



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kennedale, Texas, for the year ended September 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 11, 2013. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2012. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 receivable
- Accumulated depreciation on capital assets
- Health claims payable
- Annual OPEB cost and net OPEB obligation.

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 auditors' 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 March 11, 2013.

### ***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.

## **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **Significant Forthcoming Accounting Standards**

### ***The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34***

Governmental Accounting Standards Board Statement No. 61 (“GASB 61”), *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, is effective for periods beginning after June 15, 2012. This Standard was issued in November 2010 to address several issues pertaining to government reporting of component units and other related organizations that have arisen since the issuance of GASB Statement No. 14, *The Financial Reporting Entity*.

The objective of Statement 61 is to improve financial reporting for a governmental entity by amending criteria for including, presenting and disclosing information about component units and other related organizations to be more relevant to financial statement users’ needs and to provide additional guidance on specific reporting issues born from the change in the government reporting model that occurred as a result of GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*.

### ***Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***

Governmental Accounting Standards Board Statement No. 63 (“GASB 63”), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for periods beginning after December 15, 2011. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the previous net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27

Governmental Accounting Standards Board Statement No. 68 (“GASB 68”), *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, is effective for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The new standards are intended to provide more comparable and visible information within the annual financial statements of governments that provide defined benefit pensions.

Notably, GASB 68 requires employers to report the difference between the actuarial total pension liability and the fair value of the legally restricted plan assets as the net pension liability on the statement of net position. Previously, a liability was only recorded if the actual contributions made to the plan were less than the actuarial calculated contributions for the year.

These new standards relate only to the *accounting and reporting* of defined benefit pensions within the GAAP based financial statements of governmental entities. They do not establish requirements as to the actual funding of these benefits. These decisions are left to management and the governing body.

This Statement may have a material impact on recorded pension liabilities compared to application of current standards. Your processes should be updated to incorporate the new information requirements and begin gathering information now to determine the future impacts on financial reporting.

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.*

March 11, 2013



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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

Members of the Council:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely present 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, 2012, which collectively comprise the City of Kennedale, Texas' basic financial statements and have issued our report thereon dated March 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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 grant agreements, 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, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the City, and appropriate federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

March 11, 2013

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Client: **76705 - City of Kennedale, Texas**  
 Engagement: **2012 Audit - City of Kennedale, Texas**  
 Period Ending: **9/30/2012**  
 Trial Balance: **TB**  
 Workpaper: **AJE Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>7002.00</b>		
To properly state interest expense.				
02-5621-01-00	PAYING AGENT FEES		200.00	
02-5649-01-00	2011 3.26M CO-INTEREST			200.00
<b>Total</b>			<b>200.00</b>	<b>200.00</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>7001.00</b>		
To properly state principal and interest expense.				
15-5645-01-03	2011 1.7M TX LEVERAGE-INT		3,522.00	
17-5606-12-02	2006 EQUIPMENT LEASE-PRINCIPAL		827.00	
15-5646-01-03	2011 1.7M TX LEVERAGE-PRI			3,522.00
17-5636-12-02	2006 EQUIPMENT LEASE-INTEREST			827.00
<b>Total</b>			<b>4,349.00</b>	<b>4,349.00</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>4600.01</b>		
To adjust capital leases payable to actual at year-end.				
09-9059-00-00	CAPITAL LEASE PAYABLE		828.00	
09-9005-00-00	AMT TO BE PROVIDED-LTD			828.00
<b>Total</b>			<b>828.00</b>	<b>828.00</b>
<b>Adjusting Journal Entries JE # 4</b>		<b>4502.01</b>		
To adjust notes payable to actual at year-end				
20-9020-00-00	2011 TX LEVERAGE LOAN PAYABLE		1,062,754.00	
20-9005-00-00	AMT TO BE PROVIDED-LTD			1,062,754.00
<b>Total</b>			<b>1,062,754.00</b>	<b>1,062,754.00</b>

Client: 76705 - City of Kennedale, Texas  
 Engagement: 2012 Audit - City of Kennedale, Texas  
 Period Ending: 9/30/2012  
 Trial Balance: TB  
 Workpaper: AJE Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 5</b>		<b>4503.01</b>		
To remove prior year accrued interest payable on the new debt issue				
02-2193-00-00	ACCRUED INTEREST PAYABLE		10,058.00	
02-5649-01-00	2011 3.26M CO-INTEREST			10,058.00
<b>Total</b>			<b>10,058.00</b>	<b>10,058.00</b>
<b>Adjusting Journal Entries JE # 6</b>		<b>3800.04</b>		
To record fixed asset additions and deltions in the GFAAG				
08-1400-00-00	LAND		69,550.00	
08-1410-00-00	BUILDINGS & BLDG COMPONENTS		6,725.00	
08-1420-00-00	IMPROVE OTHER THAN BLDG		10,045.00	
08-1450-00-00	VEHICLES & MOBILE EQUIP		111,596.00	
08-1470-00-00	EQUIPMENT		178,749.00	
08-1502-00-00	CONSTRUCTION IN PROGRESS		4,719,448.00	
08-3500-00-00	INVEST IN FIXED ASSETS		56,313.00	
08-1450-00-00	VEHICLES & MOBILE EQUIP			56,313.00
08-3500-00-00	INVEST IN FIXED ASSETS			5,096,113.00
<b>Total</b>			<b>5,152,426.00</b>	<b>5,152,426.00</b>
<b>Adjusting Journal Entries JE # 7</b>		<b>3800.04</b>		
To adjust beginning balance to actual for the GFAAG				
08-1500-00-00	ACCUMULATED DEPRECIATION		6,121.00	
08-3500-00-00	INVEST IN FIXED ASSETS		55,080.00	
08-1450-00-00	VEHICLES & MOBILE EQUIP			61,201.00
<b>Total</b>			<b>61,201.00</b>	<b>61,201.00</b>
<b>Adjusting Journal Entries JE # 8</b>		<b>3800.04</b>		
To record depreciation in the GFAAG				
08-1500-00-00	ACCUMULATED DEPRECIATION		47,187.00	
08-3500-00-00	INVEST IN FIXED ASSETS		1,004,357.00	
08-8000-00-00	INVESTMENTS IN FIXED ASSETS		47,187.00	
08-8000-00-00	INVESTMENTS IN FIXED ASSETS		1,004,357.00	
08-1500-00-00	ACCUMULATED DEPRECIATION			1,004,357.00
08-3500-00-00	INVEST IN FIXED ASSETS			47,187.00
08-8000-00-00	INVESTMENTS IN FIXED ASSETS			47,187.00
08-8000-00-00	INVESTMENTS IN FIXED ASSETS			1,004,357.00
<b>Total</b>			<b>2,103,088.00</b>	<b>2,103,088.00</b>
<b>Adjusting Journal Entries JE # 9</b>		<b>3800.06</b>		
To record EDC fixed asset additons and deletions in the EDC GFAAG				
03-1400-00-00	LAND		150,669.00	
03-1410-00-00	BUILDING & BLDG COMPONENTS		385,711.00	
03-1420-00-00	IMPROVE OTHER THAN BLDG		126,294.00	
03-1502-00-00	CONSTRUCTION IN PROGRESS		258,331.00	
03-3500-00-00	INVESTMENT IN FIXED ASSETS		16,540.00	
03-1502-00-00	CONSTRUCTION IN PROGRESS			16,540.00
03-3500-00-00	INVESTMENT IN FIXED ASSETS			921,005.00
<b>Total</b>			<b>937,545.00</b>	<b>937,545.00</b>

