

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

To the Honorable Mayor,
Members of the City Council
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, 2011, and have issued our report thereon dated April 10, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U. S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 1, 2011, 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 of Kennedale, Texas are described in Note I to the financial statements. As described in the notes to the financial statements, the City changed accounting policies related to fund balance by implementing Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the fiscal year ended September 30, 2011. 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.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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 April 10, 2012.

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.

April 10, 2012

4/3/2012
9:03 AM

Client: 76705 - City of Kennedale, Texas
 Engagement: 2011 Audit - City of Kennedale, Texas
 Period Ending: 9/30/2011
 Trial Balance: TB
 Workpaper: AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		5001.01		
To properly state beginning fund balance and the transfer to close the Homeland Security Fund				
01-3001-00-00	FUND BALANCE		115.00	
33-5705-01-00	TRANSFERS OUT		115.00	
01-4920-00-00	TRANSFERS IN			115.00
33-3001-00-00	FUND BALANCE			115.00
Total			230.00	230.00
Adjusting Journal Entries JE # 2		3320.02		
To adjust taxes receivable to actual at year-end				
01-1232-00-00	ALLOWANCE DOUBTFUL-PROP TAX		32,151.00	
01-2196-00-00	DEFERRED PROPERTY TAX-REVENUE		15,743.00	
01-4011-00-00	PROPERTY TAX-DELINQUENT/PY		2,598.00	
02-1250-00-00	ALLOWANCE FOR DOUBTFUL ACCOUNT		8,091.00	
02-2196-00-00	DEFERRED PROP TAX-REVENUE-1985		4,097.00	
02-4011-00-00	PROPERTY TAX-DELINQUENT/PY		470.00	
01-1231-00-00	PROPERTY TAX REC-DELINQUENT			50,490.00
02-1231-00-00	PROPERTY TAX REC-DELINQUENT			12,658.00
Total			63,148.00	63,148.00
Adjusting Journal Entries JE # 3		2931.01		
Client AJE #1				
09-9005-00-00	AMT TO BE PROVIDED-LTD		1.00	
09-9005-00-00	AMT TO BE PROVIDED-LTD		2,701,571.00	
09-9013-00-00	2005 CO BONDS PAYABLE		30,000.00	
09-9014-00-00	2007 REFUND BONDS PAYABLE		145,113.00	
09-9015-00-00	2007 CO BONDS PAYABLE		130,000.00	
09-9016-00-00	CO BONDS PAYABLE		60,000.00	
09-9017-00-00	2010 CO BOND PAYABLE		75,000.00	
09-9041-00-00	2006 TAX NOTES PAYABLE		45,000.00	
09-9059-00-00	CAPITAL LEASE PAYABLE		73,316.00	
09-9012-00-00	1998 CO BONDS PAYABLE			1.00
09-9042-00-00	2011 CO BONDS PAYABLE			3,260,000.00
Total			3,260,001.00	3,260,001.00
Adjusting Journal Entries JE # 4		4501.01		
To remove the new bond entered twice.				
09-9016-00-00	CO BONDS PAYABLE		3,260,000.00	
09-9005-00-00	AMT TO BE PROVIDED-LTD			3,260,000.00
Total			3,260,000.00	3,260,000.00

4/3/2012
9:03 AM

Client: 76705 - City of Kennedale, Texas
 Engagement: 2011 Audit - City of Kennedale, Texas
 Period Ending: 9/30/2011
 Trial Balance: TB
 Workpaper: AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 5		2931.02		
Client AJE #2				
10-2154-00-00	2007 W/S CO BONDS PAYABLE		115,000.00	
10-2155-00-00	2007 GO REFUND BONDS PAYABLE		91,800.00	
10-2159-00-00	CAPITAL LEASE PAYABLE		37,399.00	
10-2156-00-00	REVENUE BONDS-CURRENT			6,912.00
10-2161-00-00	CAPITAL LEASE-CURRENT			1,730.00
10-5603-01-03	2007 4.365M GO RFND-PRINCIPAL			89,888.00
10-5606-01-02	2006 EQUIPMENT LEASE-PRINCIPAL			34,019.00
10-5636-01-02	2006 EQUIPMENT LEASE-INTEREST			1,650.00
10-5644-01-03	2007 2.9M CO-PRINCIPAL			110,000.00
Total			244,199.00	244,199.00
Adjusting Journal Entries JE # 6		2931.03		
Client AJE #3				
20-9005-00-00	AMT TO BE PROVIDED-LTD		1,665,000.00	
20-9010-00-00	2007 SALES TAX BONDS PAYABLE		35,000.00	
20-9020-00-00	2011 TX LEVERAGE LOAN PAYABLE			1,700,000.00
Total			1,700,000.00	1,700,000.00
Adjusting Journal Entries JE # 7		7001.00		
To properly state principal and interest expense				
17-5606-12-02	2006 EQUIPMENT LEASE-PRINCIPAL		789.00	
17-5636-12-02	2006 EQUIPMENT LEASE-INTEREST			789.00
Total			789.00	789.00
Adjusting Journal Entries JE # 8		7001.00		
To properly state the payoff of the fire truck lease and record the new lease.				
02-5604-01-00	1999 381K QUINT LEASE-PRINCIP		119,597.00	
02-4902-00-00	PROCEEDS - DEBT ISSUANCE			119,597.00
Total			119,597.00	119,597.00
Adjusting Journal Entries JE # 9		7002.00		
To properly state accrued interest payable received on the bond issue.				
02-5649-01-00	2011 3.26M CO-INTEREST		10,058.00	
02-2193-00-00	ACCRUED INTEREST PAYABLE			10,058.00
Total			10,058.00	10,058.00

Client: 76705 - City of Kennedale, Texas
 Engagement: 2011 Audit - City of Kennedale, Texas
 Period Ending: 9/30/2011
 Trial Balance: TB
 Workpaper: AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 10		3800.04		
To post fixed asset additions and deletions for the GFAAG.				
08-1400-00-00	LAND		950,159.00	
08-1410-00-00	BUILDINGS & BLDG COMPONENTS		46,189.00	
08-1420-00-00	IMPROVE OTHER THAN BLDG		95,500.00	
08-1450-00-00	VEHICLES & MOBILE EQUIP		88,797.00	
08-1450-00-00	VEHICLES & MOBILE EQUIP		810,277.00	
08-1470-00-00	EQUIPMENT		126,593.00	
08-1490-00-00	INFRASTRUCTURE IMPROVE		3,312,626.00	
08-1502-00-00	CONSTRUCTION IN PROGRESS		5,354,896.00	
08-3500-00-00	INVEST IN FIXED ASSETS		15,695.00	
08-3500-00-00	INVEST IN FIXED ASSETS		3,454,473.00	
08-1450-00-00	VEHICLES & MOBILE EQUIP			649,305.00
08-1470-00-00	EQUIPMENT			104,492.00
08-1502-00-00	CONSTRUCTION IN PROGRESS			2,805,168.00
08-1502-00-00	CONSTRUCTION IN PROGRESS			
08-3500-00-00	INVEST IN FIXED ASSETS			10,696,240.00
Total			14,255,205.00	14,255,205.00
Adjusting Journal Entries JE # 11		3800.04		
To post depreciation to the GFAAG				
08-1500-00-00	ACCUMULATED DEPRECIATION		15,195.00	
08-1500-00-00	ACCUMULATED DEPRECIATION		560,505.00	
08-3500-00-00	INVEST IN FIXED ASSETS		975,032.00	
08-1500-00-00	ACCUMULATED DEPRECIATION			975,032.00
08-3500-00-00	INVEST IN FIXED ASSETS			15,195.00
08-3500-00-00	INVEST IN FIXED ASSETS			560,505.00
Total			1,550,732.00	1,550,732.00
Adjusting Journal Entries JE # 12		3800.06		
To post EDC fixed asset additions				
03-1400-00-00	LAND		289,100.00	
03-1420-00-00	IMPROVEMENTS OTHER THAN BUILDINGS		753,754.00	
03-1502-00-00	CONSTRUCTION IN PROGRESS		1,302,324.00	
03-3500-00-00	INVESTMENT IN FIXED ASSETS		753,754.00	
03-1502-00-00	CONSTRUCTION IN PROGRESS			753,754.00
03-3500-00-00	INVESTMENT IN FIXED ASSETS			2,345,178.00
Total			3,098,932.00	3,098,932.00
Adjusting Journal Entries JE # 13		3800.06		
To post current year EDC depreciation				
03-3500-00-00	INVESTMENT IN FIXED ASSETS		115,263.00	
03-1500-00-00	ACCUMULATED DEPRECIATION			115,263.00
Total			115,263.00	115,263.00

4/3/2012
9:03 AM

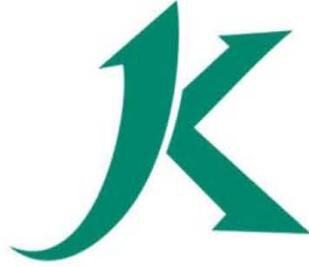
Client: 76705 - City of Kennedale, Texas
 Engagement: 2011 Audit - City of Kennedale, Texas
 Period Ending: 9/30/2011
 Trial Balance: TB
 Workpaper: AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 14		3800.05		
To properly state building additions.				
10-1410-00-00	PLANT & EQUIPMENT		59,786.00	
10-5570-01-02	SPECIAL SERVICES			59,786.00
Total			59,786.00	59,786.00
Adjusting Journal Entries JE # 15		3800.05		
To post vehicle additions and deletions				
10-1450-00-00	MOBILE EQUIPMENT		53,820.00	
10-1460-00-00	VEHICLES		39,973.00	
10-1500-00-00	ACCUMULATED DEPRECIATION		31,002.00	
10-5530-01-02	ELECTRIC SERVICES		1.00	
10-1450-00-00	MOBILE EQUIPMENT			5,000.00
10-1460-00-00	VEHICLES			79,822.00
10-5861-01-02	MOTER VEHICLES			39,974.00
Total			124,796.00	124,796.00
Adjusting Journal Entries JE # 16		3800.05		
To post equipment additions				
10-1480-00-00	OFFICE EQUIPMENT		5,345.00	
10-5440-01-01	OFFICE EQUIP/SOFTWARE MAINT			5,345.00
Total			5,345.00	5,345.00
Adjusting Journal Entries JE # 17		3800.05		
To post CIP transactions				
07-1502-00-00	CONSTRUCTION IN PROGRESS		32,386.00	
10-1440-00-00	SEWER COLLECTION SYSTEM		158,419.00	
10-1440-00-00	SEWER COLLECTION SYSTEM		253,644.00	
10-1490-00-00	CAPITAL OUTLAY-METERS & LINES		1,582.00	
10-1490-00-00	CAPITAL OUTLAY-METERS & LINES		13,934.00	
10-1490-00-00	CAPITAL OUTLAY-METERS & LINES		63,790.00	
10-1490-00-00	CAPITAL OUTLAY-METERS & LINES		896,510.00	
61-3001-00-00	FUND BALANCE		13,934.00	
62-3001-00-00	FUND BALANCE		1,582.00	
65-3001-00-00	FUND BALANCE		1,150,154.00	
07-5570-01-00	SPECIAL SERVICES			12,500.00
07-5625-01-00	ENGINEERING SERVICES			19,886.00
10-1502-00-00	CONSTRUCTION IN PROGRESS			222,209.00
10-3001-00-00	RETAINED EARNINGS			1,582.00
10-3001-00-00	RETAINED EARNINGS			13,934.00
10-3001-00-00	RETAINED EARNINGS			1,150,154.00
61-1502-00-00	CONSTRUCTION IN PROGRESS			13,934.00
62-1502-00-00	CONSTRUCTION IN PROGRESS			1,582.00
65-1502-00-00	CONSTRUCTION IN PROGRESS			1,150,154.00
Total			2,585,935.00	2,585,935.00

