEDALE'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 627,107	\$ 595,650	\$ 194,538	\$ 194,538	\$ 821,645	\$ 790,188
Buildings and improvements	4,110,372	4,265,665	4,747,445	4,738,719	8,857,817	9,004,384
Machinery and equipment	2,609,446	2,489,350	548,034	548,034	3,157,480	3,037,384
Infrastructure/water and wastewater distribution	17,701,348	17,592,523	11,053,596	8,638,660	28,754,944	26,231,183
Construction in progress	838,730	339,274	10,800	1,542,964	849,530	1,882,238
Less accumulated depreciation	(9,370,821)	(8,845,315)	(4,111,971)	(3,707,682)	(13,482,792)	(12,552,997)
Total capital assets, net	\$ 16,516,182	\$ 16,437,147	\$ 12,442,442	\$ 11,955,233	\$ 28,958,624	\$ 28,392,380

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

Governmental activities equipment purchase	\$ 120,096
Governmental activities infrastructure capitalization	108,825
Governmental activities building improvements	36,654
Governmental activities construction in progress	499,456
Governmental activities land purchase	31,457
Business-type activities improvements	44,732
Business-type activities building improvements	8,726
Business-type activities construction in progress	838,040

Additional information on the capital assets can be found in Note 4 on pages 35 – 36 of this report.

Long-term debt. At year-end, the City had total bonded debt, capital lease and loan payable obligations of \$15,636,715. Of this amount, \$14,965,001 represents bonded debt backed by the full faith and credit of the City. The City's capitalized lease obligation of \$431,583 pertains to the purchase of a fire truck, street equipment and utility vehicles and equipment. The loan payable of \$240,131 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**

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Certificates of obligation bonds	\$ 10,341,888	\$ 3,485,388	\$ 4,398,113	\$ 4,569,613	\$ 14,740,001	\$ 8,055,001
Capital leases	292,050	342,704	139,533	177,613	431,583	520,317
Revenue bonds	225,000	265,000	-	-	225,000	265,000
Loan payable	-	-	240,131	353,315	240,131	353,315
Total	\$ 10,858,938	\$ 4,093,092	\$ 4,777,777	\$ 5,100,541	\$ 15,636,715	\$ 9,193,633

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 Note 4 on pages 37 - 41 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City Council retained the tax rate of \$0.722500 per \$100 assessed valuation for the new fiscal year. The budget was conservatively prepared in anticipation of a continued economic downturn. The fund balance for the General Fund has been budgeted to be \$1,617,318 for fiscal year 2008-2009, which represents a fund balance of 31% of operating expenditures. This has been determined in anticipation of a tighter budget year. The City's ability to adopt this strategy was based on reduced spending and personnel achieved in fiscal year 2007-2008.

During the current year, the General Fund unreserved fund balance decreased by \$728,596, to \$1,433,468. This decrease was in line with the decrease of \$717,832 that was budgeted for fiscal year 2007-2008.

The City has begun work on a strategic plan that will articulate a Vision Statement, a Values Statement and a Mission Statement to guide the governance efforts and ultimately the development of the City of Kennedale. This plan will help solidify the desired culture within the city and will prioritize capital spending, service delivery strategies and economic development initiatives. The economic development strategy is based on three primary objectives: 1) Provide the infrastructure needed to encourage and accommodate the economic activity. This includes the reconstruction of Bowman Springs Road, Little-School Road, Sublett Road and Dick Price Road; 2) Development of the Town Center to provide retail and service oriented space; and 3) Encourage the redevelopment of several areas of town, including the Oak Crest area, following the closure of four sexually-oriented businesses in February 2012. Achievement of these objectives will enhance the City's economic base. Each initiative is underway with activity anticipated in late 2009 and early 2012.

Additionally, by developing a strategic plan that addresses a vision, values, and mission, the following year's budget will help prioritize the spending patterns, while providing more effective services to the citizens of Kennedale.

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.

THIS PAGE LEFT BLANK INTENTIONALLY

**BASIC
FINANCIAL STATEMENTS**

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KENNEDALE, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
ASSETS				
Cash and investments	\$ 10,881,127	\$ 3,865,512	\$ 14,746,639	\$ 1,260,073
Receivables (net of allowances for uncollectibles):				
Taxes	403,855	-	403,855	55,733
Accounts	665,742	342,465	1,008,207	12,920
Inventories	-	26,583	26,583	-
Other assets	26,766	39,213	65,979	-
Deferred charges	191,574	53,857	245,431	30,721
Capital assets:				
Land	627,107	194,538	821,645	320,618
Buildings and improvements	4,110,372	4,747,445	8,857,817	1,200,500
Machinery and equipment	2,609,446	548,034	3,157,480	-
Infrastructure/water and wastewater distribution	17,701,348	11,053,596	28,754,944	-
Construction in progress	838,730	10,800	849,530	616,347
Less: accumulated depreciation	<u>(9,370,821)</u>	<u>(4,111,971)</u>	<u>(13,482,792)</u>	<u>(60,025)</u>
Total capital assets	<u>16,516,182</u>	<u>12,442,442</u>	<u>28,958,624</u>	<u>2,077,440</u>
 Total assets	 <u>28,685,246</u>	 <u>16,770,072</u>	 <u>45,455,318</u>	 <u>3,436,887</u>
LIABILITIES				
Accounts payable	246,875	198,924	445,799	112,893
Accrued liabilities	186,027	10,725	196,752	-
Due to other governments	44,698	-	44,698	-
Accrued interest payable	64,494	34,252	98,746	-
Unearned revenue	558,977	-	558,977	-
Customer deposits	-	182,204	182,204	-
Noncurrent liabilities:				
Due within one year	515,980	333,740	849,720	30,000
Due in more than one year	<u>10,640,449</u>	<u>4,460,327</u>	<u>15,100,776</u>	<u>1,140,000</u>
Total liabilities	<u>12,257,500</u>	<u>5,220,172</u>	<u>17,477,672</u>	<u>1,282,893</u>
NET ASSETS				
Invested in capital assets, net of related debt	12,612,099	7,664,665	20,276,764	907,440
Restricted for:				
Debt service	48,766	-	48,766	-
Unrestricted	<u>3,766,881</u>	<u>3,885,235</u>	<u>7,652,116</u>	<u>1,246,554</u>
 Total net assets	 <u>\$ 16,427,746</u>	 <u>\$ 11,549,900</u>	 <u>\$ 27,977,646</u>	 <u>\$ 2,153,994</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, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 1,614,745	\$ 578,314	\$ -	\$ -
Public safety	3,843,086	607,201	36,505	-
Public works	1,162,378	37,377	-	400,000
Culture and recreation	273,145	2,424	106,634	2,146
Interest on long-term debt	297,360	-	-	-
Total governmental activities	<u>7,190,714</u>	<u>1,225,316</u>	<u>143,139</u>	<u>402,146</u>
Business-type activities:				
Water/Wastewater	<u>2,542,766</u>	<u>2,585,218</u>	-	-
Total business-type activities	<u>2,542,766</u>	<u>2,585,218</u>	-	-
Total primary government	<u>\$ 9,733,480</u>	<u>\$ 3,810,534</u>	<u>\$ 143,139</u>	<u>\$ 402,146</u>
Component Unit:				
Kennedale Economic Development Corporation	<u>\$ 596,152</u>	<u>\$ 212,403</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property - general purposes				
Property - debt service				
Sales				
Franchise				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues				
Change in net assets				
Net assets, beginning				
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 Activities	Business-type Activities	Total	Economic Development Corporation
\$(1,036,431)	\$ -	\$(1,036,431)	\$ -
(3,199,380)	-	(3,199,380)	-
(725,001)	-	(725,001)	-
(161,941)	-	(161,941)	-
(297,360)	-	(297,360)	-
(5,420,113)	-	(5,420,113)	-
-	42,452	42,452	-
-	42,452	42,452	-
<u>\$(5,420,113)</u>	<u>\$ 42,452</u>	<u>\$(5,377,661)</u>	<u>\$ -</u>
-	-	-	(383,749)
2,529,422	-	2,529,422	-
664,788	-	664,788	-
993,288	-	993,288	331,268
704,743	-	704,743	-
190,424	135,778	326,202	52,087
401,026	-	401,026	-
20,000	(20,000)	-	-
<u>5,503,691</u>	<u>115,778</u>	<u>5,619,469</u>	<u>383,355</u>
83,578	158,230	241,808	(394)
<u>16,344,168</u>	<u>11,391,670</u>	<u>27,735,838</u>	<u>2,154,388</u>
<u>\$ 16,427,746</u>	<u>\$ 11,549,900</u>	<u>\$ 27,977,646</u>	<u>\$ 2,153,994</u>