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Client: **76705 - City of Kennedale, Texas**  
 Engagement: **2012 Audit - City of Kennedale, Texas**  
 Period Ending: **9/30/2012**  
 Trial Balance: **TB**  
 Workpaper: **AJE Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 10</b>		<b>3800.06</b>		
To record depreciation on the EDC GFAAG				
03-3500-00-00	INVESTMENT IN FIXED ASSETS		140,863.00	
03-1500-00-00	ACCUMULATED DEPRECIATION			140,863.00
<b>Total</b>			<b>140,863.00</b>	<b>140,863.00</b>
<b>Adjusting Journal Entries JE # 11</b>		<b>3800.05</b>		
To record the additions for Land in the Water/Sewer Fixed Assets.				
07-3001-00-00	RETAINED EARNINGS		5,305.00	
10-1400-00-00	LAND		5,305.00	
07-5800-01-00	LAND			5,305.00
10-3001-00-00	RETAINED EARNINGS			5,305.00
<b>Total</b>			<b>10,610.00</b>	<b>10,610.00</b>
<b>Adjusting Journal Entries JE # 12</b>		<b>3800.05</b>		
To record building additions				
10-1410-00-00	PLANT & EQUIPMENT		17,604.00	
10-5410-01-02	WATER SYSTEM MAINTENANCE			6,725.00
10-5570-01-02	SPECIAL SERVICES			10,879.00
<b>Total</b>			<b>17,604.00</b>	<b>17,604.00</b>
<b>Adjusting Journal Entries JE # 13</b>		<b>3800.05</b>		
To record vehicle additions and deletions.				
07-3001-00-00	RETAINED EARNINGS		19,456.00	
10-1450-00-00	MOBILE EQUIPMENT		25,106.00	
10-1500-00-00	ACCUMULATED DEPRECIATION		14,279.00	
07-5870-01-00	OTHER EQUIPMENT			19,456.00
10-1460-00-00	VEHICLES			14,279.00
10-3001-00-00	RETAINED EARNINGS			19,456.00
10-5861-90-00	MOTOR VEHICLES			5,650.00
<b>Total</b>			<b>58,841.00</b>	<b>58,841.00</b>

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Client: **76705 - City of Kennedale, Texas**  
 Engagement: **2012 Audit - City of Kennedale, Texas**  
 Period Ending: **9/30/2012**  
 Trial Balance: **TB**  
 Workpaper: **AJE Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 14</b>		<b>3800.05</b>		
To record equipment additions				
10-1470-00-00	WORK EQUIPMENT		30,013.00	
10-1480-00-00	OFFICE EQUIPMENT		35,519.00	
10-5870-01-02	OTHER EQUIPMENT			30,013.00
10-5870-90-00	OTHER EQUIPMENT			35,519.00
<b>Total</b>			<b>65,532.00</b>	<b>65,532.00</b>
<b>Adjusting Journal Entries JE # 15</b>		<b>3800.05</b>		
To record infrastructure additions and deletions				
07-3001-00-00	RETAINED EARNINGS		32,386.00	
10-1440-00-00	SEWER COLLECTION SYSTEM		145,532.00	
10-1490-00-00	CAPITAL OUTLAY-METERS & LINES		98,184.00	
10-1500-00-00	ACCUMULATED DEPRECIATION		12,373.00	
10-4886-00-00	SALE OF PARTS/ASSETS		1,735.00	
07-1502-00-00	CONSTRUCTION IN PROGRESS			32,386.00
07-5625-01-00	ENGINEERING SERVICES			
10-1440-00-00	SEWER COLLECTION SYSTEM			14,108.00
10-3001-00-00	RETAINED EARNINGS			32,386.00
10-5280-01-01	MINOR EQUIP/SMALL TOOLS<5K			
10-5409-01-02	WASTEWATER SYSTEM MAINTENANCE			42,372.00
10-5410-01-02	WATER SYSTEM MAINTENANCE			44,150.00
10-5412-01-02	METERS/BOXES/HYDRANTS			
10-5580-01-02	ENGINEERING SERVICES			20,476.00
10-5858-01-02	CDBG WATER PROJECT			1,172.00
10-5859-01-02	CDBG SEWER PROJECT			103,160.00
<b>Total</b>			<b>290,210.00</b>	<b>290,210.00</b>
<b>Adjusting Journal Entries JE # 16</b>		<b>3800.05</b>		
To record current year additions to CIP				
07-1502-00-00	CONSTRUCTION IN PROGRESS		85,675.00	
07-5625-01-00	ENGINEERING SERVICES			11,120.00
07-5821-01-00	DRAINAGE IMPROVEMENTS			74,555.00
<b>Total</b>			<b>85,675.00</b>	<b>85,675.00</b>
<b>Adjusting Journal Entries JE # 17</b>		<b>3800.05</b>		
To record water/sewer depreciation				
10-5635-90-00	DEPRECIATION EXPENSES		482,955.00	
10-1500-00-00	ACCUMULATED DEPRECIATION			482,955.00
<b>Total</b>			<b>482,955.00</b>	<b>482,955.00</b>