4/3/2012
9:03 AM

Client: 76705 - City of Kennedale, Texas
 Engagement: 2011 Audit - City of Kennedale, Texas
 Period Ending: 9/30/2011
 Trial Balance: TB
 Workpaper: AJE Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 18		3800.05		
To post current year infrastructure additions				
07-3001-00-00	RETAINED EARNINGS		29,325.00	
10-1440-00-00	SEWER COLLECTION SYSTEM		99,562.00	
10-1490-00-00	CAPITAL OUTLAY-METERS & LINES		29,325.00	
10-1490-00-00	CAPITAL OUTLAY-METERS & LINES		137,975.00	
10-1490-00-00	CAPITAL OUTLAY-METERS & LINES		317,874.00	
65-3001-00-00	FUND BALANCE		317,874.00	
07-5821-01-00	DRAINAGE IMPROVEMENTS			29,325.00
10-3001-00-00	RETAINED EARNINGS			29,325.00
10-3001-00-00	RETAINED EARNINGS			317,874.00
10-5280-01-01	MINOR EQUIP/SMALL TOOLS<5K			63,100.00
10-5409-01-02	WASTEWATER SYSTEM MAINTENANCE			47,938.00
10-5412-01-02	METERS/BOXES/HYDRANTS			14,139.00
10-5570-01-02	SPECIAL SERVICES			60,736.00
10-5580-01-02	ENGINEERING SERVICES			5,363.00
10-5835-01-02	SEWER LINE INSTALLATION			46,261.00
65-5875-90-00	CONSTRUCTION			303,243.00
65-5878-90-00	HIGHRIDGE WATER/SEWER LINE			14,631.00
Total			931,935.00	931,935.00
Adjusting Journal Entries JE # 19		3800.05		
To post current year depreciation expense				
10-5635-90-00	DEPRECIATION EXPENSES		466,721.00	
10-1500-00-00	ACCUMULATED DEPRECIATION			466,721.00
Total			466,721.00	466,721.00
Adjusting Journal Entries JE # 20		4100.00		
To remove an old payable that will not need to be paid				
15-2015-00-00	PROPERTY TAXES PAYABLE		14,339.00	
15-4409-00-00	MISCELLANEOUS INCOME			14,339.00
Total			14,339.00	14,339.00
Adjusting Journal Entries JE # 21		4503.02		
To adjust accrued interest to actual at year-end for the proprietary funds.				
10-2197-00-00	ACCRUED INTEREST PAYABLE		2,739.00	
10-5643-01-03	2007 2.9M CO-INTEREST			2,739.00
Total			2,739.00	2,739.00
Adjusting Journal Entries JE # 22		4300.01		
To remove prior deferred disposition due to the new way those fines are handled, this account is no longer necessary as no cash is currently held				
01-2205-00-00	DEFERRED DISPOSITION/COURT		26,371.00	
01-4301-00-00	FINES & FORFEITS			26,371.00
Total			26,371.00	26,371.00



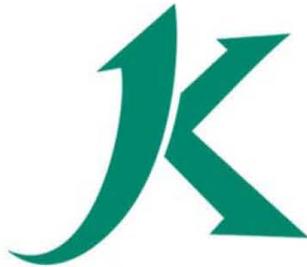
KENNEDALE
You're Here, Your Home
www.cityofkennedale.com

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF KENNEDALE, TEXAS

**YEAR ENDED
SEPTEMBER 30, 2011**





KENNEDALE
You're Here, Your Home
www.cityofkennedale.com

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF KENNEDALE, TEXAS

**YEAR ENDED
SEPTEMBER 30, 2011**

Prepared By: Department of Finance

**CITY OF KENNEDALE, TEXAS
TABLE OF CONTENTS**

SEPTEMBER 30, 2011

	<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 – 10
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets.....	11
Statement of Activities.....	12 – 13
Fund Financial Statements	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16

(continued)

CITY OF KENNEDALE, TEXAS
TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2011

	<u>Page Number</u>
FINANCIAL SECTION (Continued)	
Fund Financial Statements (Continued)	
Statement of Net Assets – Proprietary Fund.....	17
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund.....	18
Statement of Cash Flows – Proprietary Fund	19
Notes to Financial Statements.....	20 – 41
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	42
TMRS Analysis of Funding Progress	43
Notes to Required Supplementary Information	44
Combining Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet.....	45 – 46
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	47 – 48
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund.....	49

(continued)

CITY OF KENNEDALE, TEXAS
TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2011

	<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



April 10, 2012

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, 2011, 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, 2011, 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, 2011, 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 6,750. 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 city 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, wastewater, solid waste collection and disposal, streets, storm water drainage, 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 Cowboy Stadium, 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. The KEDC worked with the City, Tarrant County and the Kennedale Independent School District (KISD) to acquire tax delinquent properties, clear properties and recruit business investment. These partnerships will continue through the coming years to strengthen and expand the City's industrial base. Retail business development will be focused at the TownCenter and the redevelopment of Oak Crest. The EDC's commitment and involvement is essential. The TownCenter opened in 2011. The second building is anticipated to be constructed in late 2012. The sexually oriented business (SOB's) closed on schedule, February 29, 2012, without fanfare. Quick Trip began

construction in spring 2012 with an anticipated opening by Labor Day. The EDC will actively pursue development of its 3-acre site adjacent to the new Quick Trip during the latter part of the year.

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 concept 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 leveraged its resources by working with Tarrant County and the Texas Department of Transportation to enhance its transportation network. The Tarrant County projects fell into two categories: those projects funded partially through the Tarrant County bond program and those projects funded through the County Precinct 2

operations. The operational projects allowed the city to reconstruct streets, including Mistletoe, Timberline, Bolen Road and Gilman Road. These projects significantly reduced the cost and time to maintain inadequately constructed roads. The three road projects funded partially through the County road bond program include Bowman Springs Road, Sublett Road and Little School Road. Bowman Springs Road will provide for a direct route from I-20 to Dick Price Road. The project includes the replacement of a 1930's bridge that is considered the second most unsafe bridge in Tarrant County. Bowman Springs Road also includes participation from the City of Arlington, Tarrant County and the Texas Department of Transportation. Sublett Road and Little School Road are currently under construction and will be completed by June 2012. Both are designed with landscaped medians and round-a-bouts that visually link various subdivisions in Kennedale.

Economic development continues to be a primary focus within Kennedale. The long awaited Kennedale TownCenter is open. The second of five building will be built beginning in October 2012. Store offices have indicated that the improvements have increased sales at their stores: Surplus Warehouse and Dollar General. Another TownCenter improvement was the construction of a September 11 Memorial. The City was able to obtain a piece of steel from the World trade Center to serve as the focal point of the memorial. The memorial is currently located in the TownCenter.

A primary longstanding effort has been to enhance the City's gateway by closing the four sexually oriented businesses located near Kennedale Parkway and I-20. All of these businesses closed in February 2012. The City and the Kennedale Economic Development Corporation successfully recruited a QT convenience store to locate near Kennedale Parkway and I-20 following their closure. The new prototype QT will be open by Labor Day 2012. In addition, KEDC secured the adjoining property to induce additional development. We believe these infrastructure improvements, coupled with the closure of the sexually oriented businesses and location will facilitate new business investments in Kennedale.

FUTURE PROJECTS

Clearly, the projects outlined earlier will continue throughout the year and beyond. The most significant effort is the revised Comprehensive Plan. This work is based to a large degree on the City's strategic plan – *Imagine Kennedale 2015* – and will lead to changes in the land use plan and zoning map. The plan is based on the core principles of connected city, economic prosperity, and thriving community. It will be finished in spring 2012.

RELEVANT FINANCIAL POLICIES

The City continues to budget cautiously in regards to anticipated revenues due to the economic downturn. The City was able to budget its revenue within a very small variance and maintain responsibility in its expenditures resulting in a better than anticipated decrease in fund balance in the General Fund. However, this was still a decrease and the City will continue on with its current plans and has continued to monitor its budgets responsibly.

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, 2010. This was the ninth 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 & IT

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, 2010

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.



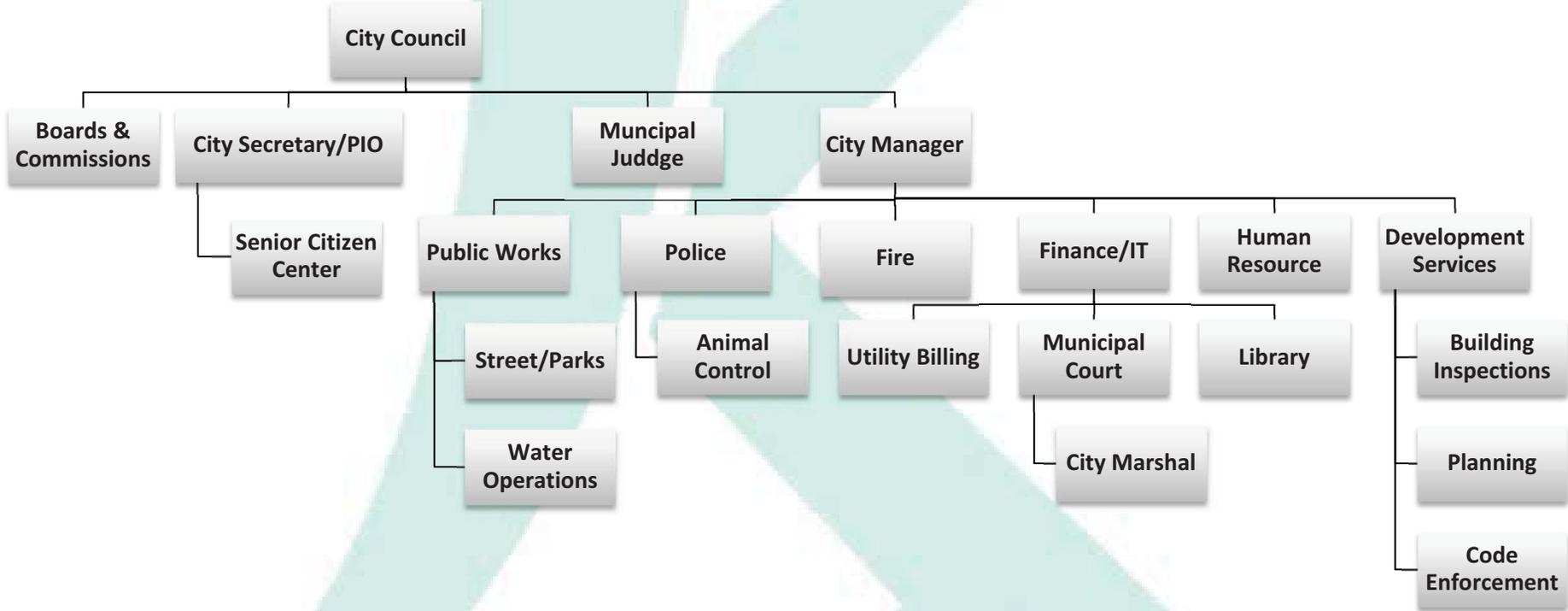
Linda C. Davidson

President

Jeffrey R. Emer

Executive Director

City of Kennedale



Organizational Chart

CITY OF KENNEDALE, TEXAS

PRINCIPAL OFFICIALS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

ELECTED OFFICIALS

Mayor	Bryan Lankhorst
Council Member Place 1/Mayor Pro Tem	John Clark
Council Member Place 2	Liz Carrington
Council Member Place 3	Brian Johnson
Council Member Place 4	Kelly Turner
Council Member Place 5	Frank Fernandez

APPOINTED & KEY OFFICIALS

City Manager	Bob Hart
City Secretary/Communications Coordinator	Amethyst Cirno
City Attorney	Taylor, Olson Adkins, Sralla & Elam, LLP
Director of Finance & IT	Sakura Moten-Dedrick
Human Resources Director	Kelly Cooper
Police Chief	Tommy Williams
Fire Chief	Mike McMurray
Director Of Public Works	Larry Ledbetter
Director of Development Services	James Cowey
Director of Planning	Rachel Roberts

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kennedale, Texas' 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 the 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the analysis of funding progress and budgetary comparison information on pages 3 through 10 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

THIS PAGE LEFT BLANK INTENTIONALLY

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kennedale, Texas' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

April 10, 2012

THIS PAGE LEFT BLANK INTENTIONALLY

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

THIS PAGE LEFT BLANK INTENTIONALLY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kennedale, Texas, 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, 2011. 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 \$30,776,905. Of this amount, \$2,691,971 (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 \$3,253,197. This increase is due to an increase in capital grants and contributions and other revenues, as well as decreased general government and economic development expenses. These changes were offset by decreased property tax and other tax revenue and increased public works expenses.
- As of the close of the current fiscal year, the City of Kennedale's governmental funds reported combined ending fund balances of \$3,300,952, a decrease of \$1,116,989 in comparison with the prior year. Approximately, 40.37% of this amount, \$1,332,648 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$1,332,648 or 18.38% 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, Texas'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, Debt Service Fund and Capital Bond Fund, which are considered to be major funds. Data from the other 7 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 \$30,776,905 at the close of the most recent fiscal year. By far the largest portion of the City's net assets (\$26,148,778 or 84.96%) 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 2011	Activities 2010	Activities 2011	Activities 2010	2011	2010
Current and other assets	\$ 5,222,131	\$ 5,671,752	\$ 2,456,104	\$ 2,303,028	\$ 7,678,235	\$ 7,974,780
Capital assets	<u>30,601,295</u>	<u>23,829,835</u>	<u>14,000,565</u>	<u>13,745,060</u>	<u>44,601,860</u>	<u>37,574,895</u>
Total assets	<u>35,823,426</u>	<u>29,501,587</u>	<u>16,456,669</u>	<u>16,048,088</u>	<u>52,280,095</u>	<u>45,549,675</u>
Long-term liabilities	15,224,097	12,479,784	3,906,439	4,145,044	19,130,536	16,624,828
Other liabilities	<u>1,625,525</u>	<u>999,959</u>	<u>747,129</u>	<u>401,180</u>	<u>2,372,654</u>	<u>1,401,139</u>
Total liabilities	<u>16,849,622</u>	<u>13,479,743</u>	<u>4,653,568</u>	<u>4,546,224</u>	<u>21,503,190</u>	<u>18,025,967</u>
Net assets:						
Invested in capital assets, net of related debt	16,014,362	11,814,703	10,134,416	9,643,354	26,148,778	21,458,057
Restricted	1,936,156	38,754	-	-	1,936,156	38,754
Unrestricted	<u>1,023,286</u>	<u>4,168,387</u>	<u>1,668,685</u>	<u>1,858,510</u>	<u>2,691,971</u>	<u>6,026,897</u>
Total net assets	<u>\$ 18,973,804</u>	<u>\$ 16,021,844</u>	<u>\$ 11,803,101</u>	<u>\$ 11,501,864</u>	<u>\$ 30,776,905</u>	<u>\$ 27,523,708</u>

An additional portion of the City of Kennedale's net assets (\$1,936,156 or 6.29%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,691,971 or 8.75%) 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 \$3,253,197. 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, charges for services and other revenues as well as decreased general government, and economic development expenses.