CITY OF KENNEDALE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	<u>General</u>	<u>Capital Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 1,570,245	\$ 8,608,157	\$ 702,725	\$ 10,881,127
Receivables (net of allowance for uncollectibles):				
Taxes	355,530	-	48,325	403,855
Accounts	654,275	-	11,467	665,742
Due from other funds	11,467	-	-	11,467
Prepaid expenses	26,766	-	-	26,766
Total assets	<u>2,618,283</u>	<u>8,608,157</u>	<u>762,517</u>	<u>11,988,957</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	246,875	-	-	246,875
Accrued liabilities	165,017	21,010	-	186,027
Due to other governments	44,698	-	-	44,698
Due to other funds	-	-	11,467	11,467
Deferred revenue	728,225	-	44,721	772,946
Total liabilities	<u>1,184,815</u>	<u>21,010</u>	<u>56,188</u>	<u>1,262,013</u>
Fund balances:				
Reserved for:				
Debt service	-	-	48,766	48,766
Unreserved, reported in:				
General fund	1,433,468	-	-	1,433,468
Special revenue funds	-	-	11,525	11,525
Capital projects funds	-	8,587,147	646,038	9,233,185
Total fund balances	<u>1,433,468</u>	<u>8,587,147</u>	<u>706,329</u>	<u>10,726,944</u>
Total liabilities and fund balances	\$ <u>2,618,283</u>	\$ <u>8,608,157</u>	\$ <u>762,517</u>	

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

16,516,182

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

405,543

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

(11,220,923)

Net assets of governmental activities

\$ 16,427,746

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
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General	Capital Bond Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 2,574,968	\$ -	\$ 664,788	\$ 3,239,756
Sales	993,288	-	-	993,288
Franchise fees	704,743	-	-	704,743
Licenses and permits	291,261	-	37,377	328,638
Fines and forfeitures	346,206	-	2,424	348,630
Public safety fees	257,942	-	-	257,942
Intergovernmental	41,030	-	2,109	43,139
Charges for services	292,252	-	-	292,252
Investment earnings	67,500	93,448	29,476	190,424
Contributions	-	400,000	100,000	500,000
Other	299,607	-	101,419	401,026
Total revenues	5,868,797	493,448	937,593	7,299,838
EXPENDITURES				
Current:				
General government	1,594,288	-	-	1,594,288
Public safety	3,878,088	-	637	3,878,725
Public works	684,074	-	979	685,053
Culture and recreation	204,956	-	-	204,956
Capital outlay	-	251,030	372,054	623,084
Debt service:				
Principal	-	-	450,944	450,944
Interest and fiscal charges	-	-	248,077	248,077
Bond issue costs	-	156,195	-	156,195
Total expenditures	6,361,406	407,225	1,072,691	7,841,322
EXCESS OF REVENUES OVER EXPENDITURES	(492,609)	86,223	(135,098)	(541,484)
OTHER FINANCING SOURCES (USES)				
Proceeds from debt issuance	-	7,235,000	-	7,235,000
Transfers in	93,659	250,000	255,987	599,646
Premium on debt issuance	-	62,571	-	62,571
Transfers out	(329,646)	-	(250,000)	(579,646)
Total other financing sources and (uses)	(235,987)	7,547,571	5,987	7,317,571
NET CHANGE IN FUND BALANCES	(728,596)	7,633,794	(129,111)	6,776,087
FUND BALANCES, BEGINNING	2,162,064	953,353	835,440	3,950,857
FUND BALANCES, ENDING	\$ 1,433,468	\$ 8,587,147	\$ 706,329	\$ 10,726,944

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, 2008

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)	\$ 6,776,087
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 capital outlays exceeded depreciation in the current period.	79,035
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(45,546)
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.	102,419
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.	(6,828,417)
Change in net assets of governmental activities (pages 12 -13)	\$ <u>83,578</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
IN FUND BALANCE - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		Actual
REVENUES				
Taxes:				
Property	\$ 2,605,975	\$ 2,605,975	\$ 2,574,968	\$(31,007)
Sales	1,126,032	1,126,032	993,288	(132,744)
Franchise fees	710,526	710,526	704,743	(5,783)
Licenses and permits	211,362	211,362	291,261	79,899
Fines and forfeitures	379,000	379,000	346,206	(32,794)
Public safety fees	210,000	210,000	257,942	47,942
Intergovernmental	95,538	95,538	41,030	(54,508)
Charges for service	243,438	243,438	292,252	48,814
Investment earnings	133,421	133,421	67,500	(65,921)
Other	17,400	17,400	299,607	282,207
Total revenues	<u>5,732,692</u>	<u>5,732,692</u>	<u>5,868,797</u>	<u>136,105</u>
EXPENDITURES				
Current:				
General government	1,649,239	1,674,715	1,594,288	80,427
Public safety	3,933,450	3,879,050	3,878,088	962
Public works	684,229	684,229	684,074	155
Culture and recreation	215,091	208,341	204,956	3,385
Total expenditures	<u>6,482,009</u>	<u>6,446,335</u>	<u>6,361,406</u>	<u>84,929</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(749,317)</u>	<u>(713,643)</u>	<u>(492,609)</u>	<u>221,034</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	69,470	69,470	93,659	24,189
Transfers out	(73,659)	(73,659)	(329,646)	(255,987)
Total other financing sources (uses)	<u>(4,189)</u>	<u>(4,189)</u>	<u>(235,987)</u>	<u>(231,798)</u>
NET CHANGE IN FUND BALANCE	<u>(753,506)</u>	<u>(717,832)</u>	<u>(728,596)</u>	<u>(10,764)</u>
FUND BALANCE, BEGINNING	<u>2,162,064</u>	<u>2,162,064</u>	<u>2,162,064</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,408,558</u>	<u>\$ 1,444,232</u>	<u>\$ 1,433,468</u>	<u>\$(10,764)</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, 2008

	<u>Business-type Activities- Enterprise Fund Water and Wastewater</u>
ASSETS	
Current assets:	
Cash and investments	\$ 3,865,512
Accounts receivable - net of allowances for uncollectibles	342,465
Inventories	26,583
Prepaid expense	39,213
Total current assets	<u>4,273,773</u>
Noncurrent assets:	
Deferred charges	53,857
Capital assets:	
Land	194,538
Buildings and improvements	4,747,445
Equipment	548,034
Water and wastewater distribution	11,053,596
Construction in progress	10,800
Less: accumulated depreciation	(4,111,971)
Total capital assets	<u>12,442,442</u>
Total noncurrent assets	<u>12,496,299</u>
Total assets	<u>16,770,072</u>
LIABILITIES	
Current liabilities:	
Accounts payable	198,924
Accrued liabilities	10,725
Accrued interest	34,252
Customer deposits	182,204
Compensated absences	3,258
Capital leases payable	32,446
Loan payable	117,711
Certificates of obligation	180,325
Total current liabilities	<u>759,845</u>
Long-term liabilities:	
Compensated absences	13,032
Capital leases payable	107,087
Loan payable	122,420
Certificates of obligation	4,217,788
Total long-term liabilities	<u>4,460,327</u>
Total liabilities	<u>5,220,172</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,664,665
Unrestricted	3,885,235
Total net assets	<u>\$ 11,549,900</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, 2008

	<u>Business-type Activities- Enterprise Fund Water and Wastewater</u>
OPERATING REVENUES	
Water sales	1,333,587
Wastewater charges	1,011,208
Tap and collection fees	136,815
Other service charges	37,195
Miscellaneous income	<u>66,413</u>
Total operating revenues	<u>2,585,218</u>
 OPERATING EXPENSES	
Cost of sales and services	777,364
Administration	1,113,243
Depreciation	407,307
Miscellaneous expense	<u>45,304</u>
Total operating expenses	<u>2,343,218</u>
 OPERATING INCOME	242,000
 NONOPERATING REVENUES (EXPENSES)	
Investment earnings	135,778
Interest and fiscal charges on debt	<u>(199,548)</u>
Total nonoperating revenues (expenses)	<u>(63,770)</u>
Income before transfers	178,230
Transfers out	<u>(20,000)</u>
 CHANGE IN NET ASSETS	158,230
 TOTAL NET ASSETS, BEGINNING	<u>11,391,670</u>
 TOTAL NET ASSETS, ENDING	<u>\$ 11,549,900</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, 2008

	<u>Business-type Activities- Enterprise Fund Water and Wastewater</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,684,335
Cash payments to employees for services	(1,102,223)
Cash payments to suppliers for goods and services	(901,946)
Cash provided by operating activities	<u>1,680,166</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(20,000)
Cash used for noncapital financing activities	<u>(20,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal repayments on debt	(322,763)
Proceeds from capital debt	-
Interest and fiscal charges on debt	(197,232)
Acquisition and construction of capital assets	<u>(891,498)</u>
Cash used for capital and related financing activities	<u>(1,411,493)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>135,778</u>
Cash provided by investing activities	<u>135,778</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	384,451
CASH AND CASH EQUIVALENTS, BEGINNING	<u>4,481,061</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 4,865,512</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 242,000
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	407,307
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	93,573
Decrease (increase) in inventories	(7,928)
Decrease (increase) in prepaid expenses	(39,213)
Increase (decrease) in accounts payable	(32,137)
Increase (decrease) in accrued liabilities	3,067
Increase (decrease) in customer deposits	5,544
Increase (decrease) in compensated absences	<u>7,953</u>
Total adjustments	<u>438,166</u>
Net cash provided by operating activities	<u>\$ 680,166</u>

The accompanying notes are an integral part of this statement.