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Client: 76705 - City of Kennedale, Texas  
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Period Ending: 9/30/2012  
Trial Balance: TB  
Workpaper: AJE Report

<u>Account</u>	<u>Description</u>	<u>W/P Ref</u>	<u>Debit</u>	<u>Credit</u>
<b>Adjusting Journal Entries JE # 18</b>		<b>4100.00</b>		
To adjust garbage payable to actual at year-end.				
10-2192-00-00	GARBAGE PAYABLE		36,617.00	
10-5594-01-01	INTERGOV-ARLINGTON SEWER			36,617.00
<b>Total</b>			<b>36,617.00</b>	<b>36,617.00</b>
<b>Adjusting Journal Entries JE # 20</b>		<b>4501.02</b>		
To add the capital lease proceeds and public safety expense for the new police radio lease				
01-5280-09-01	MINOR EQUIP/SMALL TOOLS <5K		125,000.00	
01-4902-00-00	PROCEEDS FR LEASE PURCHASE-06			125,000.00
<b>Total</b>			<b>125,000.00</b>	<b>125,000.00</b>



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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CITY OF KENNEDALE, TEXAS**

**YEAR ENDED  
SEPTEMBER 30, 2012**





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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CITY OF KENNEDALE, TEXAS**

**YEAR ENDED  
SEPTEMBER 30, 2012**

**Prepared By: Department of Finance**

**CITY OF KENNEDALE, TEXAS  
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## **INTRODUCTORY SECTION**

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405 Municipal Drive, Kennedale TX 76060  
Ph: (817) 478-5418 [www.cityofkennedale.com](http://www.cityofkennedale.com)

March 11, 2013

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, 2012, 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, 2012, 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, 2012, 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 6,800. 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 economic 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 is pursuing a four-pronged approach to economic development: retail development, manufacturing expansion, tourism, and quality of life improvements. The primary focus has been and will continue to be retail development. The Kennedale TownCenter is underway. The second and possibly third retail building is anticipated in 2013. The redevelopment of the north entry into Kennedale (Oak Crest area) is in its earliest phase of redevelopment. A master plan has been adopted. Right-of-way acquisition is underway for the extension of Link Street to Kennedale Parkway. Sites for retail have been secured and will be ready for promotion in late 2013 or early 2014. KEDC is expected to shift its focus to manufacturing development in the future in order to expand job opportunities locally.

**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 to enhance its transportation network. The road projects are funded by the City purchasing road material, and the Tarrant County Precinct 2 road crews building the roadways. This approach allowed the city to reconstruct Paula Lane, Kenny Street, Sulphur Street, and a portion of Broadway Street and Short Street. Furthermore, the city constructed Meadowview Street, which connected Mansfield Cardinal Road with Kennedale Parkway. These projects significantly reduced the cost and time to maintain inadequately constructed roads and improved traffic circulation for residents and emergency services.

Finally, the City is working with the County to connect Link Street to Kennedale Parkway. Opening Link Street will enhance the opportunity for economic development at the north entry to Kennedale (Oak Crest area).

Economic development continues to be a primary focus within Kennedale. The Kennedale TownCenter is open. The second and possibly third of five buildings will be built beginning in mid-to-late 2013. Construction of the second building will permit the relocation of Chicken Express. Following relocation of this restaurant, the existing building will be demolished and prepared for the third building. Improving the north entrance (Oak Crest area) of Kennedale is an ongoing priority. Quick Trip has opened its new store following the closure of the sexually oriented businesses. The Kennedale Economic Development Corporation (KEDC) is working closely with the City and Tarrant County Precinct 2 to connect Link Street to Kennedale Parkway. Opening the Oak Crest area will enable the KEDC to recruit a hotel, restaurants, and office warehouse businesses. Right of way, future business site land acquisition, and hotel recruitment is underway. Link Street will be completed in mid-2013.

An important element of the City's strategic plan – *Imagine Kennedale 2015* was to close the racetracks and convert the property to residential use. The City began that process with an update of the Comprehensive Land Use Plan, which was previously adopted in March 2012. The plan identified the property for residential zoning. The Planning and Zoning Commission is proceeding with a review of the land use in this area with an eye toward rezoning the property. The City has also created a Tax Increment Reinvestment Zone (TIRZ) to fund off-site infrastructure improvements, namely the extension of water and sewer service, reconstruction of New Hope Road, and the addition of hike and bike trails along the tributary of Village Creek. The City is seeking to engage the property owners with development agreements to convert the property following the 2015 racing season. Significant action anticipated in 2013 include adoption of the TIRZ participation agreements with Tarrant County, Tarrant College District, and the Tarrant County Health District; execution of the three development agreements; and the initiation of a water and sewer study to plan for the extension of the utility services.

#### *FUTURE PROJECTS*

Council, Board, and staff activities are guided by the City's strategic plan – *Imagine Kennedale 2015* – and the newly adopted Comprehensive Land Use Plan. These plans call for the creation of residential areas on the southwest portion of Kennedale. The TIRZ, noted earlier, will guide this effort. Redevelopment of Oak Crest will be a long-term effort, and it too is underway. Restoration of Village Creek as a park and water quality feature will consume staff time and resources for many years to come. Village Creek will require the assistance of the City of Arlington, the Corps of Engineers, the Environmental Protection Agency (EPA), the Texas Commission on Environmental Quality (TCEQ), and the Texas Water Development Board (TWDB).