CITY OF KENNEDALE'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,022,648	\$ 949,459	\$ 3,633,725	\$ 2,856,494	\$ 4,656,373	\$ 3,805,953
Operating grants and contributions	64,217	67,924	-	-	64,217	67,924
Capital grants and contributions	2,793,402	1,424,036	-	-	2,793,402	1,424,036
General revenues:						
Property taxes	3,811,589	3,945,627	-	-	3,811,589	3,945,627
Other taxes	2,031,560	2,244,226	-	-	2,031,560	2,244,226
Other revenues	983,300	377,971	1,925	5,220	985,225	383,191
Total revenues	<u>10,706,716</u>	<u>9,009,243</u>	<u>3,635,650</u>	<u>2,861,714</u>	<u>14,342,366</u>	<u>11,870,957</u>
Expenses:						
General government	1,346,455	1,687,785	-	-	1,346,455	1,687,785
Public safety	4,149,812	4,135,114	-	-	4,149,812	4,135,114
Public works	1,386,156	956,657	-	-	1,386,156	956,657
Culture and recreation	335,884	346,896	-	-	335,884	346,896
Economic development	-	2,006,635	-	-	-	2,006,635
Interest on long-term debt	536,449	490,601	-	-	536,449	490,601
Water and wastewater	-	-	3,334,413	3,002,002	3,334,413	3,002,002
Total expenses	<u>7,754,756</u>	<u>9,623,688</u>	<u>3,334,413</u>	<u>3,002,002</u>	<u>11,089,169</u>	<u>12,625,690</u>
Change in Net Assets	2,951,960	(614,445)	301,237	(140,288)	3,253,197	(754,733)
Net assets, beginning	<u>16,021,844</u>	<u>16,636,289</u>	<u>11,501,864</u>	<u>11,642,152</u>	<u>27,523,708</u>	<u>28,278,441</u>
Net assets, ending	<u>\$ 18,973,804</u>	<u>\$ 16,021,844</u>	<u>\$ 11,803,101</u>	<u>\$ 11,501,864</u>	<u>\$ 30,776,905</u>	<u>\$ 27,523,708</u>

Governmental activities. Governmental activities net assets increased by \$2,951,960. The increase was due primarily to an increase in capital grants and contributions, charges for services and other revenues and decreased general government and economic development expenses. These changes were offset by decreased property and other taxes and increased public works expenses.

Business-type activities. Business-type activities net assets increased by \$301,237. Gross revenue of the Water and Sewer Fund was \$3,635,650 for the fiscal year, which is \$773,936 more than the 2009-2010 fiscal year gross revenue, \$2,861,714. This increase is a result of an increase in charges for services. Direct operating expenses, excluding depreciation, were \$2,704,590 for the fiscal year. Direct operating expenses are \$325,807 more than 2009-2010 fiscal year direct operating expenses, \$2,378,783, due to increased costs of sales and services.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources 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 \$3,300,952. \$32,148 of this total is nonspendable to indicate the amount cannot be spent and \$1,936,156 is restricted to indicate constraints placed on the use of the resources either externally imposed by creditors, by laws or regulations of other governments imposed or imposed by law through constitutional provisions or enabling legislation. The remaining balance of \$1,332,648 constitutes unassigned fund balance.

Of the \$3,300,952 ending fund balance, \$105,115 is accounted for in non-major governmental funds. The General Fund balance is \$1,363,996 at year end – a decrease of \$144,590. This decrease was created primarily by a combination of decreased property and sales taxes, as well as increased public works and capital outlay expenses. This decrease was offset by \$812,053 of transfers in from other funds.

In the General Fund, the City budgeted for a decrease of fund balance in the amount of \$382,784. The General Fund balance decreased by \$144,590, or 9.58% during the current fiscal year. Significant revenue and expenditure increases were in the following areas:

- Sales tax
- Franchise fees
- Charges for services
- Other revenues
- Public safety
- Public works
- Capital outlay
- Transfers in

The Debt Service Fund balance increased \$13,011 to \$51,765 at year end. This increase is the primarily the result of the decision to transfer slightly less than was originally budgeted as well as interest and fiscal charges below budgeted amounts. The Capital Bond Fund balance decreased \$957,637 to a year-end total of \$1,780,076. This decrease is caused by capital outlay expenditures related to several projects currently under construction from the debt proceeds issued in the previous year offset by current year debt proceeds and intergovernmental revenue.

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

Year-end net assets in the water and wastewater fund amounted to \$11,803,101. This is an increase of \$301,237 from last year. See the business-type activity discussion above for more information.

General Fund budgetary highlights. The actual expenditures for the year were \$7,248,928, which was \$132,602 under budget.

For FY 2010-2011, the actual revenues were \$6,399,141 as compared to the budget amount of \$6,393,786. Contributing to the variance was higher than anticipated other revenues (\$59,716 higher than the budget), and charges for services (\$5,245 higher than the budget). Also contributing to the variance was lower than anticipated revenues from sales taxes (\$16,671 lower than the budget) and public safety fees (\$18,717 lower than the budget).

With higher revenues and lower expenditures, the General Fund balance decreased by \$144,590, which was \$238,154 higher than the final budget due to unbudgeted transfers in of \$145,053.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The investment in capital assets for its governmental and business type activities as of September 30, 2011, amounts to \$44,601,860 (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 68.61% of the capital assets are governmental and 31.39% are business type activities.

CITY OF KENNEDALE’S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,919,045	\$ 2,968,886	\$ 228,147	\$ 228,147	\$ 4,147,192	\$ 3,197,033
Buildings and improvements	4,923,055	4,781,366	5,099,954	5,040,168	10,023,009	9,821,534
Machinery and equipment	3,159,421	2,948,751	667,610	653,294	3,827,031	3,602,045
Infrastructure/water and wastewater distribution	21,409,458	18,096,832	13,436,504	11,463,889	34,845,962	29,560,721
Construction in progress	8,396,510	5,846,982	32,386	1,387,879	8,428,896	7,234,861
Less accumulated depreciation	(11,206,194)	(10,812,982)	(5,464,036)	(5,028,317)	(16,670,230)	(15,841,299)
Total capital assets, net	\$ 30,601,295	\$ 23,829,835	\$ 14,000,565	\$ 13,745,060	\$ 44,601,860	\$ 37,574,895

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

Governmental activities equipment purchase	\$ 786,870
Governmental activities infrastructure capitalization	507,258
Governmental activities building improvements	141,689
Governmental activities construction in progress	5,354,896
Governmental activities land purchase	950,159
Business-type activities improvements	584,736
Business-type activities building improvements	59,786
Business-type activities construction in progress	32,386

Additional information on the capital assets can be found in Note 3 on pages 32-34 of this report.

Long-term debt. At year-end, the City had total bonded debt, capital lease and loan payable obligations of \$18,607,287. Of this amount, \$18,320,000 represents bonded debt backed by the full faith and credit of the City. The City's capitalized lease obligation of \$287,287 pertains to the purchase of a fire truck, street equipment and utility vehicles and equipment.

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

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Certificates of obligation bonds	\$ 14,396,250	\$ 11,576,363	\$ 3,828,750	\$ 4,028,638	\$ 18,225,000	\$ 15,605,001
Capital leases	249,888	323,204	37,399	73,068	287,287	396,272
Revenue bonds	<u>95,000</u>	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>95,000</u>	<u>140,000</u>
Total	<u>\$ 14,741,138</u>	<u>\$ 12,039,567</u>	<u>\$ 3,866,149</u>	<u>\$ 4,101,706</u>	<u>\$ 18,607,287</u>	<u>\$ 16,141,273</u>

The City's certificates of obligation bonds continue to carry Baal from Moody's Investor Services. Additional information on the long-term debt can be found in Note 3 on pages 35-37 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 is expected to decrease slightly in fiscal year 2011-2012.

During the current year, the General Fund unreserved fund balance decreased by \$144,590, to \$1,363,996. This decrease was better than the anticipated decrease of \$382,744 that was budgeted for fiscal year 2010-2011.

The Budget approach is based on three components:

1. Improve transparency for residents.

With the hiring of a new City Secretary/Public Information Officer, the city expanded the duties of the traditional position to include communications, public outreach and resident engagement initiatives and programming. As a result, the city's website has been recently redesigned and expanded to include social media. Residents can now request current and future information through an online subscription option, and the city's newsletter is now available online and has also been reformatted to better inform residents of upcoming events. Furthermore, financial data and other documents will be added soon to the website to promote more open government, and by doing so, the city will achieve a gold level rating for transparency from the Texas Comptroller's Office.

2. Strengthen the city's human resources function.

The staff has continued the focus on ethics and culture, including the roll out of an internal publication called *Leading the Kennedale Way*. Role descriptions are complete. Personal policies will be revised with recommended changes focusing on an integrative and development culture. Operational policies will be revised consistent with the desired culture. And a compensation plan is being prepared by a University of Texas at Arlington (UTA) capstone class under the direction of Kelly Cooper, the Director of Human Resources.

3. Encourage economic development.

Phase I of the Kennedale TownCenter is complete. The second and third buildings are being planned. The TownCenter is instrumental in expanding the retail base of the community. The 9/11 Memorial was dedicated in October 2011 and serves as an attraction for the community. The City and the Kennedale Economic Development Corporation (KEDC) are working together closely on the redevelopment of the Oak Crest area. The sexually-oriented businesses are closed. The new Quick Trip gas station is under construction and should be open in the fall of 2012. The KEDC worked with the Bloxum Foundation and Pennington Properties to secure a major restaurant for Kennedale. Red's Roadhouse will open in May 2012 with anticipated seating for 300 plus patrons, as well as an outdoor entertainment patio. The Kennedale portion of Bowman Springs Road is now complete. The state is building the bridge to connect Kennedale to Arlington. The improved access will open additional properties for commercial development. The construction of Little-School Road and Sublett Road will be complete in May 2012 and will provide a visual linkage across the community and form a distinctly different image from Arlington.

The cumulative effect of these efforts is intended to generate stronger investment potential in the community and increased funding for the future.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City of Kennedale's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Kennedale, 405 Municipal Dr., Kennedale, Texas 76060.

**BASIC
FINANCIAL STATEMENTS**

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KENNEDALE, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
ASSETS				
Cash and investments	\$ 4,356,136	\$ 1,704,044	\$ 6,060,180	\$ 2,164,601
Receivables (net of allowances for uncollectibles):				
Taxes	307,645	-	307,645	68,735
Accounts	179,213	616,560	795,773	-
Inventories	-	51,487	51,487	-
Other assets	32,148	39,213	71,361	-
Deferred charges	346,989	44,800	391,789	25,870
Capital assets:				
Land	3,919,045	228,147	4,147,192	985,945
Buildings and improvements	4,923,055	5,099,954	10,023,009	2,305,258
Machinery and equipment	3,159,421	667,610	3,827,031	-
Infrastructure/water and wastewater distribution	21,409,458	13,436,504	34,845,962	-
Construction in progress	8,396,510	32,386	8,428,896	2,556,892
Less: accumulated depreciation	<u>(11,206,194)</u>	<u>(5,464,036)</u>	<u>(16,670,230)</u>	<u>(312,888)</u>
Total capital assets	<u>30,601,295</u>	<u>14,000,565</u>	<u>44,601,860</u>	<u>5,535,207</u>
 Total assets	 <u>35,823,426</u>	 <u>16,456,669</u>	 <u>52,280,095</u>	 <u>7,794,413</u>
LIABILITIES				
Accounts payable	1,210,187	507,223	1,717,410	35,238
Accrued liabilities	224,341	18,886	243,227	-
Due to other governments	27,686	-	27,686	-
Accrued interest payable	121,316	21,219	142,535	-
Unearned revenue	41,995	-	41,995	-
Customer deposits	-	199,801	199,801	16,658
Noncurrent liabilities:				
Due within one year	827,833	252,257	1,080,090	120,920
Due in more than one year	<u>14,396,264</u>	<u>3,654,182</u>	<u>18,050,446</u>	<u>2,649,080</u>
Total liabilities	<u>16,849,622</u>	<u>4,653,568</u>	<u>21,503,190</u>	<u>2,821,896</u>
NET ASSETS				
Invested in capital assets, net of related debt	16,014,362	10,134,416	26,148,778	2,765,207
Restricted for:				
Debt service	50,965	-	50,965	-
Capital improvements	1,874,243	-	1,874,243	-
Economic development	-	-	-	2,207,310
Other purposes	10,948	-	10,948	-
Unrestricted	<u>1,023,286</u>	<u>1,668,685</u>	<u>2,691,971</u>	<u>-</u>
 Total net assets	 <u>\$ 18,973,804</u>	 <u>\$ 11,803,101</u>	 <u>\$ 30,776,905</u>	 <u>\$ 4,972,517</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, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 1,346,455	\$ 514,732	\$ -	\$ -
Public safety	4,149,812	460,983	58,864	-
Public works	1,386,156	44,910	-	2,793,402
Culture and recreation	335,884	2,023	5,353	-
Interest on long-term debt	536,449	-	-	-
Total governmental activities	<u>7,754,756</u>	<u>1,022,648</u>	<u>64,217</u>	<u>2,793,402</u>
Business-type activities:				
Water/Wastewater	<u>3,334,413</u>	<u>3,633,725</u>	-	-
Total business-type activities	<u>3,334,413</u>	<u>3,633,725</u>	-	-
Total primary government	<u>\$ 11,089,169</u>	<u>\$ 4,656,373</u>	<u>\$ 64,217</u>	<u>\$ 2,793,402</u>
Component Unit:				
Kennedale Economic				
Development Corporation	<u>\$ 642,033</u>	<u>\$ 209,087</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property - general purposes				
Property - debt service				
Sales				
Franchise				
Investment earnings				
Miscellaneous				
Total general revenues				
Change in net assets				
Net assets, beginning				
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
\$(831,723)	\$ -	\$(831,723)	\$ -
(3,629,965)	-	(3,629,965)	-
1,452,156	-	1,452,156	-
(328,508)	-	(328,508)	-
(536,449)	-	(536,449)	-
(3,874,489)	-	(3,874,489)	-
-	299,312	299,312	-
-	299,312	299,312	-
<u>\$(3,874,489)</u>	<u>\$ 299,312</u>	<u>\$(3,575,177)</u>	<u>\$ -</u>
-	-	-	<u>(432,946)</u>
3,014,491	-	3,014,491	-
797,098	-	797,098	-
1,222,642	-	1,222,642	418,303
808,918	-	808,918	-
6,401	1,925	8,326	1,570
976,899	-	976,899	21,916
6,826,449	1,925	6,828,374	441,789
2,951,960	301,237	3,253,197	8,843
16,021,844	11,501,864	27,523,708	4,963,674
<u>\$ 18,973,804</u>	<u>\$ 11,803,101</u>	<u>\$ 30,776,905</u>	<u>\$ 4,972,517</u>