CITY OF KENNEDALE, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

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 Capital Bond Fund is a capital projects fund. It is used to account for the acquisition and construction of various capital improvements and is funded by general obligation bonds.

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 TexasTERM. TexasTERM 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. TexasTERM is rated AAAM by Standard and Poor's. TexasTERM seeks to maintain a constant net asset value of \$1.00 per share.

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, 2008, the City had a tax rate of \$.7225 per \$100 of which \$.572665 was allocated for general government and \$.149835 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 \$11,220,923 difference are as follows:

Certificates of obligation bonds	\$(10,566,888)
Premiums on issuance of debt (to be amortized over life of debt)	(62,571)
Capitalized lease obligations	(292,050)
Accrued interest payable	(64,494)
Compensated absences	(234,920)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$(<u>11,220,923</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 \$79,035 difference are as follows:

Capital outlay (includes \$173,314 not classified as capital expenditures on the fund statements)	\$ 796,398
Depreciation expense	<u>(717,363)</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>79,035</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 \$6,828,417 difference are as follows:

Principal repayments:	
General obligation debt	\$ 418,500
Capital lease	50,654
Debt issuance:	
General obligation debt	(7,235,000)
Premiums on the issuance of debt	<u>(62,571)</u>
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>6,828,417</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 \$102,419 difference are as follows:

Compensated absences	\$(4,493)
Accrued interest	(46,129)
Bond issuance costs	156,195
Amortization of issuance costs	(3,154)
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>102,419</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.

Expenditures over Appropriations

Expenditures exceeded appropriations in the General Fund in one functions. The following overruns were funded by unexpected revenues and fund balance.

Transfers out	\$ 255,987
---------------	------------

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. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2008, \$6,083,882 of the City’s \$6,283,882 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$200,000, 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, 2008, the primary government's investments consisted of:

	<u>Fair Value</u>
TexStar	\$ 1,224,866
Texas Term	1,630,192
State Treasurer's Investment Pool (TexPool)	<u>5,747,042</u>
	<u>\$ 8,602,100</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 Value</u>
TexStar	\$ <u>1,139,091</u>
	<u>\$ 1,139,091</u>

At September 30, 2008, all of the above investments are not categorized by risk. TexStar, TexPool, and Texas Term 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.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Receivables

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

	<u>General</u>	<u>Water and Wastewater</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:				
Taxes	\$ 355,530	\$ -	\$ 48,325	\$ 403,855
Accounts	<u>663,865</u>	<u>391,265</u>	<u>11,467</u>	<u>1,066,597</u>
Gross receivables	1,019,395	391,265	59,792	1,470,452
Less: allowance for uncollectibles	<u>(9,590)</u>	<u>(48,800)</u>	<u>-</u>	<u>(58,390)</u>
Net total receivables	<u>\$ 1,009,805</u>	<u>\$ 342,465</u>	<u>\$ 59,792</u>	<u>\$ 1,412,062</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	\$ 169,248
Ambulance charges	534,482
Court fees	<u>24,495</u>
	728,225
Debt service fund:	
Delinquent property taxes receivable	<u>44,721</u>
Governmental Funds	<u>\$ 772,946</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

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

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 595,650	\$ 31,457	\$ -	\$ 627,107
Construction work in progress	339,274	499,456	-	838,730
Total capital assets not being depreciated	<u>934,924</u>	<u>530,913</u>	<u>-</u>	<u>1,465,837</u>
Capital assets, being depreciated:				
Buildings	4,265,665	36,564	(191,857)	4,110,372
Machinery and equipment	2,489,350	120,096	-	2,609,446
Infrastructure	17,592,523	108,825	-	17,701,348
Total capital assets being depreciated	<u>24,347,538</u>	<u>265,485</u>	<u>(191,857)</u>	<u>24,421,166</u>
Less accumulated depreciation:				
Buildings	1,196,958	113,457	(191,857)	1,118,558
Machinery and equipment	1,807,769	192,398	-	2,000,167
Infrastructure	5,840,588	411,508	-	6,252,096
Total accumulated depreciation	<u>8,845,315</u>	<u>717,363</u>	<u>(191,857)</u>	<u>9,370,821</u>
Total capital assets, being depreciated, net	<u>15,502,223</u>	<u>(451,878)</u>	<u>-</u>	<u>15,050,345</u>
Governmental activities capital assets, net	<u>\$ 16,437,147</u>	<u>\$ 79,035</u>	<u>\$ -</u>	<u>\$ 16,516,182</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 194,538	\$ -	\$ -	\$ 194,538
Construction work in progress	1,542,964	838,040	(2,370,204)	10,800
Total capital assets not being depreciated	<u>1,737,502</u>	<u>838,040</u>	<u>(2,370,204)</u>	<u>205,338</u>
Capital assets, being depreciated:				
Buildings	4,738,719	8,726	-	4,747,445
Machinery and equipment	548,034	-	-	548,034
Improvements other than buildings	8,638,660	2,414,936	-	11,053,596
Total capital assets being depreciated	<u>13,925,413</u>	<u>2,423,662</u>	<u>-</u>	<u>16,349,075</u>
Less accumulated depreciation:				
Buildings	1,501,864	86,178	-	1,588,042
Machinery and equipment	297,963	36,357	-	334,320
Improvements other than buildings	1,907,855	281,754	-	2,189,609
Total accumulated depreciation	<u>3,707,682</u>	<u>404,289</u>	<u>-</u>	<u>4,111,971</u>
Total capital assets, being depreciated, net	<u>10,217,731</u>	<u>2,019,373</u>	<u>-</u>	<u>12,237,104</u>
Business-type activities capital assets, net	<u>\$ 11,955,233</u>	<u>\$ 2,857,413</u>	<u>\$(2,370,204)</u>	<u>\$ 12,442,442</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	\$ 20,457
Public works	151,392
Public safety	477,325
Culture and recreation	<u>68,189</u>
Total depreciation expense - governmental activities	<u>\$ 717,363</u>
Business-type activities:	
Water and wastewater	<u>\$ 404,289</u>
Total depreciation expense - business-type activities	<u>\$ 404,289</u>

Discretely presented component units

A summary of discretely presented component units' capital assets for the year ended September 30, 2008, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 320,618	\$ -	\$ -	\$ 320,618
Construction in progress	<u>55,863</u>	<u>560,484</u>	<u>-</u>	<u>616,347</u>
Totals, capital assets, not being depreciated	<u>376,481</u>	<u>560,484</u>	<u>-</u>	<u>936,965</u>
Capital assets, being depreciated:				
Buildings	<u>1,200,500</u>	<u>-</u>	<u>-</u>	<u>1,200,500</u>
Totals, capital assets being depreciated	<u>1,200,500</u>	<u>-</u>	<u>-</u>	<u>1,200,500</u>
Less accumulated depreciation for:				
Buildings	<u>-</u>	<u>60,025</u>	<u>-</u>	<u>60,025</u>
Total accumulated depreciation	<u>-</u>	<u>60,025</u>	<u>-</u>	<u>60,025</u>
Total capital assets, being depreciated, net	<u>1,200,500</u>	<u>(60,025)</u>	<u>-</u>	<u>1,140,475</u>
Capital assets, net	<u>\$ 1,576,981</u>	<u>\$ 500,459</u>	<u>\$ -</u>	<u>\$ 2,077,440</u>

(continued)

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

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2008 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 11,467
Total		<u>\$ 11,467</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor Governmental	General	\$ 255,987
Street Improvement Fund	Nonmajor Governmental	250,000
General	Water and Wastewater	20,000
General	General	73,659
Total		<u>\$ 599,646</u>

The transfers were used to move unrestricted revenues collected in various funds to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

Capital Leases

The City has acquired certain fixed assets for governmental and business-type 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>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Machinery and Equipment	\$ 548,492	\$ 218,489	\$ 766,981
Less: Accumulated depreciation	<u>(358,695)</u>	<u>(47,572)</u>	<u>\$ (406,267)</u>
Total	<u>\$ 189,797</u>	<u>\$ 170,917</u>	<u>\$ 360,714</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, 2008, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2009	\$ 62,007	\$ 39,213
2010	62,007	39,213
2011	62,007	39,213
2012	62,007	39,213
2013	43,255	-
2014-2018	<u>43,255</u>	<u>-</u>
Total minimum lease payments	334,538	156,852
Less: amount representing interest	<u>42,488</u>	<u>17,319</u>
Present value of minimum lease payments	<u>\$ 292,050</u>	<u>\$ 139,533</u>

Long-term Debt

General Obligation Bonds

The City issues certificates of obligation bonds to provide funds for the acquisition and construction of major capital facilities. General 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 general obligation bonds issued in prior years was \$8,055,000. During the year, certificates of obligation bonds totaling \$7,235,000 were issued for street, curb and sidewalk improvements as well as utility relocation and drainage improvements.