Beyond the physical improvements in Kennedale, there will continue to be a focus on operational efficiencies and strategic planning. The city council is reviewing its governance practices with the adoption of the Policy Governance model espoused by Dr. John Carver. Public Administration classes at the University of Texas at Arlington are actively researching City practices, to include organizational efficiencies, governance practices, and obtaining resident input. These looks will lead to changes including contracting for services, such as jail and dispatch operations, and the implementation of water conservation and billing practices. Further, it is anticipated this information will assist the city council in updating the City's strategic plan to 2020.

## **RELEVANT FINANCIAL POLICIES**

The City continues to budget cautiously in regards to anticipated revenues due to the economy. The City was able to budget its revenue within a 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 budget responsibly.

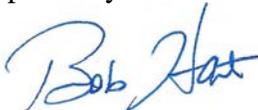
## **AWARDS AND ACKNOWLEDGEMENTS**

**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, 2009. This was the eighth 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, 2011

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. Sandson*

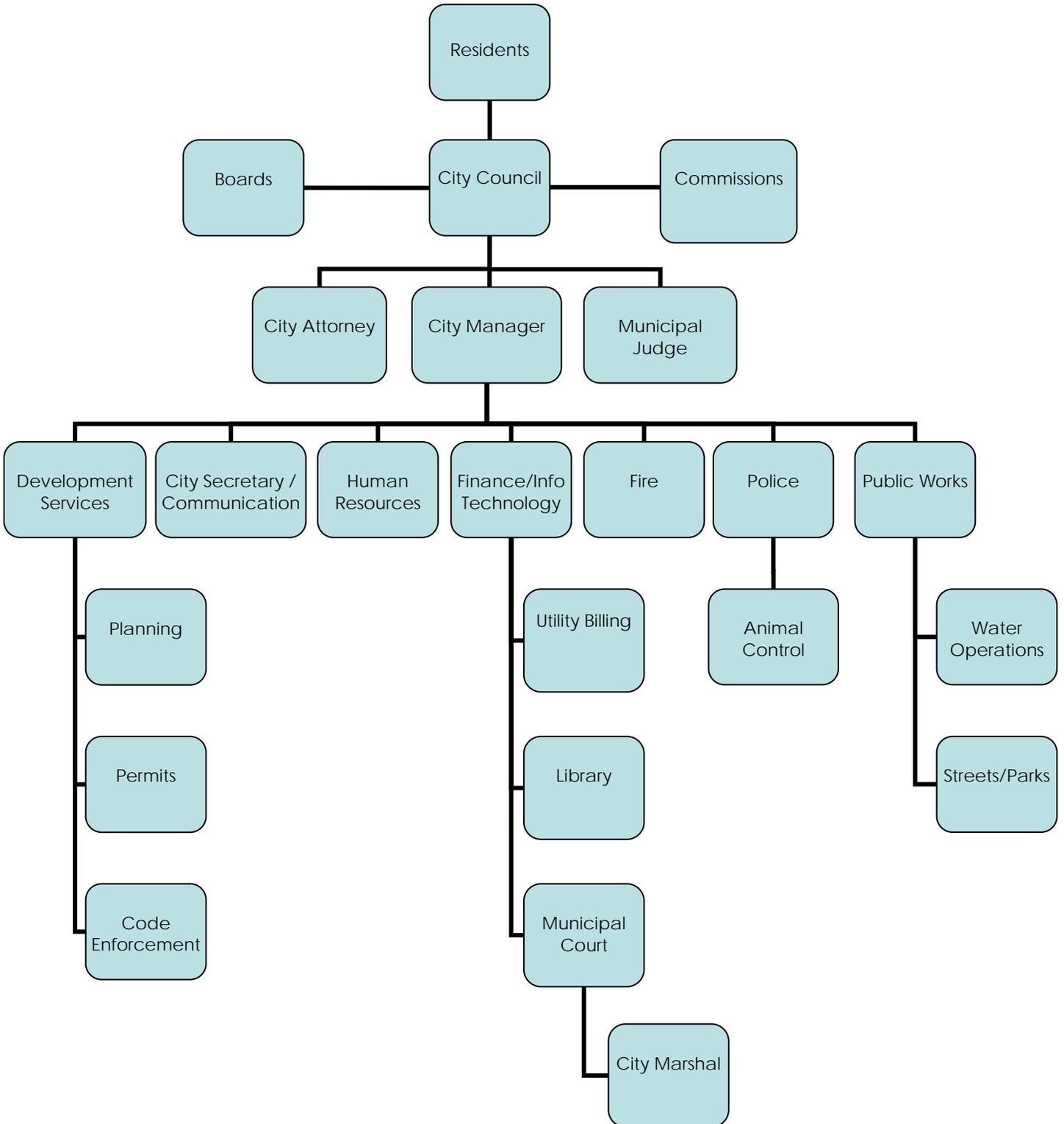
President

*Jeffrey R. Egan*

Executive Director

CITY OF KENNEDALE, TEXAS  
ANNUAL PROGRAM OF SERVICES

CITY ORGANIZATIONAL CHART



# CITY OF KENNEDALE, TEXAS

## PRINCIPAL OFFICIALS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

### ELECTED OFFICIALS

Mayor	John Clark
Council Member Place 1/Mayor Pro Tem	Charles Overstreet
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

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## **FINANCIAL SECTION**

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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, 2012, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have issued our report dated March 11, 2013, on our consideration of the City of Kennedale, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should not be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule 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.

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 them.