CITY OF KENNEDALE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 1,525,333	\$ 58,348	\$ 2,715,397	\$ 57,058	\$ 4,356,136
Receivables (net of allowance for uncollectibles):					
Taxes	290,285	17,360	-	-	307,645
Accounts	131,156	-	-	48,057	179,213
Prepaid items	<u>31,348</u>	<u>800</u>	<u>-</u>	<u>-</u>	<u>32,148</u>
Total assets	<u>1,978,122</u>	<u>76,508</u>	<u>2,715,397</u>	<u>105,115</u>	<u>4,875,142</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	274,866	-	935,321	-	1,210,187
Accrued liabilities	214,283	10,058	-	-	224,341
Due to other governments	27,686	-	-	-	27,686
Deferred revenue	<u>97,291</u>	<u>14,685</u>	<u>-</u>	<u>-</u>	<u>111,976</u>
Total liabilities	<u>614,126</u>	<u>24,743</u>	<u>935,321</u>	<u>-</u>	<u>1,574,190</u>
Fund balances:					
Nonspendable:					
Prepaid items	31,348	800	-	-	32,148
Restricted for:					
Debt service	-	50,965	-	-	50,965
Public safety	-	-	-	10,948	10,948
Capital projects	-	-	1,780,076	94,167	1,874,243
Unassigned	<u>1,332,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,332,648</u>
Total fund balances	<u>1,363,996</u>	<u>51,765</u>	<u>1,780,076</u>	<u>105,115</u>	<u>3,300,952</u>
Total liabilities and fund balances	<u>\$ 1,978,122</u>	<u>\$ 76,508</u>	<u>\$ 2,715,397</u>	<u>\$ 105,115</u>	

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 30,601,295

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 416,970

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (15,345,413)

Net assets of governmental activities \$ 18,973,804

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, 2011

	General	Debt Service	Capital Bond Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 3,030,234	\$ 801,194	\$ -	\$ -	\$ 3,831,428
Sales	1,222,642	-	-	-	1,222,642
Franchise fees	808,918	-	-	-	808,918
Licenses and permits	164,137	-	-	44,910	209,047
Fines and forfeitures	257,050	-	-	2,023	259,073
Public safety fees	201,483	-	-	-	201,483
Intergovernmental	62,405	-	2,214,297	1,812	2,278,514
Charges for services	353,045	-	-	-	353,045
Investment earnings	2,161	104	4,081	55	6,401
Contributions	-	-	579,105	-	579,105
Other	297,066	154,619	-	525,214	976,899
Total revenues	<u>6,399,141</u>	<u>955,917</u>	<u>2,797,483</u>	<u>574,014</u>	<u>10,726,555</u>
EXPENDITURES					
Current:					
General government	1,263,666	-	-	-	1,263,666
Public safety	3,990,035	-	-	2,100	3,992,135
Public works	964,586	-	-	9,497	974,083
Culture and recreation	260,193	-	-	-	260,193
Capital outlay	770,448	-	6,214,256	542,488	7,527,192
Debt service:					
Principal	-	660,969	-	-	660,969
Interest and fiscal charges	-	494,039	-	-	494,039
Bond issue costs	-	-	114,480	-	114,480
Total expenditures	<u>7,248,928</u>	<u>1,155,008</u>	<u>6,328,736</u>	<u>554,085</u>	<u>15,286,757</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(849,787)</u>	<u>(199,091)</u>	<u>(3,531,253)</u>	<u>19,929</u>	<u>(4,560,202)</u>
OTHER FINANCING SOURCES (USES)					
Debt issuance	-	-	3,260,000	-	3,260,000
Issuance of capital lease	-	119,597	-	-	119,597
Transfers in	812,053	92,505	-	44,918	949,476
Premium on debt issuance	-	-	63,616	-	63,616
Transfers out	(106,856)	-	(750,000)	(92,620)	(949,476)
Total other financing sources and (uses)	<u>705,197</u>	<u>212,102</u>	<u>2,573,616</u>	<u>(47,702)</u>	<u>3,443,213</u>
NET CHANGE IN FUND BALANCES	<u>(144,590)</u>	<u>13,011</u>	<u>(957,637)</u>	<u>(27,773)</u>	<u>(1,116,989)</u>
FUND BALANCES, BEGINNING	<u>1,508,586</u>	<u>38,754</u>	<u>2,737,713</u>	<u>132,888</u>	<u>4,417,941</u>
FUND BALANCES, ENDING	<u>\$ 1,363,996</u>	<u>\$ 51,765</u>	<u>\$ 1,780,076</u>	<u>\$ 105,115</u>	<u>\$ 3,300,952</u>

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

CITY OF KENNEDALE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

Net change in fund balances - total governmental funds (page 15)	\$(1,116,989)
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.	6,771,460
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(19,839)
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.	82,515
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.	(2,765,187)
Change in net assets of governmental activities (pages 12 -13)	<u>\$ 2,951,960</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, 2011

	Business-type Activities- Enterprise Fund Water and Wastewater
ASSETS	
Current assets:	
Cash and investments	\$ 1,704,044
Accounts receivable - net of allowances for uncollectibles	616,560
Inventories	51,487
Prepaid expense	39,213
Total current assets	2,411,304
Noncurrent assets:	
Deferred charges	44,800
Capital assets:	
Land	228,147
Buildings and improvements	5,099,954
Equipment	667,610
Water and wastewater distribution	13,436,504
Construction in progress	32,386
Less: accumulated depreciation	(5,464,036)
Total capital assets	14,000,565
Total noncurrent assets	14,045,365
Total assets	16,456,669
LIABILITIES	
Current liabilities:	
Accounts payable	507,223
Accrued liabilities	18,886
Accrued interest	21,219
Customer deposits	199,801
Compensated absences	8,058
Capital leases payable	37,399
Certificates of obligation	206,800
Total current liabilities	999,386
Long-term liabilities:	
Compensated absences	32,232
Certificates of obligation	3,621,950
Total long-term liabilities	3,654,182
Total liabilities	4,653,568
NET ASSETS	
Invested in capital assets, net of related debt	10,134,416
Unrestricted	1,668,685
Total net assets	\$ 11,803,101

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, 2011

	<u>Business-type Activities- Enterprise Fund Water and Wastewater</u>
OPERATING REVENUES	
Water sales	1,853,339
Wastewater charges	1,218,530
Tap and collection fees	138,236
Other service charges	222,089
Miscellaneous income	<u>201,531</u>
Total operating revenues	<u>3,633,725</u>
 OPERATING EXPENSES	
Cost of sales and services	1,349,619
Administration	1,326,704
Depreciation	469,740
Miscellaneous expense	<u>28,267</u>
Total operating expenses	<u>3,174,330</u>
 OPERATING INCOME	 459,395
 NONOPERATING REVENUES (EXPENSES)	
Investment earnings	1,925
Interest and fiscal charges on debt	<u>(160,083)</u>
Total nonoperating revenues (expenses)	<u>(158,158)</u>
Income before transfers	301,237
Transfers in	303,458
Transfers out	<u>(303,458)</u>
 CHANGE IN NET ASSETS	 301,237
 TOTAL NET ASSETS, BEGINNING	 <u>11,501,864</u>
 TOTAL NET ASSETS, ENDING	 <u>\$ 11,803,101</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, 2011

	Business-type Activities- Enterprise Fund Water and Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,467,783
Cash payments to employees for services	(1,325,785)
Cash payments to suppliers for goods and services	(1,049,235)
Cash provided by operating activities	1,092,763
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	303,458
Transfers to other funds	(303,458)
Cash used for noncapital financing activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal repayments on debt	(235,557)
Interest and fiscal charges on debt	(162,822)
Acquisition and construction of capital assets	(722,226)
Cash used for capital and related financing activities	(1,120,605)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1,925
Cash provided by investing activities	1,925
NET INCREASE IN CASH AND CASH EQUIVALENTS	(25,917)
CASH AND CASH EQUIVALENTS, BEGINNING	1,729,961
CASH AND CASH EQUIVALENTS, ENDING	\$ 1,704,044
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 459,395
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	469,740
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(165,942)
Decrease (increase) in inventories	(16,070)
Increase (decrease) in accounts payable	336,060
Increase (decrease) in accrued liabilities	3,967
Increase (decrease) in customer deposits	8,661
Increase (decrease) in compensated absences	(3,048)
Total adjustments	633,368
Net cash provided by operating activities	\$ 1,092,763

The accompanying notes are an integral part of this statement.

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KENNEDALE, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

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 funds:

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

The Debt Service Fund is used to account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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.

The government-wide and fund level financial statements report restricted fund balances for amounts not available for appropriation or legally restricted for specific uses. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted resources first, then unrestricted resources as needed. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds.

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 fair 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, 2011, the City had a tax rate of \$.7225 per \$100 of which \$.571103 was allocated for general government and \$.151397 was allocated for payment of principal and interest on general long-term debt.

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

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 are 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 accrues 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.

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 improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the city council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the city council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the city council.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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.

(continued)

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 \$15,345,413 difference are as follows:

Certificates of obligation bonds	\$(14,491,250)
Premiums on issuance of debt (to be amortized over life of debt)	(192,784)
Capitalized lease obligations	(249,888)
Accrued interest payable	(121,316)
Compensated absences	<u>(290,175)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$(<u>15,345,413</u>)

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 \$6,771,460 difference are as follows:

Capital outlay (includes \$213,180 not classified as capital expenditures on the fund statements)	\$ 7,740,372
Depreciation expense	<u>(968,912)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>6,771,460</u>

(continued)

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

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 \$2,765,187 difference are as follows:

Principal repayments:	
General obligation debt	\$ 485,113
Capital lease	192,913
Debt issuance:	
General obligation debt	(3,260,000)
Capital lease	(119,597)
Premiums on the issuance of debt	(63,616)
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>\$ (2,765,187)</u>

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 \$82,515 difference are as follows:

Compensated absences	\$ 10,445
Accrued interest	(31,528)
Bond issuance costs	114,480
Amortization of premium	10,429
Amortization of issuance costs	(21,311)
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>\$ 82,515</u>

(continued)

3. 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, 2011, \$402,535 of the City's \$905,268 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$502,733, was covered by FDIC insurance.
- 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.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

At September 30, 2011, the primary government's investments consisted of:

	<u>Fair Value</u>
TexStar	\$ 1,985,409
Texas Term	441,296
State Treasurer's Investment Pool (TexPool)	<u>2,103,278</u>
	<u>\$ 4,529,983</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>
State Treasurer's Investment Pool (TexPool)	<u>\$ 2,168,311</u>
	<u>\$ 2,168,311</u>

At September 30, 2011, 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.