General 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. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	3.65 - 4.65	\$ 7,770,000
Governmental activities - refunding	3.97	2,571,888
Business-type activities	4.10	2,805,000
Business-type activities - refunding	3.97	<u>1,593,113</u>
		<u>\$ 14,740,001</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 379,675	\$ 425,022	\$ 180,325	\$ 174,607
2010	385,850	408,939	189,150	167,140
2011	365,113	393,500	199,888	159,278
2012	423,200	375,796	206,800	151,059
2013	434,375	358,077	210,625	142,623
2014 - 2018	2,792,587	1,480,944	1,197,413	575,337
2019 - 2023	3,401,413	829,782	1,348,587	310,488
2024 - 2028	2,159,675	212,299	865,325	67,707
Total	\$ <u>10,341,888</u>	\$ <u>4,484,359</u>	\$ <u>4,398,113</u>	\$ <u>1,748,239</u>

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

Revenue Bonds

During fiscal year 2007, the City issued \$300,000 in governmental revenue bonds. The bonds were issued to finance general construction projects. Bond requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2009	\$ 40,000	\$ 10,658
2010	45,000	8,918
2011	45,000	7,069
2012	45,000	5,111
2013	50,000	1,088
Total	\$ <u>225,000</u>	\$ <u>32,844</u>

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:

Purpose	Interest Rate	Amount
Business-type activities	4.0%	\$ 240,131

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Loan Payable (Continued)

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

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2009	\$ 117,711	\$ 9,605
2010	<u>122,420</u>	<u>4,897</u>
Total	<u>\$ 240,131</u>	<u>\$ 14,502</u>

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, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government activities					
General obligation bonds	\$ 3,485,388	\$ 7,235,000	\$ 378,500	\$ 10,341,888	\$ 379,675
Premium on bonds	-	62,571	-	62,571	-
Revenue bonds	265,000	-	40,000	225,000	40,000
Capital leases	342,704	-	50,654	292,050	49,321
Compensated absences	<u>230,427</u>	<u>152,082</u>	<u>147,589</u>	<u>234,920</u>	<u>46,984</u>
Governmental activity					
Long-term liabilities	<u>\$ 4,323,519</u>	<u>\$ 7,449,653</u>	<u>\$ 616,743</u>	<u>\$ 11,156,429</u>	<u>\$ 515,980</u>
Business-type activities					
General obligation bonds	\$ 4,569,613	\$ -	\$ 171,500	\$ 4,398,113	\$ 180,325
Loan payable	353,315	-	113,184	240,131	117,711
Capital leases	177,613	-	38,080	139,533	32,446
Compensated absences	<u>8,337</u>	<u>9,537</u>	<u>1,584</u>	<u>16,290</u>	<u>3,258</u>
Business-type activity					
Long-term liabilities	<u>\$ 5,108,878</u>	<u>\$ 9,537</u>	<u>\$ 324,348</u>	<u>\$ 4,794,067</u>	<u>\$ 333,740</u>

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

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Discretely Presented Long-Term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	<u>1,200,000</u>	<u>-</u>	<u>30,000</u>	<u>1,170,000</u>	<u>30,000</u>
Long-term liabilities	<u>1,200,000</u>	<u>-</u>	<u>30,000</u>	<u>1,170,000</u>	<u>30,000</u>

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, 2008, 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.

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, 2008, 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.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

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 827 administered by TMRS, an agent multiple-employer public employee retirement system. All assumptions for the December 31, 2007, valuations are contained in the 2007 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%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Retirement Plan (Continued)

Contributions

The contribution rate for the employees is 7%, and the City matching ration is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service 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, 2006 valuation is effective for rates beginning January 2008).

Assumptions and Schedule of Actuarial Liabilities and Funding Progress

Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	25 Years - Closed Period
Asset Valuation Method	-	Amortized Cost
Investment Rate of Return	-	7%
Projected Salary Increases	-	Varies by Age and Service
Includes Inflation at	-	3.0%
Cost-of-living Adjustments	-	2.1% (3.0% CPI)
Payroll Growth Assumption	-	3.0%
Withdrawal Rates for Male/Female	-	Mid/Mid

Actuarial Valuation Date	12/31/07	12/31/06	12/31/05
Actuarial value of assets	\$ 3,574,103	\$ 2,976,832	\$ 2,602,120
Actuarial accrued liability	5,609,304	4,050,957	3,582,597
Percentage funded	63.7%	73.5%	72.6%
Unfunded actuarial accrued liability (UAAL)	2,035,201	1,074,125	980,477
Annual covered payroll	3,249,914	3,139,372	3,082,802
UAAL as percentage of covered payroll	62.6%	34.2%	31.8%
Net pension obligation (NPO) at beginning of period	-	-	-
Annual pension cost:			
Annual required contribution (ARC)	341,863	305,896	235,338
Contributions made	341,863	305,896	235,338
Increase in NPO	-	-	-
NPO at the end of the period	\$ -	\$ -	\$ -

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Retirement Plan (Continued)

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

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

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial accrued liability would have been \$1,091,541 and the funded ratio would have been 76.6%.

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

THIS PAGE LEFT BLANK INTENTIONALLY

**COMBINING FUND
STATEMENTS AND SCHEDULES**

THIS PAGE LEFT BLANK INTENTIONALLY

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.

LEOSE – to account for grant revenue that is legally restricted to expenditures for LEOSE program.

The *Debt Service Fund* is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental 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. Financing is provided primarily by the sale of general obligation bonds and developer contributions.

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

Capital Projects – to account for various constructions within the city from funds contributed by third parties.

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.

CITY OF KENNEDALE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	Special Revenue Funds			
	Police Seizure	Homeland Security	LEOSE Fund	Debt Service
ASSETS				
Cash and investments	\$ 8,251	\$ 115	\$ 3,159	\$ 45,162
Receivables (net of allowance for uncollectibles):				
Taxes	-	-	-	48,325
Other	-	-	-	-
Total assets	<u>\$ 8,251</u>	<u>\$ 115</u>	<u>\$ 3,159</u>	<u>\$ 93,487</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	44,721
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,721</u>
FUND BALANCES				
Reserved for debt service	-	-	-	48,766
Unreserved	8,251	115	3,159	-
Total fund balances	<u>8,251</u>	<u>115</u>	<u>3,159</u>	<u>48,766</u>
Total liabilities and fund balances	<u>\$ 8,251</u>	<u>\$ 115</u>	<u>\$ 3,159</u>	<u>\$ 93,487</u>

Capital Projects Funds

<u>Park Dedication</u>	<u>Capital Projects</u>	<u>Roadway Impact Fee</u>	<u>Library Building</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 574,025	\$ -	\$ 62,134	\$ 9,879	\$ 702,725
-	-	-	-	48,325
<u>-</u>	<u>11,467</u>	<u>-</u>	<u>-</u>	<u>11,467</u>
<u>\$ 574,025</u>	<u>\$ 11,467</u>	<u>\$ 62,134</u>	<u>\$ 9,879</u>	<u>\$ 762,517</u>
\$ -	\$ 11,467	\$ -	\$ -	\$ 11,467
-	-	-	-	44,721
<u>-</u>	<u>11,467</u>	<u>-</u>	<u>-</u>	<u>56,188</u>
-	-	-	-	48,766
<u>574,025</u>	<u>-</u>	<u>62,134</u>	<u>9,879</u>	<u>657,563</u>
<u>574,025</u>	<u>-</u>	<u>62,134</u>	<u>9,879</u>	<u>706,329</u>
<u>\$ 574,025</u>	<u>\$ 11,467</u>	<u>\$ 62,134</u>	<u>\$ 9,879</u>	<u>\$ 762,517</u>