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

March 11, 2013

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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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## 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, 2012. 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 \$33,630,415. Of this amount, \$2,306,814 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Kennedale's net assets increased by \$2,853,510. This increase is smaller than the prior year increase due to a decrease in charges for services and other revenues, as well as increased general government, public safety and interest on long-term debt expenses. These changes were offset by increased property tax and other tax revenue and decreased public works and water and wastewater expenses.
- As of the close of the current fiscal year, the City of Kennedale's governmental funds reported combined ending fund balances of \$1,402,834, a decrease of \$1,898,118 in comparison with the prior year. Approximately, 78.99% of this amount, \$1,108,068 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$1,108,068 or 16.49% 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' basic financial statements. 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. 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 9 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 6 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 \$33,630,415 at the close of the most recent fiscal year. By far the largest portion of the City's net assets (\$31,035,386 or 92.28%) 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 2012	Activities 2011	Activities 2012	Activities 2011	2012	2011
Current and other assets	\$ 2,415,796	\$ 5,222,131	\$ 2,138,484	\$ 2,456,104	\$ 4,554,280	\$ 7,678,235
Capital assets	34,683,925	30,601,295	13,926,427	14,000,565	48,610,352	44,601,860
Total assets	<u>37,099,721</u>	<u>35,823,426</u>	<u>16,064,911</u>	<u>16,456,669</u>	<u>53,164,632</u>	<u>52,280,095</u>
Long-term liabilities	14,609,000	15,224,097	3,657,017	3,906,439	18,266,017	19,130,536
Other liabilities	689,008	1,625,525	579,192	747,129	1,268,200	2,372,654
Total liabilities	<u>15,298,008</u>	<u>16,849,622</u>	<u>4,236,209</u>	<u>4,653,568</u>	<u>19,534,217</u>	<u>21,503,190</u>
Net assets:						
Invested in capital assets, net of related debt	20,730,909	16,014,362	10,304,477	10,134,416	31,035,386	26,148,778
Restricted	288,215	1,936,156	-	-	288,215	1,936,156
Unrestricted	<u>782,589</u>	<u>1,023,286</u>	<u>1,524,225</u>	<u>1,668,685</u>	<u>2,306,814</u>	<u>2,691,971</u>
Total net assets	<u>\$ 21,801,713</u>	<u>\$ 18,973,804</u>	<u>\$ 11,828,702</u>	<u>\$ 11,803,101</u>	<u>\$ 33,630,415</u>	<u>\$ 30,776,905</u>

An additional portion of the City of Kennedale's net assets (\$288,215 or 0.86%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,306,814 or 6.86%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

During the current fiscal year, the City's net assets increased by \$2,853,510. This increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This increase is smaller than the prior year increase of \$3,253,197 due to decreases in charges for services and other revenues as well as decreased general government, public safety and interest on long-term debt expenses.

### CITY OF KENNEDALE'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 1,187,861	\$ 1,022,648	\$ 3,264,892	\$ 3,633,725	\$ 4,452,753	\$ 4,656,373
Operating grants and contributions	83,005	64,217	-	-	83,005	64,217
Capital grants and contributions	2,872,517	2,793,402	-	-	2,872,517	2,793,402
General revenues:						
Property taxes	4,010,855	3,811,589	-	-	4,010,855	3,811,589
Other taxes	2,154,140	2,031,560	-	-	2,154,140	2,031,560
Other revenues	388,525	983,300	1,291	1,925	389,816	985,225
Total revenues	<u>10,696,903</u>	<u>10,706,716</u>	<u>3,266,183</u>	<u>3,635,650</u>	<u>13,963,086</u>	<u>14,342,366</u>
Expenses:						
General government	1,400,946	1,346,455	-	-	1,400,946	1,346,455
Public safety	4,334,370	4,149,812	-	-	4,334,370	4,149,812
Public works	1,209,842	1,386,156	-	-	1,209,842	1,386,156
Culture and recreation	344,900	335,884	-	-	344,900	335,884
Interest on long-term debt	578,936	536,449	-	-	578,936	536,449
Water and wastewater	-	-	3,240,582	3,334,413	3,240,582	3,334,413
Total expenses	<u>7,868,994</u>	<u>7,754,756</u>	<u>3,240,582</u>	<u>3,334,413</u>	<u>11,109,576</u>	<u>11,089,169</u>
Change in Net Assets	2,827,909	2,951,960	25,601	301,237	2,853,510	3,253,197
Net assets, beginning	<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>
Net assets, ending	<u>\$ 21,801,713</u>	<u>\$ 18,973,804</u>	<u>\$ 11,828,702</u>	<u>\$ 11,803,101</u>	<u>\$ 33,630,415</u>	<u>\$ 30,776,905</u>

**Governmental activities.** Governmental activities net assets increased by \$2,827,909. The increase is slightly less than the prior year increase of \$2,951,960 due primarily to a decrease in revenues and increased general government, public safety and interest on long-term debt expenses. These changes were offset by increased charges for services, capital grants and contributions and property and other taxes as well as decreased public works expenses.

**Business-type activities.** Business-type activities net assets increased by \$25,601. Gross revenue of the Water and Sewer Fund was \$3,266,183 for the fiscal year, which is \$369,467 less than the 2010-2011 fiscal year gross revenue, \$3,635,650. This decrease is a result of a decrease in charges for services. Direct operating expenses, excluding depreciation, were \$2,604,618 for the fiscal year. Direct operating expenses are \$99,972 less than 2010-2011 fiscal year direct operating expenses, \$2,704,590, due to decreased costs of sales and services and miscellaneous expense.

## **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 \$1,402,834. \$6,551 of this total is nonspendable to indicate the amount cannot be spent and \$288,215 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 \$1,108,068 constitutes unassigned fund balance.

Of the \$1,402,834 ending fund balance, \$166,718 is accounted for in non-major governmental funds. The General Fund balance is \$1,113,819 at year end – a decrease of \$250,177. This decrease was created primarily by a combination of decreased property taxes and other revenue, as well as increased public safety expenses. Another significant factor is the decrease in transfers in from other funds and transfers out to other funds with a net decrease in financing sources of \$705,197.

In the General Fund, the City budgeted for a decrease of fund balance in the amount of \$470,332. The General Fund balance decreased by \$250,177, or 18.34% during the current fiscal year. Significant revenue and expenditure increases and decreases were in the following areas:

- Sales tax
- Licenses and permits
- Charges for services
- Other revenues
- Public safety
- Public works
- Capital outlay
- Transfers in and out

The Debt Service Fund balance increased \$39,955 to \$91,720 at year end. This increase is primarily the result of the decision to transfer in slightly more than was originally budgeted as well as interest and fiscal charges below budgeted amounts. The Capital Bond Fund balance decreased \$1,749,499 to a year-end total of \$30,577. 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 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 \$11,828,702. This is an increase of \$25,601 from last year. See the business-type activity discussion above for more information.