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>Debt Service</u>	<u>Water and Wastewater</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:					
Taxes	\$ 380,285	\$ 41,212	\$ -	\$ -	\$ 421,497
Accounts	<u>1,270,060</u>	<u>-</u>	<u>724,511</u>	<u>48,057</u>	<u>2,042,628</u>
Gross receivables	1,650,345	41,212	724,511	48,057	2,464,125
Less: allowance for uncollectibles	<u>(1,228,904)</u>	<u>(23,852)</u>	<u>(107,951)</u>	<u>-</u>	<u>(1,360,707)</u>
Net total receivables	<u>\$ 421,441</u>	<u>\$ 17,360</u>	<u>\$ 616,560</u>	<u>\$ 48,057</u>	<u>\$ 1,103,418</u>

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables (Continued)

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	\$ 55,296
Ambulance charges	<u>41,995</u>
	97,291
Debt service fund:	
Delinquent property taxes receivable	<u>14,685</u>
Governmental Funds	<u>\$ 111,976</u>

Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 2,968,886	\$ 950,159	\$ -	3,919,045
Construction work in progress	<u>5,846,982</u>	<u>5,354,696</u>	<u>2,805,168</u>	<u>8,396,510</u>
Total capital assets not being depreciated	<u>8,815,868</u>	<u>6,304,855</u>	<u>2,805,168</u>	<u>12,315,555</u>
Capital assets, being depreciated:				
Buildings	4,781,366	141,689	-	4,923,055
Machinery and equipment	2,948,751	786,370	575,700	3,159,421
Infrastructure	<u>18,096,832</u>	<u>3,312,626</u>	<u>-</u>	<u>21,409,458</u>
Total capital assets being depreciated	<u>25,826,949</u>	<u>4,240,685</u>	<u>575,700</u>	<u>29,491,934</u>
Less accumulated depreciation:				
Buildings	1,478,548	163,537	-	1,642,085
Machinery and equipment	2,214,424	273,164	575,700	1,911,888
Infrastructure	<u>7,120,010</u>	<u>532,211</u>	<u>-</u>	<u>7,652,221</u>
Total accumulated depreciation	<u>10,812,982</u>	<u>968,912</u>	<u>575,700</u>	<u>11,206,194</u>
Total capital assets, being depreciated, net	<u>15,013,967</u>	<u>3,271,773</u>	<u>-</u>	<u>18,285,740</u>
Governmental activities capital assets, net	<u>\$ 23,829,835</u>	<u>\$ 9,576,628</u>	<u>\$ 2,805,168</u>	<u>\$ 30,601,295</u>

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

Business-type activities:

Capital assets, not being depreciated:				
Land	\$ 228,147	\$ -	\$ -	\$ 228,147
Construction work in progress	<u>1,387,879</u>	<u>32,386</u>	<u>1,387,879</u>	<u>32,386</u>
Total capital assets not being depreciated	<u>1,616,026</u>	<u>32,386</u>	<u>1,387,879</u>	<u>260,533</u>
Capital assets, being depreciated:				
Buildings	5,040,168	59,786	-	5,099,954
Machinery and equipment	653,294	45,318	31,002	667,610
Improvements other than buildings	<u>11,463,889</u>	<u>1,972,615</u>	<u>-</u>	<u>13,436,504</u>
Total capital assets being depreciated	<u>17,157,351</u>	<u>2,077,719</u>	<u>31,002</u>	<u>19,204,068</u>
Less accumulated depreciation:				
Buildings	1,774,767	100,582	-	1,875,349
Machinery and equipment	472,428	56,713	31,002	498,139
Improvements other than buildings	<u>2,781,122</u>	<u>309,426</u>	<u>-</u>	<u>3,090,548</u>
Total accumulated depreciation	<u>5,028,317</u>	<u>466,721</u>	<u>31,002</u>	<u>5,464,036</u>
Total capital assets, being depreciated, net	<u>12,129,034</u>	<u>1,610,998</u>	<u>-</u>	<u>13,740,032</u>
Business-type activities capital assets, net	<u>\$ 13,745,060</u>	<u>\$ 1,643,384</u>	<u>\$ 1,387,879</u>	<u>\$ 14,000,565</u>

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

Governmental activities:	
General government	\$ 88,700
Public safety	238,822
Public works	565,699
Culture and recreation	<u>75,691</u>
Total depreciation expense - governmental activities	<u>\$ 968,912</u>
Business-type activities:	
Water and wastewater	<u>\$ 466,721</u>
Total depreciation expense - business-type activities	<u>\$ 466,721</u>

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Discretely presented component units

A summary of discretely presented component units' capital assets for the year ended September 30, 2011, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 696,845	\$ 289,100	\$ -	\$ 985,945
Construction in progress	<u>2,008,322</u>	<u>1,302,324</u>	<u>753,754</u>	<u>2,556,892</u>
Totals, capital assets, not being depreciated	<u>2,705,167</u>	<u>1,591,424</u>	<u>753,754</u>	<u>3,542,837</u>
Capital assets, being depreciated:				
Buildings	1,551,504	-	-	1,551,504
Improvements	-	753,754	-	753,754
Totals, capital assets being depreciated	<u>1,551,504</u>	<u>753,754</u>	<u>-</u>	<u>2,305,258</u>
Less accumulated depreciation for:				
Buildings	197,625	77,575	-	275,200
Buildings	-	37,688	-	37,688
Total accumulated depreciation	<u>197,625</u>	<u>115,263</u>	<u>-</u>	<u>312,888</u>
Total capital assets, being depreciated, net	<u>1,353,879</u>	<u>638,491</u>	<u>-</u>	<u>1,992,370</u>
Capital assets, net	<u>\$ 4,059,046</u>	<u>\$ 2,229,915</u>	<u>\$ 753,754</u>	<u>\$ 5,535,207</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2011 is as follows:

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Capital Bond Fund	\$ 750,000
General	General	61,938
General	Nonmajor	115
Nonmajor	General	44,918
Debt Service	Nonmajor	92,505
Water and Wastewater	Water and Wastewater	<u>303,458</u>
Total		<u>\$ 1,252,934</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.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

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	\$ 108,492	\$ 218,489	\$ 326,981
Buildings and Improvements	221,887	-	221,887
Less: Accumulated depreciation	<u>(126,681)</u>	<u>(114,614)</u>	<u>(241,295)</u>
Total	<u>\$ 203,698</u>	<u>\$ 103,875</u>	<u>\$ 307,573</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2012	\$ 87,739	\$ 39,213
2013	68,988	-
2014	68,988	-
2015	25,732	-
2016	<u>25,732</u>	<u>-</u>
Total minimum lease payments	277,179	39,213
Less: amount representing interest	<u>27,291</u>	<u>1,814</u>
Present value of minimum lease payments	<u>\$ 249,888</u>	<u>\$ 37,399</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 \$20,550,000.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

General Obligation Bonds (Continued)

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	\$ 12,235,000
Governmental activities - refunding	3.97	2,161,250
Business-type activities	4.10	2,490,000
Business-type activities - refunding	3.97	<u>1,338,750</u>
		<u>\$ 18,225,000</u>

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 648,200	\$ 573,107	\$ 206,800	\$ 151,059
2013	679,375	533,446	210,625	142,623
2014	760,550	510,845	219,450	133,933
2015	803,638	484,649	226,362	124,925
2016	852,900	456,146	237,100	115,559
2017 - 2021	4,554,912	1,779,129	1,365,088	420,262
2022 - 2026	4,031,675	885,244	1,153,325	154,547
2027 - 2031	<u>2,065,000</u>	<u>187,900</u>	<u>210,000</u>	<u>4,305</u>
Total	<u>\$ 14,396,250</u>	<u>\$ 5,410,466</u>	<u>\$ 3,828,750</u>	<u>\$ 1,247,213</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:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 45,000	\$ 3,154
2013	50,000	1,088
Total	<u>\$ 95,000</u>	<u>\$ 4,242</u>

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

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

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities					
General obligation bonds	\$ 11,576,363	\$ 3,260,000	\$ 440,113	\$ 14,396,250	\$ 648,200
Premium on bonds	139,597	63,616	10,429	192,784	-
Revenue bonds	140,000	-	45,000	95,000	45,000
Capital leases	323,204	119,597	192,913	249,888	76,598
Compensated absences	<u>300,620</u>	<u>187,923</u>	<u>198,368</u>	<u>290,175</u>	<u>58,035</u>
Governmental activity					
Long-term liabilities	<u>\$ 12,479,784</u>	<u>\$ 3,631,136</u>	<u>\$ 886,823</u>	<u>\$ 15,224,097</u>	<u>\$ 827,833</u>
Business-type activities					
General obligation bonds	\$ 4,028,638	\$ -	\$ 199,888	\$ 3,828,750	\$ 206,800
Capital leases	73,068	-	35,669	37,399	37,399
Compensated absences	<u>43,338</u>	<u>22,816</u>	<u>25,874</u>	<u>40,280</u>	<u>8,058</u>
Business-type activity					
Long-term liabilities	<u>\$ 4,145,044</u>	<u>\$ 22,816</u>	<u>\$ 261,431</u>	<u>\$ 3,906,429</u>	<u>\$ 252,257</u>

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

Discretely Presented Long-Term Debt

Long-term liability activity for the year ended September 30, 2011, 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	1,105,000	-	35,000	1,070,000	40,000
Texas leverage fund loan	<u>-</u>	<u>1,700,000</u>	<u>-</u>	<u>1,700,000</u>	<u>80,920</u>
Long-term liabilities	<u>1,105,000</u>	<u>1,700,000</u>	<u>35,000</u>	<u>2,770,000</u>	<u>120,920</u>

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

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, 2011, 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, 2011, 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.

Employees' Retirement System

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

(continued)

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined 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.

The annual pension cost and net pension obligation/(asset) are as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/09	\$ 379,150	100%	-
09/30/10	423,627	100%	-
09/30/11	432,356	100%	-

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Employees' Retirement System (Continued)

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Actuarial Valuation Date	12/31/08	12/31/09	12/31/10 prior to restructuring	12/31/10 Restructured
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	24 years; closed period	23.1 years; closed period	22.0 years; closed period	21.9 years; closed period
Amortization period for new gains/losses	25 years	25 years	25 years	25 years
Asset valuation method	Amortized cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:				
Investment rate of return *	7.5%	7.5%	7.5%	7.0%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service	varies by age and service
* Includes inflation at	3.0%	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%	2.1%

Funded Status and Funding Progress – In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2010 ¹	\$ 5,352,719	\$ 7,666,651	69.8%	\$ 2,313,932	\$ 3,500,073	66.1%
12/31/2010 ²	6,207,310	8,935,379	69.5%	2,728,069	3,500,073	77.9%

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

(continued)

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

Employees' Retirement System (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**REQUIRED SUPPLEMENTARY
INFORMATION**

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KENNEDALE, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 3,036,256	\$ 3,036,256	\$ 3,030,234	\$(6,022)
Sales	1,114,313	1,239,313	1,222,642	(16,671)
Franchise fees	737,562	805,062	808,918	3,856
Licenses and permits	139,545	174,045	164,137	(9,908)
Fines and forfeitures	218,720	262,720	257,050	(5,670)
Public safety fees	220,200	220,200	201,483	(18,717)
Intergovernmental	46,930	62,930	62,405	(525)
Charges for service	293,800	347,800	353,045	5,245
Investment earnings	8,110	8,110	2,161	(5,949)
Other	148,350	237,350	297,066	59,716
Total revenues	<u>5,963,786</u>	<u>6,393,786</u>	<u>6,399,141</u>	<u>5,355</u>
EXPENDITURES				
Current:				
General government	1,265,847	1,288,197	1,263,666	24,531
Public safety	4,002,156	4,097,812	3,990,035	107,777
Public works	871,424	965,924	964,586	1,338
Culture and recreation	255,547	258,852	260,193	(1,341)
Capital outlay	104,245	770,745	770,448	297
Total expenditures	<u>6,499,219</u>	<u>7,381,530</u>	<u>7,248,928</u>	<u>132,602</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(535,433)</u>	<u>(987,744)</u>	<u>(849,787)</u>	<u>137,957</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	667,000	812,053	145,053
Transfers out	-	(62,000)	(106,856)	(44,856)
Total other financing sources (uses)	<u>-</u>	<u>605,000</u>	<u>705,197</u>	<u>100,197</u>
NET CHANGE IN FUND BALANCE	<u>(535,433)</u>	<u>(382,744)</u>	<u>(144,590)</u>	<u>238,154</u>
FUND BALANCE, BEGINNING	<u>1,508,586</u>	<u>1,508,586</u>	<u>1,508,586</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 973,153</u>	<u>\$ 1,125,842</u>	<u>\$ 1,363,996</u>	<u>\$ 238,154</u>

CITY OF KENNEDALE, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2008	\$ 4,056,618	\$ 6,352,176	63.86%	\$ 2,295,558	\$ 3,398,236	67.55%
12/31/2009	4,670,569	7,116,315	65.63%	2,445,746	3,681,826	66.43%
12/31/2010 ¹	5,352,719	7,666,651	69.82%	2,313,932	3,500,073	66.11%
12/31/2010 ²	6,207,310	8,935,379	69.47%	2,728,069	3,500,073	77.94%

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

CITY OF KENNEDALE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2011
(Unaudited)

BUDGETARY INFORMATION - The City follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules:

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 such as from salaries to maintenance within a single fund as well as transfer appropriations between departments. 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.
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. Appropriations exceeded budget in culture and recreation for the General Fund and debt service principal in the Debt Service Fund. These excesses were covered by unspent budget in other functions and available fund balance.