CITY OF KENNEDALE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue Funds			
	Police Seizure	Homeland Security	LEOSE Fund	Debt Service
REVENUES				
Property taxes	\$ -	\$ -	\$ -	664,788
Intergovernmental	-	-	2,109	-
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Investment earnings	235	3	75	4,535
Contributions	-	-	-	-
Other	664	-	-	-
Total revenues	899	3	2,184	669,323
EXPENDITURES				
Current:				
Public safety	-	-	637	-
Public works	-	-	-	-
Debt service:				
Principal	-	-	-	450,944
Interest and fiscal charges	-	-	-	248,077
Capital outlay	-	-	-	-
Total expenditures	-	-	637	699,021
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	899	3	1,547	(29,698)
OTHER FINANCING SOURCES(USES)				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
NET CHANGE IN FUND BALANCES	899	3	1,547	(29,698)
FUND BALANCES, BEGINNING	7,352	112	1,612	78,464
FUND BALANCES, ENDING	\$ 8,251	\$ 115	\$ 3,159	\$ 48,766

Capital Projects Funds				Total
Park Dedication	Capital Projects	Roadway Impact Fee	Library Building	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 664,788
-	-	-	-	2,109
-	-	-	2,424	2,424
-	-	37,377	-	37,377
14,855	508	9,007	258	29,476
100,000	-	-	-	100,000
-	100,755	-	-	101,419
<u>114,855</u>	<u>101,263</u>	<u>46,384</u>	<u>2,682</u>	<u>937,593</u>
-	-	-	-	637
-	-	979	-	979
-	-	-	-	450,944
-	-	-	-	248,077
14,804	357,250	-	-	372,054
<u>14,804</u>	<u>357,250</u>	<u>979</u>	<u>-</u>	<u>1,072,691</u>
<u>100,051</u>	<u>(255,987)</u>	<u>45,405</u>	<u>2,682</u>	<u>(135,098)</u>
-	-	(250,000)	-	(250,000)
-	255,987	-	-	255,987
-	255,987	(250,000)	-	5,987
100,051	-	(204,595)	2,682	(129,111)
473,974	-	266,729	7,197	835,440
<u>\$ 574,025</u>	<u>\$ -</u>	<u>\$ 62,134</u>	<u>\$ 9,879</u>	<u>\$ 706,329</u>

CITY OF KENNEDALE, TEXAS

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budget			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Taxes - property	\$ 668,438	\$ 668,438	664,788	\$(3,650)
Investment earnings	<u>3,500</u>	<u>3,500</u>	<u>4,535</u>	<u>1,035</u>
Total revenues	<u>671,938</u>	<u>671,938</u>	<u>669,323</u>	<u>(2,615)</u>
EXPENDITURES				
Debt service:				
Principal	225,944	430,944	450,944	(20,000)
Interest and fiscal charges	<u>159,749</u>	<u>269,749</u>	<u>248,077</u>	<u>21,672</u>
Total debt service	<u>385,693</u>	<u>700,693</u>	<u>699,021</u>	<u>1,672</u>
Total expenditures	<u>385,693</u>	<u>700,693</u>	<u>699,021</u>	<u>1,672</u>
NET CHANGE IN FUND BALANCE	286,245	(28,755)	(29,698)	(943)
FUND BALANCE, BEGINNING	<u>78,464</u>	<u>78,464</u>	<u>78,464</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 364,709</u>	<u>\$ 49,709</u>	<u>\$ 48,766</u>	<u>\$(943)</u>

STATISTICAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

STATISTICAL SECTION

(Unaudited)

This part of City of Kennedale, Texas' comprehensive annual financial report presents multiple years of data to provide a historical perspective for understanding the information available in the financial statements, note disclosures, and required supplementary information and for assessing the City's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	50
Revenue Capacity These schedules contain trend information to help the reader assess the City's most significant local revenue resources. Although sales taxes are the City's most significant local revenue source, information about revenue base is unavailable and information about principal revenue payers is confidential under Texas statutes. Trend information about sales tax revenues is provided in Table 2. Additionally, information about the City's second most significant local revenue source, the property tax, is provided.	56
Debt Capacity These schedules contain trend information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	60
Economic and Demographic Indicators These schedules contain economic and demographic information to help the reader understand the environment within which the City's financial activities take place.	65
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services and activities performed by the City.	67

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

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KENNEDALE, TEXAS

NET ASSETS BY COMPONENT

LAST THREE FISCAL YEARS

	Fiscal Year		
	2008	2007	2006
Governmental activities:			
Invested in capital assets, net of related debt	\$ 12,612,099	\$ 12,344,055	\$ 12,250,813
Restricted	48,766	78,464	259,631
Unrestricted	<u>3,766,881</u>	<u>3,921,649</u>	<u>3,995,504</u>
Total governmental activities net assets	<u>\$ 16,427,746</u>	<u>\$ 16,344,168</u>	<u>\$ 16,505,948</u>
Business-type activities:			
Invested in capital assets, net of related debt	\$ 7,664,665	\$ 6,903,231	\$ 8,553,929
Restricted	-	924,985	924,985
Unrestricted	<u>3,885,235</u>	<u>3,563,454</u>	<u>1,515,805</u>
Total business-type activities net assets	<u>\$ 11,549,900</u>	<u>\$ 11,391,670</u>	<u>\$ 10,994,719</u>
Primary government:			
Invested in capital assets, net of related debt	\$ 20,276,764	\$ 19,247,286	\$ 20,804,742
Restricted	48,766	1,003,449	1,184,616
Unrestricted	<u>7,652,116</u>	<u>7,485,103</u>	<u>5,511,309</u>
Total primary government net assets	<u>\$ 27,977,646</u>	<u>\$ 27,735,838</u>	<u>\$ 27,500,667</u>

Note:

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

CITY OF KENNEDALE, TEXAS
CHANGES IN NET ASSETS
LAST THREE FISCAL YEARS

	Fiscal Year		
	2008	2007	2006
EXPENSES			
Governmental activities:			
General government	\$ 1,614,745	\$ 1,051,485	\$ 1,069,043
Public safety	3,843,086	3,895,186	3,807,180
Public works	1,162,378	1,227,223	1,030,851
Culture and recreation	273,145	251,217	254,602
Interest on long-term debt	297,360	184,457	191,755
Total governmental activities expenses	<u>7,190,714</u>	<u>6,609,568</u>	<u>6,353,431</u>
Business-type activities:			
Water and wastewater	2,542,766	2,377,911	2,628,222
Total business-type activities expenses	<u>2,542,766</u>	<u>2,377,911</u>	<u>2,628,222</u>
Total primary government program expenses	<u>\$ 9,733,480</u>	<u>\$ 8,987,479</u>	<u>\$ 8,981,653</u>
PROGRAM REVENUES			
Governmental activities:			
Charges for services	\$ 1,225,316	\$ 1,262,149	\$ 1,967,279
Operating grants and contributions	143,139	191,039	99,692
Capital grants and contributions	402,146	-	1,397,176
Total governmental activities program revenues	<u>1,770,601</u>	<u>1,453,188</u>	<u>3,464,147</u>
Business-type activities:			
Charges for services	2,585,218	2,552,255	3,209,086
Capital grants and contributions	-	-	843,221
Total business-type activities program revenues	<u>2,585,218</u>	<u>2,552,255</u>	<u>4,052,307</u>
Total primary government program revenues	<u>\$ 4,355,819</u>	<u>\$ 4,005,443</u>	<u>\$ 7,516,454</u>
NET (EXPENSE) REVENUES			
Governmental activities	\$(5,420,113)	\$(5,156,380)	\$(2,889,284)
Business-type activities	42,452	174,344	1,424,085
Total primary government net expense	<u>\$(5,377,661)</u>	<u>\$(4,982,036)</u>	<u>\$(1,465,199)</u>

(continued)

CITY OF KENNEDALE, TEXAS

CHANGES IN NET ASSETS
(Continued)
LAST THREE FISCAL YEARS

	Fiscal Year		
	2008	2007	2006
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
Governmental activities:			
Taxes			
Property	3,194,210	2,891,614	2,638,356
Franchise	704,743	693,093	511,818
Sales	993,288	973,244	1,069,028
Investment earnings	190,424	242,876	239,006
Miscellaneous	401,026	193,773	173,600
Transfers	20,000	-	-
Total governmental activities	<u>5,503,691</u>	<u>4,994,600</u>	<u>4,631,808</u>
Business-type activities:			
Investment earnings	135,778	214,352	86,434
Miscellaneous	-	8,255	6,978
Transfers	<u>(20,000)</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>115,778</u>	<u>222,607</u>	<u>93,412</u>
Total primary government	<u>5,619,469</u>	<u>5,217,207</u>	<u>4,725,220</u>
CHANGE IN NET ASSETS			
Governmental activities	83,578	(161,780)	1,742,524
Business-type activities	<u>158,230</u>	<u>396,951</u>	<u>1,517,497</u>
Total primary government	<u>\$ 241,808</u>	<u>\$ 235,171</u>	<u>\$ 3,260,021</u>