**General Fund budgetary highlights.** The actual expenditures for the year were \$6,720,273, which was \$233,623 under budget.

For FY 2011-2012, the actual revenues were \$6,345,096 as compared to the budgeted amount of \$6,358,564. Contributing to the variance was higher than anticipated sales tax revenue (\$108,047 higher than the budget), and licenses and permits (\$33,394 higher than the budget). Also contributing to the variance was lower than anticipated revenues from fines and forfeitures (\$97,726 lower than the budget) and charges for services (\$70,627 lower than the budget).

With revenues only slightly below expectations and expenditures well below appropriations, the General Fund balance decreased by \$250,177, which was \$220,155 higher than the final budgeted decrease.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The investment in capital assets for its governmental and business type activities as of September 30, 2012, amounts to \$48,610,352 (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 71.35% of the capital assets are governmental and 28.65% are business type activities.

**CITY OF KENNEDALE’S CAPITAL ASSETS AT YEAR-END**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,988,595	\$ 3,919,045	\$ 233,452	\$ 228,147	\$ 4,222,047	\$ 4,147,192
Buildings and improvements	4,939,825	4,923,055	5,117,558	5,099,954	10,057,383	10,023,009
Machinery and equipment	3,393,453	3,159,421	743,969	667,610	4,137,422	3,827,031
Infrastructure/water and wastewater distribution	21,409,458	21,409,458	13,666,112	13,436,504	35,075,570	34,845,962
Construction in progress	13,115,958	8,396,510	85,675	32,386	13,201,633	8,428,896
Less accumulated depreciation	( 12,163,364)	( 11,206,194)	( 5,920,339)	( 5,464,036)	(18,083,703)	( 16,670,230)
<b>Total capital assets, net</b>	<b>\$ 34,683,925</b>	<b>\$ 30,601,295</b>	<b>\$ 13,926,427</b>	<b>\$ 14,000,565</b>	<b>\$ 48,610,352</b>	<b>\$ 44,601,860</b>

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

Governmental activities equipment purchase	\$ 290,345
Governmental activities land purchase	69,550
Governmental activities building improvements	16,770
Governmental activities construction in progress	4,719,448
Business-type activities equipment purchase	90,638
Business-type activities improvements	243,716
Business-type activities building improvements	17,604
Business-type activities construction in progress	85,675

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 \$17,718,290. Of this amount, \$17,420,000 represents bonded debt backed by the full faith and credit of the City. The City’s capitalized lease obligation of \$298,290 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	
	2012	2011	2012	2011	2012	2011
Certificates of obligation bonds	\$ 13,748,050	\$ 14,396,250	\$ 3,621,950	\$ 3,828,750	\$ 17,370,000	\$ 18,225,000
Capital leases	298,290	249,888	-	37,399	298,290	287,287
Revenue bonds	50,000	95,000	-	-	50,000	95,000
<b>Total</b>	<b>\$ 14,096,340</b>	<b>\$ 14,741,138</b>	<b>\$ 3,621,950</b>	<b>\$ 3,866,149</b>	<b>\$ 17,718,290</b>	<b>\$ 18,607,287</b>

The City’s certificates of obligation bonds continue to carry Baa1 from Moody’s Investor Services. Additional information on the long-term debt can be found in 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 2012-2013.

During the current year, the General Fund fund balance decreased by \$250,177, to \$1,113,819. This decrease was better than the anticipated decrease of \$470,332 that was budgeted for fiscal year 2011-2012.

The Budget approach is based on three components:

1. Improve transparency for residents.

Financial data and other pertinent documents will be added 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 State Comptroller’s Office. The City Secretary/Communications Director will create a new web-site and revamp the city newsletter to improve the dissemination of city information. The city will also begin the planning for a new citizen opinion survey to guide future organizational strategies.

2. Strengthen the city’s human resources function.

The staff has continued the focus on HR development with planned revisions to the City’s Personnel Policies. The personnel policies will be revised with a focus on a reinforcement of an integrative and developmental culture. Operational polices will be revised consistent with the desired culture, and a management philosophy based on the Requisite Organization.

### 3. Encourage economic development.

Phase I of the Kennedale TownCenter is complete. The second and third buildings are being planned. The old Subway and Ace building will be demolished. The parking lot for the second building will be constructed. The City and the Kennedale Economic Development Corporation (KEDC) are working together on the redevelopment of the Oak Crest area. This development will improve the north entry to the community and will be complimentary of the planned development of Village Creek Park. The state will complete the construction of the bridge near Pennsylvania Avenue. Arlington is expected to construct its portion of Bowman Springs Road next year. The improved access will open additional properties for commercial development. The construction of Little-School Road and Sublett Road will be completed during the fiscal year. The new roads will provide a visual linkage across the community and form a distinctly different image from Arlington.

The City will work with Tarrant County, Tarrant County College District, and the Tarrant County Health District to create a Tax Increment Reinvestment Zone (TIRZ) in the southwest portion of Kennedale. The TIRZ will provide for an orderly closing of the race tracks and conversion of the property to residential development by early 2016. The TIRZ will also set in motion the need for an updated water and sewer master plan in order to properly plan for development in this area of town.

The cumulative effect of these efforts is intended to generate a stronger investment image in the region.