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 *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, 2011

	Special Revenue Funds		
	Police Seizure	Homeland Security	LEOSE Fund
ASSETS			
Cash and investments	\$ 9,659	\$ -	\$ 1,289
Receivables (net of allowance for uncollectibles):			
Other	-	-	-
Total assets	\$ 9,659	\$ -	\$ 1,289
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
FUND BALANCES			
Restricted for:			
Public safety	9,659	-	1,289
Capital projects	-	-	-
Total fund balances	9,659	-	1,289
Total liabilities and fund balances	\$ 9,659	\$ -	\$ 1,289

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>
\$ 1	\$ -	\$ 38,874	\$ 7,235	\$ 57,058
<u>-</u>	<u>48,043</u>	<u>-</u>	<u>14</u>	<u>48,057</u>
<u>\$ 1</u>	<u>\$ 48,043</u>	<u>\$ 38,874</u>	<u>\$ 7,249</u>	<u>\$ 105,115</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,948</u>
<u>1</u>	<u>48,043</u>	<u>38,874</u>	<u>7,249</u>	<u>94,167</u>
<u>1</u>	<u>48,043</u>	<u>38,874</u>	<u>7,249</u>	<u>105,115</u>
<u>\$ 1</u>	<u>\$ 48,043</u>	<u>\$ 38,874</u>	<u>\$ 7,249</u>	<u>\$ 105,115</u>

CITY OF KENNEDALE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds		
	Police Seizure	Homeland Security	LEOSE Fund
REVENUES			
Intergovernmental	-	-	1,812
Fines and forfeitures	-	-	-
Licenses and permits	-	-	-
Investment earnings	6	-	2
Other	4,348	-	-
Total revenues	4,354	-	1,814
EXPENDITURES			
Current:			
Public safety	-	-	2,100
Public works	-	-	-
Debt service:			
Capital outlay	-	-	-
Total expenditures	-	-	2,100
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,354	-	(286)
OTHER FINANCING SOURCES(USES)			
Proceeds from capital lease	-	-	-
Transfers out	-	(115)	-
Transfers in	-	-	-
Total other financing sources	-	(115)	-
NET CHANGE IN FUND BALANCES	4,354	(115)	(286)
FUND BALANCES, BEGINNING	5,305	115	1,575
FUND BALANCES, ENDING	\$ 9,659	\$ -	\$ 1,289

Capital Projects Funds				Total
Park Dedication	Capital Projects	Roadway Impact Fee	Library Building	Nonmajor Governmental Funds
-	-	-	-	1,812
-	-	-	2,023	2,023
-	-	44,910	-	44,910
13	6	21	7	55
<u>426,632</u>	<u>92,296</u>	<u>-</u>	<u>1,938</u>	<u>525,214</u>
<u>426,645</u>	<u>92,302</u>	<u>44,931</u>	<u>3,968</u>	<u>574,014</u>
-	-	-	-	2,100
340	-	9,157	-	9,497
<u>537,183</u>	<u>2,000</u>	<u>-</u>	<u>3,305</u>	<u>542,488</u>
<u>537,523</u>	<u>2,000</u>	<u>9,157</u>	<u>3,305</u>	<u>554,085</u>
(110,878)	<u>90,302</u>	<u>35,774</u>	<u>663</u>	<u>19,929</u>
-	-	-	-	-
-	(92,505)	-	-	(92,620)
<u>42,698</u>	<u>2,220</u>	<u>-</u>	<u>-</u>	<u>44,918</u>
<u>42,698</u>	(90,285)	<u>-</u>	<u>-</u>	(47,702)
(68,180)	17	35,774	663	(27,773)
<u>68,181</u>	<u>48,026</u>	<u>3,100</u>	<u>6,586</u>	<u>132,888</u>
<u>\$ 1</u>	<u>\$ 48,043</u>	<u>\$ 38,874</u>	<u>\$ 7,249</u>	<u>\$ 105,115</u>

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KENNEDALE, TEXAS

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes - property	\$ 801,215	\$ 801,215	801,194	\$(21)
Investment earnings	300	300	104	(196)
Other	<u>154,618</u>	<u>154,618</u>	<u>154,619</u>	<u>1</u>
Total revenues	<u>956,133</u>	<u>956,133</u>	<u>955,917</u>	<u>(216)</u>
EXPENDITURES				
Debt service:				
Principal	541,372	647,572	660,969	(13,397)
Interest and fiscal charges	<u>507,457</u>	<u>507,457</u>	<u>494,039</u>	<u>13,418</u>
Total debt service	<u>1,048,829</u>	<u>1,155,029</u>	<u>1,155,008</u>	<u>21</u>
Total expenditures	<u>1,048,829</u>	<u>1,155,029</u>	<u>1,155,008</u>	<u>21</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(92,696)</u>	<u>(198,896)</u>	<u>(199,091)</u>	<u>(195)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of capital lease	-	106,200	119,597	13,397
Transfers in	<u>110,825</u>	<u>110,825</u>	<u>92,505</u>	<u>(18,320)</u>
Total other financing sources (uses)	<u>110,825</u>	<u>217,025</u>	<u>212,102</u>	<u>(4,923)</u>
NET CHANGE IN FUND BALANCE	18,129	18,129	13,011	(5,118)
FUND BALANCE, BEGINNING	<u>38,754</u>	<u>38,754</u>	<u>38,754</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 56,883</u>	<u>\$ 56,883</u>	<u>\$ 51,765</u>	<u>\$(5,118)</u>

THIS PAGE LEFT BLANK INTENTIONALLY

STATISTICAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KENNEDALE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011
STATISTICAL SECTION INDEX
(Unaudited)

This part of the City of Kennedale's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Tables
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.	1-4
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	5-8
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.	9-13
Economic and Demographic Indicators These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	14-15
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	16-18

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 EIGHT FISCAL YEARS

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:								
Invested in capital assets, net of related debt	\$ 10,952,522	\$ 10,564,804	\$ 12,250,813	\$ 12,344,055	\$ 12,612,099	\$ 12,781,452	\$ 11,814,703	\$ 16,014,362
Restricted	301,751	2,070,810	259,631	78,464	48,766	12,623	38,754	1,936,156
Unrestricted	<u>1,779,488</u>	<u>2,127,810</u>	<u>3,995,504</u>	<u>3,921,649</u>	<u>3,766,881</u>	<u>3,842,214</u>	<u>4,168,387</u>	<u>1,023,286</u>
Total governmental activities net assets	<u>\$ 13,033,761</u>	<u>\$ 14,763,424</u>	<u>\$ 16,505,948</u>	<u>\$ 16,344,168</u>	<u>\$ 16,427,746</u>	<u>\$ 16,636,289</u>	<u>\$ 16,021,844</u>	<u>\$ 18,973,804</u>
Business-type activities:								
Invested in capital assets, net of related debt	\$ 6,743,151	\$ 7,832,602	\$ 8,553,929	\$ 6,903,231	\$ 7,664,665	\$ 8,245,479	\$ 9,643,354	\$ 10,134,416
Restricted	434,741	635,342	924,985	924,985	-	-	-	-
Unrestricted	<u>1,012,133</u>	<u>1,009,278</u>	<u>1,515,805</u>	<u>3,563,454</u>	<u>3,885,235</u>	<u>3,396,673</u>	<u>1,858,510</u>	<u>1,668,685</u>
Total business-type activities net assets	<u>\$ 8,190,025</u>	<u>\$ 9,477,222</u>	<u>\$ 10,994,719</u>	<u>\$ 11,391,670</u>	<u>\$ 11,549,900</u>	<u>\$ 11,642,152</u>	<u>\$ 11,501,864</u>	<u>\$ 11,803,101</u>
Primary government:								
Invested in capital assets, net of related debt	\$ 17,695,673	\$ 18,397,406	\$ 20,804,742	\$ 19,247,286	\$ 20,276,764	\$ 21,026,931	\$ 21,458,057	\$ 26,148,778
Restricted	736,492	2,706,152	1,184,616	1,003,449	48,766	12,623	38,754	1,936,156
Unrestricted	<u>2,791,621</u>	<u>3,137,088</u>	<u>5,511,309</u>	<u>7,485,103</u>	<u>7,652,116</u>	<u>7,238,887</u>	<u>6,026,897</u>	<u>2,691,971</u>
Total primary government net assets	<u>\$ 21,223,786</u>	<u>\$ 24,240,646</u>	<u>\$ 27,500,667</u>	<u>\$ 27,735,838</u>	<u>\$ 27,977,646</u>	<u>\$ 28,278,441</u>	<u>\$ 27,523,708</u>	<u>\$ 30,776,905</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 EIGHT FISCAL YEARS

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
EXPENSES								
Governmental activities:								
General government	\$ 950,507	\$ 1,053,375	\$ 1,069,043	\$ 1,051,485	\$ 1,614,745	\$ 1,281,430	\$ 1,687,785	\$ 1,346,455
Public Safety	2,919,840	3,305,087	3,807,180	3,895,186	3,843,086	3,915,078	4,135,114	4,149,812
Public works	965,265	909,595	1,030,851	1,227,223	1,162,378	1,279,797	956,657	1,386,156
Culture and recreation	131,418	138,623	254,602	251,217	273,145	324,858	346,896	335,884
Economic development	-	-	-	-	-	-	2,006,635	-
Interest on long-term debt	159,817	163,618	191,755	184,457	297,360	438,799	490,601	536,449
Total governmental activities expenses	<u>5,126,847</u>	<u>5,570,298</u>	<u>6,353,431</u>	<u>6,609,568</u>	<u>7,190,714</u>	<u>7,239,962</u>	<u>9,623,688</u>	<u>7,754,756</u>
Business-type activities:								
Water and wastewater	2,151,422	2,207,935	2,628,222	2,377,911	2,542,766	2,722,295	3,002,002	3,334,413
Total business-type activities expenses	<u>2,151,422</u>	<u>2,207,935</u>	<u>2,628,222</u>	<u>2,377,911</u>	<u>2,542,766</u>	<u>2,722,295</u>	<u>3,002,002</u>	<u>3,334,413</u>
Total primary government program expenses	<u>\$ 7,278,269</u>	<u>\$ 7,778,233</u>	<u>\$ 8,981,653</u>	<u>\$ 8,987,479</u>	<u>\$ 9,733,480</u>	<u>\$ 9,962,257</u>	<u>\$ 12,625,690</u>	<u>\$ 11,089,169</u>
PROGRAM REVENUES								
Governmental activities:								
Charges for services:								
General government	\$ 542,504	\$ 712,712	\$ 958,694	\$ 489,421	\$ 578,314	\$ 476,934	\$ 487,416	\$ 514,732
Public safety	487,236	627,204	717,527	648,597	607,201	485,605	435,195	460,983
Public works	41,172	106,801	175,655	57,840	37,377	26,018	25,174	44,910
Culture and recreation	119,819	50,571	115,403	66,291	2,424	2,180	1,674	2,023
Operating grants and contributions	108,948	139,802	99,692	191,039	143,139	74,554	67,924	64,217
Capital grants and contributions	3,432	1,346,349	1,397,176	-	402,146	1,215	1,424,036	2,793,402
Total governmental activities program revenues	<u>1,303,111</u>	<u>2,983,439</u>	<u>3,464,147</u>	<u>1,453,188</u>	<u>1,770,601</u>	<u>1,066,506</u>	<u>2,441,419</u>	<u>3,880,267</u>
Business-type activities:								
Charges for services:								
Water/Wastewater	2,113,109	2,495,593	3,209,086	2,552,255	2,585,218	2,833,378	2,856,494	3,633,725
Capital grants and contributions	-	-	843,221	-	-	-	-	-
Total business-type activities program revenues	<u>2,113,109</u>	<u>2,495,593</u>	<u>4,052,307</u>	<u>2,552,255</u>	<u>2,585,218</u>	<u>2,833,378</u>	<u>2,856,494</u>	<u>3,633,725</u>
Total primary government program revenues	<u>\$ 3,416,220</u>	<u>\$ 5,479,032</u>	<u>\$ 7,516,454</u>	<u>\$ 4,005,443</u>	<u>\$ 4,355,819</u>	<u>\$ 3,899,884</u>	<u>\$ 5,297,913</u>	<u>\$ 7,513,992</u>
NET (EXPENSE) REVENUES								
Governmental activities	\$ (3,823,736)	\$ (2,586,859)	\$ (2,889,284)	\$ (5,156,380)	\$ (5,420,113)	\$ (6,173,456)	\$ (7,182,269)	\$ (3,874,489)
Business-type activities	(38,313)	287,658	1,424,085	174,344	42,452	111,083	(145,508)	299,312
Total primary government net expense	<u>(3,862,049)</u>	<u>(2,299,201)</u>	<u>(1,465,199)</u>	<u>(4,982,036)</u>	<u>(5,377,661)</u>	<u>(6,062,373)</u>	<u>(7,327,777)</u>	<u>(3,575,177)</u>

(continued)

CITY OF KENNEDALE, TEXAS

CHANGES IN NET ASSETS
(Continued)

LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS								
Governmental activities:								
Taxes								
Property	2,402,791	2,504,352	2,638,356	2,891,614	3,194,210	3,555,215	3,945,627	3,811,589
Franchise	489,571	468,431	511,818	693,093	704,743	799,291	755,273	808,918
Sales	1,035,153	1,004,050	1,069,028	973,244	993,288	1,065,875	1,488,953	1,222,642
Investment earnings	69,513	104,592	239,006	242,876	190,424	86,660	14,263	6,401
Miscellaneous	79,919	119,841	173,600	193,773	401,026	815,390	363,708	976,899
Transfers	-	-	-	-	20,000	55,772	-	-
Total governmental activities	<u>4,076,947</u>	<u>4,201,266</u>	<u>4,631,808</u>	<u>4,994,600</u>	<u>5,503,691</u>	<u>6,378,203</u>	<u>6,567,824</u>	<u>6,826,449</u>
Business-type activities:								
Investment earnings	13,798	37,538	86,434	214,352	135,778	30,642	5,220	1,925
Miscellaneous	28,975	962,001	6,978	8,255	-	-	-	-
Transfers	-	-	-	-	(20,000)	(55,772)	-	-
Total business-type activities	<u>42,773</u>	<u>999,539</u>	<u>93,412</u>	<u>222,607</u>	<u>115,778</u>	<u>(25,130)</u>	<u>5,220</u>	<u>1,925</u>
Total primary government	<u>4,119,720</u>	<u>5,200,805</u>	<u>4,725,220</u>	<u>5,217,207</u>	<u>5,619,469</u>	<u>6,353,073</u>	<u>6,573,044</u>	<u>6,828,374</u>
CHANGE IN NET ASSETS								
Governmental activities	253,211	1,614,407	1,742,524	(161,780)	83,578	204,747	(614,445)	2,951,960
Business-type activities	<u>4,460</u>	<u>1,287,197</u>	<u>1,517,497</u>	<u>396,951</u>	<u>158,230</u>	<u>85,953</u>	<u>(140,288)</u>	<u>301,237</u>
Total primary government	<u>\$ 257,671</u>	<u>\$ 2,901,604</u>	<u>\$ 3,260,021</u>	<u>\$ 235,171</u>	<u>\$ 241,808</u>	<u>\$ 290,700</u>	<u>\$ (754,733)</u>	<u>\$ 3,253,197</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

TABLE 3

CITY OF KENNEDALE, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Reserved	\$ 71,649	\$ 69,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	871,422	1,105,985	1,759,702	1,954,861	2,206,719	2,162,064	1,433,468	1,572,628	1,508,586	-
Nonspendable	-	-	-	-	-	-	-	-	-	31,348
Unassigned	-	-	-	-	-	-	-	-	-	1,332,648
Total general fund	<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>\$ 1,433,468</u>	<u>\$ 1,572,628</u>	<u>\$ 1,508,586</u>	<u>\$ 1,363,996</u>
All other governmental funds										
Reserved	\$ 1,088,806	\$ 1,074,872	\$ 39,994	\$ 53,381	\$ 61,105	\$ 78,464	\$ 48,766	\$ 12,623	\$ 38,754	\$ -
Unreserved, reported in:										
Special revenue funds	5,983	10,398	850	1,892	1,613,553	9,076	11,525	5,409	6,995	-
Capital projects funds	-	-	1,068,896	2,027,553	199,587	1,701,253	9,233,185	7,171,604	2,863,606	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	800
Restricted for:										
Debt service funds	-	-	-	-	-	-	-	-	-	50,965
Public safety	-	-	-	-	-	-	-	-	-	10,948
Capital projects funds	-	-	-	-	-	-	-	-	-	1,874,243
Total all other governmental funds	<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>\$ 9,293,476</u>	<u>\$ 7,189,636</u>	<u>\$ 2,909,355</u>	<u>\$ 1,936,956</u>

CITY OF KENNEDALE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES										
Taxes	\$ 3,321,112	\$ 3,523,656	\$ 3,905,474	\$ 3,970,653	\$ 4,211,922	\$ 4,501,130	\$ 4,937,787	\$ 5,559,101	\$ 6,175,282	\$ 5,862,988
Licenses, fees and permits	441,598	203,790	388,304	526,515	863,073	533,138	328,638	183,454	191,016	209,047
Fines and penalties	192,820	253,322	238,595	205,432	338,261	409,850	348,630	276,347	234,065	259,073
Public safety fees	-	65,935	243,963	340,433	217,560	237,691	257,942	209,253	200,904	201,483
Charges for services	-	302,829	315,752	345,522	389,187	81,470	292,252	321,683	323,474	353,045
Special assessments	20,949	5,230	-	-	-	-	-	-	-	-
Intergovernmental	242,796	-	108,948	216,048	255,888	141,039	43,139	74,554	1,487,099	2,278,514
Investment earnings	18,722	48,401	69,513	104,592	239,006	242,876	190,424	86,660	14,263	6,401
Contributions	-	-	-	-	-	-	-	1,215	4,861	579,105
Other revenues	44,959	187,742	87,768	142,528	179,586	243,773	901,026	815,390	363,708	976,899
Total revenues	<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>	<u>7,527,657</u>	<u>8,994,672</u>	<u>10,726,555</u>
EXPENDITURES										
General government	733,645	876,349	898,043	1,070,024	1,008,572	1,030,068	1,594,288	1,347,642	1,777,568	1,263,666
Public Safety	343,494	290,144	379,205	764,102	566,520	593,442	530,189	435,273	440,498	513,351
Police	1,190,774	1,269,924	1,400,725	1,490,159	1,700,514	1,645,191	1,769,777	1,794,737	1,843,836	1,809,077
Fire	820,324	1,098,517	964,601	1,078,069	1,417,683	1,583,739	1,578,759	1,669,033	1,667,982	1,669,707
Other public works	518,303	347,854	587,372	569,404	764,483	793,397	685,053	874,612	613,759	974,083
Parks and recreation	65,560	90,635	36,089	40,524	38,657	39,086	37,147	39,689	40,935	49,279
Library	66,344	68,125	72,746	86,576	203,345	147,622	167,809	188,146	200,573	210,914
Economic development	-	-	-	-	-	-	-	-	2,006,635	-
Capital outlay	414,291	88,601	108,369	38,797	708,868	717,577	623,084	2,311,107	5,958,166	7,527,192
Debt service										
Principal	96,220	122,036	142,067	144,582	152,685	171,139	450,944	453,480	488,495	660,969
Interest	183,308	176,198	159,271	156,818	199,551	175,078	248,077	434,390	452,946	494,039
Bond issuance costs	-	-	-	-	-	-	156,195	-	87,409	114,480
Total expenditures	<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>7,841,322</u>	<u>9,548,109</u>	<u>15,578,802</u>	<u>15,286,757</u>

(continued)

TABLE 4

CITY OF KENNEDALE, TEXAS

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (149,307)</u>	<u>\$ 162,522</u>	<u>\$ 609,029</u>	<u>\$ 412,667</u>	<u>\$ (66,395)</u>	<u>\$ (505,372)</u>	<u>\$ (541,484)</u>	<u>\$ (2,020,452)</u>	<u>\$ (6,584,130)</u>	<u>\$ (4,560,202)</u>
OTHER FINANCING SOURCES (USES)										
Debt issuance	-	-	-	790,000	-	2,995,388	7,235,000	-	2,000,000	3,260,000
Issuance of capital lease	-	-	-	-	-	-	-	-	154,388	119,597
Cost to issue debt	-	-	-	(34,416)	-	-	62,571	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-	-	85,419	63,616
Refunding bonds/lease issued	-	380,543	-	-	109,666	89,877	-	-	-	-
Paymt to refinance lease	-	(360,677)	-	-	-	(2,710,000)	-	-	-	-
Transfers in	1,075	2,954	1,952	97,187	73,714	57,545	599,646	397,667	158,850	949,476
Transfers out	(1,075)	(2,954)	(1,952)	(97,187)	(73,714)	(57,545)	(579,646)	(341,895)	(158,850)	(949,476)
Total other financing sources (uses)	<u>-</u>	<u>19,866</u>	<u>-</u>	<u>755,584</u>	<u>109,666</u>	<u>375,265</u>	<u>7,317,571</u>	<u>55,772</u>	<u>2,239,807</u>	<u>3,443,213</u>
NET CHANGE IN FUND BALANCES	<u>\$ (149,307)</u>	<u>\$ 182,388</u>	<u>\$ 609,029</u>	<u>\$ 1,168,251</u>	<u>\$ 43,271</u>	<u>\$ (130,107)</u>	<u>\$ 6,776,087</u>	<u>\$ (1,964,680)</u>	<u>\$ (4,344,323)</u>	<u>\$ (1,116,989)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>7.0%</u>	<u>6.9%</u>	<u>6.5%</u>	<u>5.6%</u>	<u>5.8%</u>	<u>5.6%</u>	<u>12.1%</u>	<u>12.9%</u>	<u>10.1%</u>	<u>15.3%</u>

CITY OF KENNEDALE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
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
2009	350,723,577	149,299,553	63,260,388	65,266,179	\$ 498,017,339	\$ 0.722500	465,458,096
2010	393,021,180	155,428,659	73,950,746	80,779,880	\$ 541,620,705	\$ 0.722500	510,872,435
2011	381,137,736	151,493,926	52,806,301	63,490,789	\$ 521,947,174	\$ 0.722500	515,013,256

Source: Tarrant Appraisal District Totals Report (September 01, 2010).

TABLE 6

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
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
2009	\$ 0.569197	\$ 0.153303	\$ -	\$ 0.722500	\$ 1.488610	\$ 0.264000	\$ 0.137960	\$ 0.227897
2010	\$ 0.572729	\$ 0.149771	\$ -	\$ 0.722500	\$ 1.488610	\$ 0.264000	\$ 0.137670	\$ 0.227897
2011	\$ 0.571103	\$ 0.151397	\$ -	\$ 0.722500	\$ 1.544821	\$ 0.264000	\$ 0.137640	\$ 0.227897

Source: Tarrant Appraisal District (2010 Tax Rates).

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

TABLE 7

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

Taxpayer	2011		2002	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
XTO Energy Inc	18,656,100	3.75%	-	- %
Goss International Americas Inc	18,430,052	3.70%	\$ -	- %
Excel Polymers LLC	8,248,504	1.66%	-	- %
TXU Electric Co	7,756,892	1.56%	7,172,121	3.37%
FWT Inc	7,373,831	1.48%	-	- %
Hawk Steel Industrial Inc	5,720,087	1.15%	1,527,677	0.72%
Southwestern Bell	4,847,060	0.97%	9,148,840	4.30%
Harrison Jet Guns II LP	4,032,656	0.81%	2,510,068	1.18%
Eagle Pipeline Construction Co	3,435,581	- %	-	- %
Carrizo Oil & Gas	3,329,520	- %	-	- %
Heidelberg Web Press Inc	-	- %	13,420,034	6.31%
Driver Pipeline Co Inc	-	- %	-	- %
Chase Elastomer Corp & M A Hanna Co	-	- %	-	- %
Speed Fab-Crete Corp Intl	-	- %	-	- %
Tealwood Apartments Ltd Prtshp	-	- %	1,877,277	0.88%
Sovran Acquisition Ltd Prtshp	-	- %	1,746,670	0.82%
RM Acquisition Co & Brimer & Millhous	-	- %	-	- %
Poly One Corp & MA Hanna Co.	-	- %	4,136,354	1.94%
Snikwah, LP	-	- %	2,163,152	1.02%
Bloxom, DE Sr. Fnd Rp Hold LLC	-	- %	1,752,583	0.82%
Total	\$ <u>81,830,283</u>	<u>15.07%</u>	\$ <u>45,454,776</u>	<u>21.36%</u>
Total City Taxable Assessed Value	<u>498,017,339</u>		<u>212,829,258</u>	

Source: Tarrant Appraisal District (October 1, 2010 Top Taxpayers & October 1, 2001 Top Taxpayers).

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

<u>Fiscal Year Ended</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected With the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2002	1,802,887	1,739,768	96.50%	38,266	1,778,034	99%
2003	2,102,624	2,018,440	96.00%	34,386	2,052,826	98%
2004	2,274,420	2,266,784	99.66%	3,818	2,270,602	100%
2005	2,411,016	2,368,435	98.23%	21,291	2,389,726	99%
2006	2,571,069	2,530,550	98.42%	20,260	2,550,809	99%
2007	2,825,644	2,748,063	97.25%	56,046	2,804,109	99%
2008	3,170,554	3,103,077	97.87%	67,450	3,170,527	100%
2009	3,645,994	3,362,931	92.24%	213,578	3,576,509	98%
2010	3,885,545	3,809,167	98.03%	78,849	3,888,016	100%
2011	3,749,561	3,695,515	98.56%	64,478	3,759,993	100%

Source: Tarrant County Tax Office, Summary Part C (As Of September 30, 2011).