Note:

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004

CITY OF KENNEDALE, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ 13,250	\$ 81,463	\$ 63,947	\$ 71,649	\$ 69,158	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>643,214</u>	<u>930,722</u>	<u>663,790</u>	<u>871,422</u>	<u>1,105,985</u>	<u>1,759,702</u>	<u>1,954,861</u>	<u>2,206,719</u>	<u>2,162,064</u>	<u>1,433,4</u>
Total general fund	<u>\$ 656,464</u>	<u>\$ 1,012,185</u>	<u>\$ 727,737</u>	<u>\$ 943,071</u>	<u>\$ 1,175,143</u>	<u>\$ 1,759,702</u>	<u>\$ 1,954,861</u>	<u>\$ 2,206,719</u>	<u>\$ 2,162,064</u>	<u>\$ 1,433,4</u>
Other governmental funds										
Reserved	\$ 2,000	\$ 2,995,468	\$ 1,459,430	\$ 1,088,806	\$ 1,074,872	\$ 39,994	\$ 53,381	\$ 61,105	\$ 78,464	\$ 48,7
Unreserved, reported in:										
Special revenue funds	456,053	-	-	5,983	10,398	850	1,892	1,613,553	9,076	11,4
Capital projects funds	3,089,428	-	-	-	-	1,068,896	2,027,553	199,587	1,701,253	9,233,3
Debt service funds	<u>6,369</u>	<u>-</u>	<u>-</u>							
Total all other governmental funds	<u>\$ 3,553,850</u>	<u>\$ 2,995,468</u>	<u>\$ 1,459,430</u>	<u>\$ 1,094,789</u>	<u>\$ 1,085,270</u>	<u>\$ 1,109,740</u>	<u>\$ 2,082,826</u>	<u>\$ 1,874,245</u>	<u>\$ 1,788,793</u>	<u>\$ 9,293,4</u>

CITY OF KENNEDALE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
REVENUES										
Charges	\$ 2,379,008	\$ 2,589,614	\$ 2,909,176	\$ 3,321,112	\$ 3,523,656	\$ 3,905,474	\$ 3,970,653	\$ 4,211,922	\$ 4,501,130	\$ 4,937,788
Licenses, fees and permits	124,238	173,696	576,651	441,598	203,790	388,004	526,515	863,073	533,138	328,638
Fines and penalties	264,106	303,461	209,723	192,820	253,322	238,595	205,432	338,261	409,850	348,638
Police safety fees	-	-	-	-	65,935	243,963	340,433	217,560	237,691	257,948
Charges for services	372,455	389,549	-	-	302,829	315,752	345,522	389,187	81,470	292,258
Social assessments	-	104,034	-	20,949	5,230	-	-	-	-	-
Intergovernmental	156,084	197,000	203,289	242,796	-	108,948	216,048	255,888	141,039	43,118
Investment earnings	243,771	328,714	137,389	18,722	48,401	69,513	104,592	239,006	242,876	190,428
Other revenues	60,546	83,575	58,434	44,959	187,742	87,768	142,528	179,586	243,773	901,028
Total revenues	<u>3,600,208</u>	<u>4,169,643</u>	<u>4,094,662</u>	<u>4,282,956</u>	<u>4,590,905</u>	<u>5,358,017</u>	<u>5,851,723</u>	<u>6,694,483</u>	<u>6,390,967</u>	<u>7,299,838</u>
EXPENDITURES										
General government	681,678	563,087	821,352	733,645	876,349	898,043	1,070,024	1,008,572	1,030,068	1,594,288
Public Safety	-	454,826	403,435	343,494	290,144	379,205	764,102	566,520	593,442	530,188
Police	1,110,593	1,108,471	1,275,522	1,190,774	1,269,924	1,400,725	1,490,159	1,700,514	1,645,191	1,769,778
Fire	683,405	665,782	758,782	820,324	1,098,517	964,601	1,078,069	1,417,683	1,583,739	1,578,739
Other public works	613,052	444,996	428,019	518,303	347,854	587,872	569,404	764,483	793,397	685,018
Parks and recreation	56,219	46,600	63,659	65,560	90,635	36,089	40,524	38,657	39,086	37,148
Library	47,315	55,562	66,522	66,344	68,125	72,746	86,576	203,345	147,622	167,808
Capital outlay	97,344	717,901	1,833,999	414,291	88,601	108,369	38,797	708,868	717,577	623,018
Contract service	-	-	-	-	-	-	-	-	-	-
Principal	71,187	92,730	85,419	96,220	122,036	142,067	144,582	152,685	171,139	450,908
Interest	43,048	276,465	178,438	183,308	176,198	159,271	156,818	199,551	175,078	248,018
Other interest	-	-	-	-	-	-	-	-	-	156,118
Total expenditures	<u>3,403,841</u>	<u>4,426,420</u>	<u>5,915,148</u>	<u>4,432,263</u>	<u>4,428,383</u>	<u>4,748,988</u>	<u>5,439,056</u>	<u>6,760,878</u>	<u>6,896,339</u>	<u>7,841,338</u>

(continued)

CITY OF KENNEDALE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
LAST TEN FISCAL YEARS

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CESS OF REVENUES										
VER (UNDER)										
KPENDITURES	\$ 196,367	\$ (256,777)	\$ (1,820,486)	\$ (149,307)	\$ 162,522	\$ 609,029	\$ 412,667	\$ (66,395)	\$ (505,372)	\$ (541,4
HER FINANCING										
SOURCES (USES)										
roceeds from Bonds Issu	3,083,678	-	-	-	-	-	790,000	-	2,995,388	7,235,0
remium/Discount	-	-	-	-	-	-	(34,416)	-	-	62,5
efunding bonds/lease issi	-	-	-	-	380,543	-	-	109,666	89,877	-
ymt to refinance lease	-	-	-	-	(360,677)	-	-	-	(2,710,000)	-
Transfers in	-	-	138,000	1,075	2,954	1,952	97,187	73,714	57,545	599,6
Transfers out	-	-	(138,000)	(1,075)	(2,954)	(1,952)	(97,187)	(73,714)	(57,545)	(579,6
Total other financing										
sources (uses)	3,083,678	-	-	-	19,866	-	755,584	109,666	375,265	7,317,5
CHANGE IN										
FUND BALANCES	\$ 3,280,045	\$ (256,777)	\$ (1,820,486)	\$ (149,307)	\$ 182,388	\$ 609,029	\$ 1,168,251	\$ 43,271	\$ (130,107)	\$ 6,776,0
BT SERVICE AS										
PERCENTAGE										
OF NONCAPITAL										
KPENDITURES	3.6%	11.1%	6.9%	7.5%	7.4%	3.3%	5.9%	6.2%	5.9%	13.4

CITY OF KENNEDALE, TEXAS

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>
1999	115,643,675	33,058,503	55,409,343	17,853,720	\$ 186,257,801	\$ 0.611381	187,259,946
2000	130,482,686	41,213,982	64,054,581	22,921,991	\$ 212,829,258	\$ 0.635000	214,787,434
2001	147,434,343	51,425,484	70,685,750	23,625,731	\$ 245,919,846	\$ 0.635000	233,819,195
2002	166,433,144	63,553,468	76,213,987	28,158,151	\$ 278,042,448	\$ 0.692500	260,344,707
2003	196,889,716	67,894,903	79,922,556	27,128,876	\$ 317,578,299	\$ 0.712500	295,105,130
2004	217,173,898	67,246,507	75,889,417	27,741,922	\$ 332,567,900	\$ 0.732500	310,501,026
2005	228,701,836	76,773,837	74,894,566	24,709,991	\$ 355,660,248	\$ 0.722500	333,704,742
2006	245,139,446	77,256,198	85,856,921	24,184,114	\$ 384,068,451	\$ 0.722500	355,857,239
2007	270,260,979	100,479,893	63,873,173	24,256,548	\$ 410,357,497	\$ 0.722500	387,653,132
2008	312,684,160	134,767,896	63,410,764	67,863,127	\$ 442,999,693	\$ 0.722500	435,040,102

Source: Tarrant Appraisal District Totals Report (September 01, 2007).