### **REQUESTS FOR INFORMATION**

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

**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF KENNEDALE, TEXAS**

**STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2012**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
<b>ASSETS</b>				
Cash and investments	\$ 1,491,920	\$ 1,532,744	\$ 3,024,664	\$ 233,928
Receivables (net of allowances for uncollectibles):				
Taxes	323,074	-	323,074	64,913
Accounts	268,572	507,379	775,951	-
Inventories	-	56,580	56,580	-
Other assets	6,551	-	6,551	-
Deferred charges	325,679	41,781	367,460	24,254
Capital assets:				
Land	3,988,595	233,452	4,222,047	1,136,614
Buildings and improvements	4,939,825	5,117,558	10,057,383	2,817,263
Machinery and equipment	3,393,453	743,969	4,137,422	-
Infrastructure/water and wastewater distribution	21,409,458	13,666,112	35,075,570	-
Construction in progress	13,115,958	85,675	13,201,633	2,798,683
Less: accumulated depreciation	<u>( 12,163,364)</u>	<u>( 5,920,339)</u>	<u>( 18,083,703)</u>	<u>( 453,751)</u>
Total capital assets	<u>34,683,925</u>	<u>13,926,427</u>	<u>48,610,352</u>	<u>6,298,809</u>
 Total assets	 <u>37,099,721</u>	 <u>16,064,911</u>	 <u>53,164,632</u>	 <u>6,621,904</u>
<b>LIABILITIES</b>				
Accounts payable	291,531	341,227	632,758	81,970
Accrued liabilities	224,037	18,632	242,669	-
Due to other governments	27,106	-	27,106	-
Accrued interest payable	99,832	18,360	118,192	-
Unearned revenue	46,502	-	46,502	-
Customer deposits	-	200,973	200,973	14,899
Noncurrent liabilities:				
Due within one year	872,661	217,639	1,090,300	74,907
Due in more than one year	<u>13,736,339</u>	<u>3,439,378</u>	<u>17,175,717</u>	<u>1,563,745</u>
Total liabilities	<u>15,298,008</u>	<u>4,236,209</u>	<u>19,534,217</u>	<u>1,735,521</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	20,730,909	10,304,477	31,035,386	4,660,157
Restricted for:				
Debt service	90,920	-	90,920	-
Capital improvements	187,239	-	187,239	-
Economic development	-	-	-	226,226
Other purposes	10,056	-	10,056	-
Unrestricted	<u>782,589</u>	<u>1,524,225</u>	<u>2,306,814</u>	<u>-</u>
 Total net assets	 <u>\$ 21,801,713</u>	 <u>\$ 11,828,702</u>	 <u>\$ 33,630,415</u>	 <u>\$ 4,886,383</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, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 1,400,946	\$ 668,345	\$ -	\$ -
Public safety	4,334,370	459,955	62,948	-
Public works	1,209,842	58,007	-	2,872,517
Culture and recreation	344,900	1,554	20,057	-
Interest on long-term debt	578,936	-	-	-
Total governmental activities	<u>7,868,994</u>	<u>1,187,861</u>	<u>83,005</u>	<u>2,872,517</u>
Business-type activities:				
Water/Wastewater	<u>3,240,582</u>	<u>3,264,892</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>3,240,582</u>	<u>3,264,892</u>	<u>-</u>	<u>-</u>
Total primary government	\$ <u>11,109,576</u>	\$ <u>4,452,753</u>	\$ <u>83,005</u>	\$ <u>2,872,517</u>
<b>Component Unit:</b>				
Kennedale Economic				
Development Corporation	\$ <u>737,662</u>	\$ <u>202,935</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
\$( 732,601)	\$ -	\$( 732,601)	\$ -
( 3,811,467)	-	( 3,811,467)	-
1,720,682	-	1,720,682	-
( 323,289)	-	( 323,289)	-
<u>( 578,936)</u>	<u>-</u>	<u>( 578,936)</u>	<u>-</u>
<u>( 3,725,611)</u>	<u>-</u>	<u>( 3,725,611)</u>	<u>-</u>
<u>-</u>	<u>24,310</u>	<u>24,310</u>	<u>-</u>
<u>-</u>	<u>24,310</u>	<u>24,310</u>	<u>-</u>
<u>\$( 3,725,611)</u>	<u>\$ 24,310</u>	<u>\$( 3,701,301)</u>	<u>\$ -</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>( 534,727)</u>
2,865,444	-	2,865,444	-
1,145,411	-	1,145,411	-
1,298,044	-	1,298,044	442,012
856,096	-	856,096	-
2,885	1,291	4,176	1,330
<u>385,640</u>	<u>-</u>	<u>385,640</u>	<u>5,251</u>
<u>6,553,520</u>	<u>1,291</u>	<u>6,554,811</u>	<u>448,593</u>
2,827,909	25,601	2,853,510	( 86,134)
<u>18,973,804</u>	<u>11,803,101</u>	<u>30,776,905</u>	<u>4,972,517</u>
<u>\$ 21,801,713</u>	<u>\$ 11,828,702</u>	<u>\$ 33,630,415</u>	<u>\$ 4,886,383</u>

**CITY OF KENNEDALE, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments	\$ 1,288,521	\$ 83,475	\$ -	\$ 119,924	\$ 1,491,920
Receivables (net of allowance for uncollectibles):					
Taxes	291,615	31,459	-	-	323,074
Accounts	116,438	-	104,440	47,694	268,572
Due from other funds	58,190	-	-	-	58,190
Prepaid items	5,751	800	-	-	6,551
Total assets	<u>1,760,515</u>	<u>115,734</u>	<u>104,440</u>	<u>167,618</u>	<u>2,148,307</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	274,958	-	15,673	900	291,531
Accrued liabilities	224,037	-	-	-	224,037
Due to other governments	27,106	-	-	-	27,106
Due to other funds	-	-	58,190	-	58,190
Deferred revenue	120,595	24,014	-	-	144,609
Total liabilities	<u>646,696</u>	<u>24,014</u>	<u>73,863</u>	<u>900</u>	<u>745,473</u>
Fund balances:					
Nonspendable:					
Prepaid items	5,751	800	-	-	6,551
Restricted for:					
Debt service	-	90,920	-	-	90,920
Public safety	-	-	-	10,056	10,056
Capital projects	-	-	30,577	156,662	187,239
Unassigned	1,108,068	-	-	-	1,108,068
Total fund balances	<u>1,113,819</u>	<u>91,720</u>	<u>30,577</u>	<u>166,718</u>	<u>1,402,834</u>
Total liabilities and fund balances	<u>\$ 1,760,515</u>	<u>\$ 115,734</u>	<u>\$ 104,440</u>	<u>\$ 167,618</u>	

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 34,683,925

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 423,786

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. ( 14,708,832)