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			
2002	-	-	3,278,925	-	-	-	857,189	2,066,075	-	6,202,189	0.79%	1,016.8
2003	-	-	3,261,825	380,543	-	-	764,160	1,973,175	-	6,379,703	0.77%	1,045.9
2004	-	-	3,152,825	347,476	-	-	667,410	1,872,175	-	6,039,886	0.81%	990.1
2005	-	-	3,833,825	548,127	-	-	566,790	1,761,175	109,666	6,819,584	0.72%	1,108.9
2006	-	-	3,605,000	388,419	-	-	462,145	1,695,000	208,086	6,358,650	0.77%	1,033.9
2007	-	265,000	3,485,388	342,704	-	-	354,855	4,569,613	177,613	9,195,173	0.53%	1,495.2
2008	-	225,000	10,341,888	276,534	-	-	242,849	4,398,113	139,533	15,623,916	0.31%	2,422.3
2009	-	185,000	9,982,213	226,461	-	-	125,247	4,217,788	107,087	14,843,795	0.33%	2,199.1
2010	-	140,000	11,576,363	323,204	-	-	-	4,028,638	73,068	16,141,272	0.30%	2,386.7
2011	-	95,000	14,396,250	249,888	-	-	-	3,828,750	37,399	18,607,287	0.26%	2,751.3

Source: Notes to the financial statements and Table 14.

Notes: The City issued \$455,000 in certificates of obligation bonds in 1996 that was split between Governmental Activities 38% and Business Activities 62%.

The City issued over \$5 million of new certificates of obligation bonds in 1998. And it was split between Governmental Activities 61.75% and Business Activities 38.25%. However, the first few years of the bond balance did not require any principal payments. The first principal payment due 2002.

The City issued \$790,000 in new certificates of obligation bonds in 2005. The first principal payment due 2008.

The Water/Sewer Fund borrowed \$857,189 from the Texas Department of Transportation in State Infrastructure Bank Loan for improvements of Bus. 287 Hwy.

City entered into a capital lease for \$339,000 for equipment - split between Governmental Activities 67.65% and Business Activities 32.35%. City also has capital lease on Fire Truck that was issued in 2003 for \$380,543 - 10 year amortization.

The City issued \$2,735,000 in new certificates of obligation bonds in 2007. First principal payment due 2008.

The City issued \$4,500,000 in new certificates of obligation bonds in 2008. First principal payment due 2009.

The City issued \$2,000,000 in new certificates of obligation bonds in 2010. First principal payment due 2011.

The City issued \$3,260,000 in new certificates of obligation bonds in 2011. First principal payment due 2012.

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		
2002	3,278,925	-	3,278,925	1.18%	\$ 537.5
2003	3,261,825	-	3,261,825	1.03%	\$ 534.7
2004	3,152,825	-	3,152,825	0.95%	\$ 516.9
2005	3,833,825	-	3,833,825	1.08%	\$ 623.4
2006	3,605,000	-	3,605,000	0.94%	\$ 586.2
2007	3,485,388	265,000	3,750,388	0.91%	\$ 609.8
2008	10,341,888	225,000	10,566,888	2.39%	\$ 1,638.3
2009	9,982,213	185,000	10,167,213	2.04%	\$ 1,506.3
2010	11,576,363	140,000	11,716,363	2.16%	\$ 1,732.4
2011	14,396,250	95,000	14,491,250	2.78%	\$ 2,142.7

Source: Table 9 and Table 14.

CITY OF KENNEDALE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER, 2011

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Direct Debt (Table 9)			
City of Kennedale, Texas	\$ 14,741,138	100.000%	\$ 14,741,138
Subtotal, Direct Debt	<u>14,741,138</u>		
Overlapping Debt			
Arlington ISD	482,369,331	0.020%	96,474
Fort Worth ISD	756,286,565	0.080%	605,029
Kennedale ISD	47,924,527	39.000%	18,690,566
Tarrant County	333,568,000	0.380%	1,267,558
Tarrant County College District	27,327,139	0.380%	103,843
Tarrant County Hospital District	58,565,000	0.380%	222,547
Subtotal, Overlapping Debt	<u>1,706,040,562</u>		<u>20,986,017</u>
Total, Direct and Overlapping Debt			<u>\$ 35,727,155</u>
Ratio, Direct and Overlapping Debt to Taxable Assessed Valuation (Table 5)			<u>6.94%</u>

Source: Texas Municipal Reports per the Municipal Advisory Council of Texas, Other Entity Annual Financials 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.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Kennedale's boundaries and dividing it by the overlapping government's total taxable assessed value.

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 provision of Texas State law, the maximum tax rate is limited to \$2.50 per \$100 assessed valuation. The tax rate for fiscal year 2010 was established at \$0.722500 per \$100 assessed valuation based on 100% of net taxable value.

CITY OF KENNEDALE, TEXAS
PLEGDED 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	
2002	1,799,370	1,180,649	\$ 618,721	156,605	61,514	\$ 2.84	-	-	-	-	-	-	-	-
2003	1,810,770	1,417,310	\$ 393,460	154,803	57,579	\$ 1.85	-	-	-	-	-	-	-	-
2004	2,051,082	1,747,971	\$ 303,111	152,277	53,726	\$ 1.47	-	-	-	-	-	-	-	-
2005	2,347,364	1,759,069	\$ 588,295	148,687	50,005	\$ 2.96	-	-	-	-	-	-	-	-
2006	2,740,987	2,059,626	\$ 681,361	221,845	107,957	\$ 2.07	-	-	-	-	-	-	-	-
2007	2,560,510	1,803,788	\$ 756,722	179,594	199,707	\$ 2.00	-	-	-	-	-	-	-	-
2008	2,585,218	1,935,911	\$ 649,307	180,325	174,607	\$ 1.83	-	-	-	-	-	-	-	-
2009	2,833,378	2,090,622	\$ 742,756	189,150	167,140	\$ 2.08	-	-	-	-	-	-	-	-
2010	2,856,494	2,378,783	\$ 477,711	199,888	159,278	\$ 1.33	-	-	-	-	-	-	-	-
2011	3,633,725	2,704,590	\$ 929,135	206,800	151,059	\$ 2.60	-	-	-	-	-	-	-	-

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

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>
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%
2009	6,750	49,091	53,901	6.7%
2010	6,763	49,091	53,901	8.5%
2011	6,763	49,091	53,901	7.7%

Source:

Population: City of Kennedale Planning Department. Based on 2010 Census date with annual updates from City Staff.

Personal Income & Per Capita Personal Income: United States Census Bureau, 2010 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 FOUR YEARS AGO

<u>Employer</u>	<u>2011</u>		<u>2007</u>	
	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Kennedale Independent School District	405	29.09%	375	29.46%
Fort Worth Tower	289	20.76%	202	15.87%
Speed Fab Crete	118	8.48%	125	9.82%
Excel Polymers	78	5.60%	92	7.23%
City of Kennedale	86	6.18%	85	6.68%
Goss International	27	1.94%	115	9.03%
Mike Conkle's Custom Cabinets	52	3.74%	49	3.85%
Pro-Fab Equipment	-	- %	32	2.51%
US Galvanizing LP	27	1.94%	45	3.53%
Stovall Electric	30	2.16%	30	2.36%
Redi-Mix LP	18	1.29%	33	2.59%
Grover Corporation	21	1.51%	25	1.96%
RE Watson & Associates	15	1.08%	15	1.18%
H&O Die Supply	17	1.22%	-	- %
ARK Contracting Services	115	8.26%	-	- %
Global Servo Hydraulics	9	0.65%	-	- %
Harrison Jet Guns	80	5.75%	-	- %
Wear Master	5	0.36%	-	- %
Rebar Service and Supply	-	- %	50	3.93%
Total	<u>1,392</u>	<u>100.00%</u>	<u>1,273</u>	<u>100.00%</u>

Source: Economic Development Department.

Note: Information was not readily available prior to 2006.

Note: City of Kennedale total represents an employee count, to include regular, part-time and seasonal.

TABLE 16

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Management services	2.5	3.5	2.5	3.5	3.5	4.0	3.5	3.5	3.5	3.5
Finance	3.0	4.0	3.0	3.0	3.0	3.0	2.5	2.5	2.5	2.5
Planning	3.0	3.0	5.0	3.0	4.0	3.5	2.0	2.0	2.0	2.0
Building	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other	3.0	3.0	3.0	4.0	3.0	2.0	2.0	2.0	2.0	2.0
Police										
Officers	18.0	19.0	19.0	19.0	22.0	23.0	20.0	19.0	19.0	19.0
Civilians	5.0	5.0	6.0	5.5	6.0	6.5	6.5	7.5	7.5	7.5
Fire										
Firefighters and officers	15.0	15.0	17.0	16.0	16.0	20.0	17.0	17.0	17.0	17.0
Civilians	2.0	3.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Refuse Collection	-	-	-	-	-	-	-	-	-	-
Other public works										
Engineering	-	-	-	-	-	-	-	-	-	-
Other	5.0	6.0	5.0	5.0	5.0	6.0	5.0	5.0	5.0	5.0
Redevelopment	0.5	0.5	0.5	0.5	0.5	1.0	1.0	1.0	1.0	1.0
Parks and recreation	-	-	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Library	3.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Water	7.0	9.0	7.0	8.0	8.0	9.0	9.5	11.0	10.5	14.5
Wastewater	1.0	1.0	1.0	-	-	-	-	-	-	-
Transit	-	-	-	-	-	-	-	-	-	-
Total	<u>68</u>	<u>76</u>	<u>75</u>	<u>74</u>	<u>77.0</u>	<u>84.0</u>	<u>75.0</u>	<u>76.5</u>	<u>76.0</u>	<u>80.0</u>

Source: FY2010-11 Adopted Budget.

Note: 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 2080. These figures also include regular, part-time and seasonal employees.

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Building permits issued	-	-	-	-	-	-	-	-	-	-
Building inspections conducted	-	-	-	-	-	-	-	-	-	-
Police										
Physical arrests	-	-	-	-	-	-	-	-	-	-
Parking violations	-	-	-	-	-	-	-	-	-	-
Traffic violations	-	-	-	-	-	-	-	-	-	-
Fire										
Emergency responses	-	-	-	-	-	-	-	-	-	-
Fires extinguished	-	-	-	-	-	-	-	-	-	-
Inspections	-	-	-	-	-	-	-	-	-	-
Refuse collection										
Refuse collected (tons per day)	-	-	-	-	-	-	-	-	-	-
Recyclables collected (tons per day)	-	-	-	-	-	-	-	-	-	-
Other public works										
Street resurfacing (miles)	-	-	-	-	-	-	-	-	-	-
Potholes repaired	-	-	-	-	-	-	-	-	-	-
Parks and recreation										
Athletic field permits issued	-	-	-	-	-	-	-	-	-	-
Community center admissions	-	-	-	-	-	-	-	-	-	-
Library										
Volumes in collection	-	-	-	-	-	-	-	-	-	-
Total volumes borrowed	-	-	-	-	-	-	-	-	-	-
Water										
New connections	-	-	-	-	-	-	-	-	-	-
Water main breaks	-	-	-	-	-	-	-	-	-	-
Average daily consumption (thousands of gallons)	-	-	-	-	-	-	-	-	-	-
Peak daily consumption (thousands of gallons)	-	-	-	-	-	-	-	-	-	-
Wastewater										
Average daily sewage treatment (thousands of gallons)	-	-	-	-	-	-	-	-	-	-
Transit										
Total route miles	-	-	-	-	-	-	-	-	-	-
Passengers	-	-	-	-	-	-	-	-	-	-

Note: Council hired a new City Manager in 2006 and instructed him to review our current process of incorporating this item, to include strategic outyear planning. The City has and is working with outside consultants to accomplish this goal. It does not anticipate completion until year end of 2012.

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Stations	-	-	-	-	-	-	-	-	-	-
Zone offices	-	-	-	-	-	-	-	-	-	-
Patrol units	-	-	-	-	-	-	-	-	-	-
Fire										
Stations	-	-	-	-	-	-	-	-	-	-
Refuse collection										
Collection trucks	-	-	-	-	-	-	-	-	-	-
Other public works										
Streets (miles)	-	-	-	-	-	-	-	-	-	-
Highways (miles)	-	-	-	-	-	-	-	-	-	-
Streetlights	-	-	-	-	-	-	-	-	-	-
Traffic signals	-	-	-	-	-	-	-	-	-	-
Parks and recreation										
Acreage	-	-	-	-	-	-	-	-	-	-
Playgrounds	-	-	-	-	-	-	-	-	-	-
Baseball/softball diamonds	-	-	-	-	-	-	-	-	-	-
Soccer/football fields	-	-	-	-	-	-	-	-	-	-
Community centers	-	-	-	-	-	-	-	-	-	-
Water										
Water mains (miles)	-	-	-	-	-	-	-	-	-	-
Fire hydrants	-	-	-	-	-	-	-	-	-	-
Storage capacity (thousands of gallons)	-	-	-	-	-	-	-	-	-	-
Wastewater										
Sanitary sewers (miles)	-	-	-	-	-	-	-	-	-	-
Storm sewers (miles)	-	-	-	-	-	-	-	-	-	-
Treatment capacity (thousands of gallons)	-	-	-	-	-	-	-	-	-	-
Transit										
Minibuses	-	-	-	-	-	-	-	-	-	-

Note: Council hired a new City Manager in 2006 and instructed him to review our current process of incorporating this item, to include strategic outyear planning. The City has and is working with outside consultants to accomplish this goal. It does not anticipate completion until year end of 2012.

THIS PAGE LEFT BLANK INTENTIONALLY