CITY OF KENNEDALE, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates				Overlapping Rates			
	City Rate	General Obligation Debt Service	Property Tax Relief	Total Direct Rate	Kennedale School District	Tarrant County	Tarrant County College District	Tarrant County Hospital District
1999	\$ 0.566300	\$ 0.045081	\$ -	\$ 0.611381	\$ 1.550816	\$ 0.264836	\$ 0.106410	\$ 0.234070
2000	\$ 0.554177	\$ 0.080823	\$ -	\$ 0.635000	\$ 1.612795	\$ 0.264836	\$ 0.106410	\$ 0.234070
2001	\$ 0.521522	\$ 0.113478	\$ -	\$ 0.635000	\$ 1.612795	\$ 0.274785	\$ 0.106410	\$ 0.234070
2002	\$ 0.579841	\$ 0.112659	\$ -	\$ 0.692500	\$ 1.623076	\$ 0.274785	\$ 0.106410	\$ 0.234070
2003	\$ 0.617235	\$ 0.095265	\$ -	\$ 0.712500	\$ 1.614421	\$ 0.274785	\$ 0.106410	\$ 0.234070
2004	\$ 0.634814	\$ 0.097686	\$ -	\$ 0.732500	\$ 1.804252	\$ 0.272500	\$ 0.139380	\$ 0.232400
2005	\$ 0.632409	\$ 0.090091	\$ -	\$ 0.722500	\$ 1.804252	\$ 0.272500	\$ 0.139380	\$ 0.235397
2006	\$ 0.624805	\$ 0.097695	\$ -	\$ 0.722500	\$ 1.804252	\$ 0.272500	\$ 0.139380	\$ 0.235397
2007	\$ 0.628186	\$ 0.094314	\$ -	\$ 0.722500	\$ 1.720362	\$ 0.271500	\$ 0.139380	\$ 0.235397
2008	\$ 0.572665	\$ 0.149835	\$ -	\$ 0.722500	\$ 1.358610	\$ 0.266500	\$ 0.139380	\$ 0.230397

Source: Tarrant Appraisal District (2007 Tax Rates)

Notes: Overlapping rates are those of local and county governments that apply to property owners within the City of Kennedale, Texas.

CITY OF KENNEDALE, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2008		1999	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Goss International Americas, Inc	\$ 8,198,051	1.88%		- %
FWT Inc	7,050,884	1.62%	\$ 5,760,000	3.08%
TXU Electric Delivery Co	6,812,035	1.57%	4,721,655	2.52%
Southwestern Bell	6,634,630	1.53%	9,419,238	5.03%
Excel Polymers LLC	6,535,842	1.50%	-	- %
Hawk Steel Industrial Inc.	6,343,626	1.46%		- %
Harrison Jet Guns II LP	5,434,025	1.25%		- %
Rebar Services & Supply Co.	3,716,001	0.85%		- %
Bloxom, DE Sr. Fnd Rp Hold LLC	3,121,309	0.72%		- %
Eagle Pipeline-Construction Co	3,087,760	0.71%		- %
Heidelberg Harris, Inc.			17,157,050	9.16%
Chase Elastomer Corp.			2,726,463	1.46%
Speed Fab-Crete Corp. Intl.			2,427,209	1.30%
Tealwood Apartments Ltd Prtshp			1,948,421	1.04%
Ma Hanna Co			1,798,588	0.96%
Sovran Acquisition Ltd Prtshp			1,282,641	0.68%
Storage Trust Properties			891,565	0.48%
Total	\$ 56,934,163	13.09%	\$ 48,132,830	25.70%
Total City Taxable Assessed Value	435,040,102		187,259,946	

Source: Tarrant Appraisal District (October 1, 2007 Top Taxpayers & October 1, 1999 Top Taxpayers)

CITY OF KENNEDALE, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected With the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	\$ 1,144,903	\$ 1,131,966	98.87%	\$ 22,211	\$ 1,154,177	100.81%
2000	1,363,902	1,312,210	96.21%	22,641	1,334,851	97.87%
2001	1,484,751	1,433,676	96.56%	36,376	1,470,052	99.01%
2002	1,802,887	1,752,406	97.20%	38,582	1,790,988	99.34%
2003	2,102,624	2,018,440	96.00%	34,386	2,052,826	97.63%
2004	2,274,420	2,199,137	96.69%	68,687	2,267,824	99.71%
2005	2,411,016	2,340,855	97.09%	79,082	2,419,937	100.37%
2006	2,571,068	2,530,550	98.42%	59,244	2,589,794	100.73%
2007	2,800,793	2,748,063	98.12%	56,046	2,804,109	100.12%
2008	3,143,164	3,103,078	98.72%	-	3,103,078	98.72%

Sources: Tarrant County Tax Office, Summary Part C

CITY OF KENNEDALE, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Certificates of Obligation	Capital Leases	Water Revenue Bonds	General Obligation Bonds	Term Loan	Certificates of Obligation	Capital Leases			
1999	-	\$ -	\$ 3,328,325	\$ -	\$ -	\$ -	\$ -	\$ 2,211,675	\$ -	\$ 5,540,000	0.53%	\$ 9
2000	-	-	3,313,125	-	-	-	-	2,186,875	-	5,500,000	0.89%	94
2001	-	-	3,296,025	-	-	-	-	2,158,975	-	5,455,000	0.90%	91
2002	-	-	3,278,925	-	-	-	857,189	2,066,075	-	6,202,189	0.79%	1,01
2003	-	-	3,261,825	380,543	-	-	764,160	1,973,175	-	6,379,703	0.77%	1,04
2004	-	-	3,152,825	347,476	-	-	667,410	1,872,175	-	6,039,886	0.81%	99
2005	-	-	3,833,825	548,127	-	-	566,790	1,761,175	109,666	6,819,583	0.72%	1,10
2006	-	300,000	3,690,125	388,419	-	-	462,145	1,695,000	208,086	6,743,775	0.73%	1,09
2007	-	265,000	3,485,388	342,704	-	-	353,315	4,569,613	177,613	9,193,633	0.53%	1,49
2008	-	225,000	10,341,888	292,050	-	-	240,131	4,398,113	139,533	15,636,715	0.31%	2,42

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

See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

CITY OF KENNEDALE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Revenue Bonds	Total		
1999	3,328,325	-	3,328,325	1.78%	\$ 568.9
2000	3,313,125	-	3,313,125	1.54%	\$ 566.3
2001	3,296,025	-	3,296,025	1.41%	\$ 554.0
2002	3,278,925	-	3,278,925	1.26%	\$ 537.5
2003	3,261,825	-	3,261,825	1.11%	\$ 534.7
2004	3,152,825	-	3,152,825	1.02%	\$ 516.9
2005	3,833,825	-	3,833,825	1.15%	\$ 623.4
2006	3,690,125	300,000	3,990,125	1.12%	\$ 648.8
2007	3,485,388	265,000	3,750,388	0.97%	\$ 609.8
2008	10,341,888	225,000	10,566,888	2.43%	\$ 1,638.3

Source: Table 5 for actual taxable value of property
Table 9 for general bonded debt outstanding
Table 14 for personal income and population data.

CITY OF KENNEDALE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER, 2008

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct Debt			
City of Kennedale, Texas	\$ 10,566,888	100.000%	\$ 10,566,888
Total Debt	<u>10,566,888</u>		
Overlapping Debt			
Arlington ISD	428,651,121	0.010%	42,865
Fort Worth ISD	440,667,429	0.030%	132,200
Kennedale ISD	51,205,025	41.240%	21,116,952
Tarrant County	239,015,000	0.370%	884,356
Tarrant County College District	49,005,000	0.370%	181,319
Tarrant County Hospital District	29,585,000	0.370%	109,465
	<u>809,477,454</u>		<u>22,424,291</u>
Subtotal overlapping debt			
City direct debt			<u>10,566,888</u>
Total direct and overlapping debt			<u>\$ 32,991,179</u>
Ratio of direct and overlapping debt to taxable assessed valuation (Table 5)			<u>7.58%</u>

Sources:

Texas Municipal Reports provided by the Municipal Advisory Council of Texas and Table 9

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Kennedale. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident --and therefore responsible for repaying the debt--of each overlapping government.

CITY OF KENNEDALE, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

The City Charter of the City of Kennedale (Section 6.05), Texas does not provide for a debt limit. The debt portion of the overall tax rate may rise as high as necessary to retire debt for the coming year without triggering the threat of rollback. Under the provisions of state law, the maximum tax rate is limited to \$2.50 per \$100 assessed valuation.

The tax rate for fiscal year 2008 was established at \$0.722500 per \$100 assessed valuation based on 100% of taxable appraised value.

CITY OF KENNEDALE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

Fiscal Year	Water Revenue Bonds						Special Assessment Bonds				Sales Tax Increment Bonds			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage	Sales Tax Increment	Debt Service		Coverage
				Principal	Interest			Principal	Interest			Principal	Interest	
9	1,344,777	965,463	\$ 379,314	103,045	63,752	\$ 2.27	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0	1,594,415	1,121,612	\$ 472,803	106,624	57,971	\$ 2.87	-	-	-	-	-	-	-	-
1	1,566,188	1,001,241	\$ 564,947	166,099	55,539	\$ 2.55	-	-	-	-	-	-	-	-
2	1,799,370	1,180,649	\$ 618,721	156,605	61,514	\$ 2.84	-	-	-	-	-	-	-	-
3	1,810,770	1,417,310	\$ 393,460	154,803	57,579	\$ 1.85	-	-	-	-	-	-	-	-
4	2,051,082	1,747,971	\$ 303,111	152,277	53,726	\$ 1.47	-	-	-	-	-	-	-	-
5	2,347,364	1,759,069	\$ 588,295	148,687	50,005	\$ 2.96	-	-	-	-	-	-	-	-
6	2,740,987	2,059,626	\$ 681,361	221,845	107,957	\$ 2.07	-	-	-	-	-	-	-	-
7	2,560,510	1,803,788	\$ 756,722	171,500	181,717	\$ 2.14	-	-	-	-	-	-	-	-
8	2,585,218	1,935,911	\$ 649,307	180,325	174,607	\$ 1.83	-	-	-	-	-	-	-	-

as:

Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

CITY OF KENNEDALE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
1999	5,850	29,221	13,082	1.9%
2000	5,850	49,091	53,901	1.9%
2001	5,950	49,091	53,901	2.7%
2002	6,100	49,091	53,901	3.8%
2003	6,100	49,091	53,901	3.8%
2004	6,100	49,091	53,901	3.1%
2005	6,150	49,091	53,901	4.9%
2006	6,150	49,091	53,901	5.1%
2007	6,150	49,091	53,901	5.1%
2008	6,450	49,091	53,901	5.1%

Sources: Population: City of Kennedale Planning Department. Based on 2000 Census date with annual updates from City Staff.

Personal Income and Per Capita Personal Income: United States Census Bureau, 2000 Census

Unemployment Rate: United States Department of Labor, Bureau of Labor Statistics (BLS).

Adjusted yearly average based on the Local Area Unemployment Statistics (LAUS) Program.

TABLE 15

CITY OF KENNEDALE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

Employer	2008		1999	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Kennedale Independent School District	375	30.07%	-	- %
Fort Worth Tower, Inc	170	13.63%	-	- %
Speed Fab Crete	101	8.10%	-	- %
Goss International	115	9.22%	-	- %
Excel Polymers	92	7.38%	-	- %
City of Kennedale	75	6.01%	-	- %
Mike Conkle's Custom Cabinets	52	4.17%	-	- %
Rebar Service and Supply	50	4.01%	-	- %
US Galvanizing LP	45	3.61%	-	- %
Redi-Mix LP	70	5.61%	-	- %
Pro-Fab Equipment	32	2.57%	-	- %
Stovall Electric	30	2.41%	-	- %
Grover Corporation	25	2.00%	-	- %
RE Watson & Associates	15	1.20%	-	- %
Total	<u>1,247</u>	<u>100.00%</u>	<u>-</u>	<u>- %</u>

Source: City Economic Development Division

Note: 1999 Information was not readily available.

CITY OF KENNEDALE, TEXAS
FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fulltime Equivalent Employees as of September 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
eral government										
anagement services	-	-	-	2.5	3.5	2.5	3.5	3.5	4.0	
nance	-	-	-	3	4	3	3	3	3	
anning	-	-	-	3	3	5	3	4	3.5	
uilding	-	-	-	-	-	1	1	1	1	
her	-	-	-	3	3	3	4	3	2	
ce										
fficers	-	-	-	18	19	19	19.0	22	23	
vilians	-	-	-	5	5	6	5.5	6	6.5	
refighters and officers	-	-	-	15	15	17	16	16	20	
vilians	-	-	-	2	3	1	1	1	1	
use Collection	-	-	-	-	-	-	-	-	-	
r public works										
gineering	-	-	-	-	-	-	-	-	-	
her	-	-	-	5	6	5.0	5	5	6	
velopment	-	-	-	0.5	0.5	0.5	0.5	0.5	1	
s and recreation	-	-	-	-	-	0.5	1	1	1	
ary	-	-	-	3	4	3	3	3	3	
er	-	-	-	7	9	7	8	8	9	
tewater	-	-	-	1	1	1	-	-	-	
sist	-	-	-	-	-	-	-	-	-	
Total	-	-	-	68.0	76.0	74.5	73.5	77.0	84.0	75

Source: FY 2007-08 Adopted Budget

Notes: A fulltime employee is scheduled to work 2080 hours per year (including vacation and sick leave). Fulltime equivalent employment is calculated by dividing total labor hours by 2,080. This does not include Fire Personnel.

CITY OF KENNEDALE, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
al government										
lding permits issued	-	-	-	-	-	-	-	-	-	-
lding inspections conducted	-	-	-	-	-	-	-	-	-	-
sical arrests	-	-	-	-	-	-	-	-	-	-
king violations	-	-	-	-	-	-	-	-	-	-
ffic violations	-	-	-	-	-	-	-	-	-	-
ergency responses	-	-	-	-	-	-	-	-	-	-
s extinguished	-	-	-	-	-	-	-	-	-	-
ections	-	-	-	-	-	-	-	-	-	-
ie collection										
use collected (tons per day)	-	-	-	-	-	-	-	-	-	-
yclables collected (tons per day)	-	-	-	-	-	-	-	-	-	-
public works										
et resurfacing (miles)	-	-	-	-	-	-	-	-	-	-
holes repaired	-	-	-	-	-	-	-	-	-	-
and recreation										
letic field permits issued	-	-	-	-	-	-	-	-	-	-
nmunity center admissions	-	-	-	-	-	-	-	-	-	-
ry										
umes in collection	-	-	-	-	-	-	-	-	-	-
al volumes borrowed	-	-	-	-	-	-	-	-	-	-
r										
v connections	-	-	-	-	-	-	-	-	-	-
ter main breaks	-	-	-	-	-	-	-	-	-	-
verage daily consumption	-	-	-	-	-	-	-	-	-	-
housands of gallons)	-	-	-	-	-	-	-	-	-	-
k daily consumption	-	-	-	-	-	-	-	-	-	-
housands of gallons)	-	-	-	-	-	-	-	-	-	-
ewater										
verage daily sewage treatment	-	-	-	-	-	-	-	-	-	-
housands of gallons)	-	-	-	-	-	-	-	-	-	-
it										
al route miles	-	-	-	-	-	-	-	-	-	-
sengers	-	-	-	-	-	-	-	-	-	-

∴ Information is not available, the City is in the process of gathering the information.

CITY OF KENNEDALE, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
ice										
tations	-	-	-	-	-	-	-	-	-	-
one offices	-	-	-	-	-	-	-	-	-	-
atrol units	-	-	-	-	-	-	-	-	-	-
:										
tations	-	-	-	-	-	-	-	-	-	-
use collection										
ollection trucks	-	-	-	-	-	-	-	-	-	-
er public works										
trees (miles)	-	-	-	-	-	-	-	-	-	-
ighways (miles)	-	-	-	-	-	-	-	-	-	-
treetlights	-	-	-	-	-	-	-	-	-	-
raffic signals	-	-	-	-	-	-	-	-	-	-
ks and recreation										
creage	-	-	-	-	-	-	-	-	-	-
laygrounds	-	-	-	-	-	-	-	-	-	-
aseball/softball diamonds	-	-	-	-	-	-	-	-	-	-
occer/football fields	-	-	-	-	-	-	-	-	-	-
ommunity centers	-	-	-	-	-	-	-	-	-	-
ter										
/ater mains (miles)	-	-	-	-	-	-	-	-	-	-
ire hydrants	-	-	-	-	-	-	-	-	-	-
torage capacity	-	-	-	-	-	-	-	-	-	-
(thousands of gallons)										
stewater										
anitary sewers (miles)	-	-	-	-	-	-	-	-	-	-
torm sewers (miles)	-	-	-	-	-	-	-	-	-	-
reatment capacity	-	-	-	-	-	-	-	-	-	-
(thousands of gallons)										
nsit										
finibuses	-	-	-	-	-	-	-	-	-	-

te: Information is not available, the City is in the process of gathering the information.