Net assets of governmental activities \$ 21,801,713

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, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes:					
Property	\$ 2,846,647	\$ 1,136,082	\$ -	\$ -	\$ 3,982,729
Sales	1,298,044	-	-	-	1,298,044
Franchise fees	856,096	-	-	-	856,096
Licenses and permits	253,914	-	-	58,007	311,921
Fines and forfeitures	244,884	-	-	1,554	246,438
Public safety fees	210,676	-	-	-	210,676
Intergovernmental	83,005	-	2,872,517	-	2,955,522
Charges for services	418,826	-	-	-	418,826
Investment earnings	1,457	168	1,186	74	2,885
Other	131,547	153,119	-	100,974	385,640
Total revenues	<u>6,345,096</u>	<u>1,289,369</u>	<u>2,873,703</u>	<u>160,609</u>	<u>10,668,777</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,276,738	-	-	-	1,276,738
Public safety	4,148,970	-	-	900	4,149,870
Public works	840,656	-	-	-	840,656
Culture and recreation	251,035	-	-	6,068	257,103
Capital outlay	202,874	-	4,623,202	-	4,826,076
Debt service:					
Principal	-	751,913	-	-	751,913
Interest and fiscal charges	-	589,539	-	-	589,539
Total expenditures	<u>6,720,273</u>	<u>1,341,452</u>	<u>4,623,202</u>	<u>6,968</u>	<u>12,691,895</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>( 375,177)</u>	<u>( 52,083)</u>	<u>(1,749,499)</u>	<u>153,641</u>	<u>( 2,023,118)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of capital lease	125,000	-	-	-	125,000
Transfers in	-	92,038	-	-	92,038
Transfers out	-	-	-	( 92,038)	( 92,038)
Total other financing sources and (uses)	<u>125,000</u>	<u>92,038</u>	<u>-</u>	<u>( 92,038)</u>	<u>125,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>( 250,177)</u>	<u>39,955</u>	<u>(1,749,499)</u>	<u>61,603</u>	<u>( 1,898,118)</u>
<b>FUND BALANCES, BEGINNING</b>	<u>1,363,996</u>	<u>51,765</u>	<u>1,780,076</u>	<u>105,115</u>	<u>3,300,952</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 1,113,819</u>	<u>\$ 91,720</u>	<u>\$ 30,577</u>	<u>\$ 166,718</u>	<u>\$ 1,402,834</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, 2012**

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)	\$( 1,898,118)
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.	4,091,756
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets	( 9,126)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	28,126
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.	( 29,527)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	<u>644,798</u>
Change in net assets of governmental activities (pages 12 -13)	<u>\$ 2,827,909</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, 2012**

	Business-type Activities- Enterprise Fund Water and Wastewater
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 1,532,744
Accounts receivable - net of allowances for uncollectibles	507,379
Inventories	<u>56,580</u>
Total current assets	2,096,703
Noncurrent assets:	
Deferred charges	41,781
Capital assets:	
Land	233,452
Buildings and improvements	5,117,558
Equipment	743,969
Water and wastewater distribution	13,666,112
Construction in progress	85,675
Less: accumulated depreciation	<u>( 5,920,339)</u>
Total capital assets	<u>13,926,427</u>
Total noncurrent assets	<u>13,968,208</u>
Total assets	<u>16,064,911</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	341,227
Accrued liabilities	18,632
Accrued interest	18,360
Customer deposits	200,973
Compensated absences	7,014
Certificates of obligation	<u>210,625</u>
Total current liabilities	<u>796,831</u>
Long-term liabilities:	
Compensated absences	28,053
Certificates of obligation	<u>3,411,325</u>
Total long-term liabilities	<u>3,439,378</u>
Total liabilities	<u>4,236,209</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	10,304,477
Unrestricted	<u>1,524,225</u>
Total net assets	<u>\$ 11,828,702</u>

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

**CITY OF KENNEDALE, TEXAS**

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

**PROPRIETARY FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Business-type Activities- Enterprise Fund Water and Wastewater</u>
<b>OPERATING REVENUES</b>	
Water sales	1,589,483
Wastewater charges	1,139,553
Tap and collection fees	253,902
Other service charges	237,019
Miscellaneous income	44,935
Total operating revenues	<u>3,264,892</u>
<b>OPERATING EXPENSES</b>	
Cost of sales and services	1,238,898
Administration	1,364,921
Depreciation	485,974
Miscellaneous expense	799
Total operating expenses	<u>3,090,592</u>
<b>OPERATING INCOME</b>	174,300
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	1,291
Interest and fiscal charges on debt	( 149,990)
Total nonoperating revenues (expenses)	<u>( 148,699)</u>
Income before transfers	25,601
Transfers in	205,394
Transfers out	<u>( 205,394)</u>
<b>CHANGE IN NET ASSETS</b>	25,601
<b>TOTAL NET ASSETS, BEGINNING</b>	<u>11,803,101</u>
<b>TOTAL NET ASSETS, ENDING</b>	<u>\$ 11,828,702</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, 2012**

	<u>Business-type Activities- Enterprise Fund Water and Wastewater</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 3,374,073
Cash payments to employees for services	( 1,370,398)
Cash payments to suppliers for goods and services	( 1,370,401)
Cash provided by operating activities	<u>633,274</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	205,394
Transfers to other funds	( 205,394)
Cash used for noncapital financing activities	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal repayments on debt	( 244,199)
Interest and fiscal charges on debt	( 152,849)
(Acquisition) disposal of capital assets	( 408,817)
Cash used for capital and related financing activities	<u>( 805,865)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>1,291</u>
Cash provided by investing activities	<u>1,291</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	( 171,300)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>1,704,044</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 1,532,744</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 174,300
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	485,974
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	109,181
Decrease (increase) in inventories	( 5,093)
Decrease (increase) in prepaid expenses	39,213
Increase (decrease) in accounts payable	( 165,996)
Increase (decrease) in accrued liabilities	( 254)
Increase (decrease) in customer deposits	1,172
Increase (decrease) in compensated absences	( 5,223)
Total adjustments	<u>458,974</u>
Net cash provided by operating activities	<u>\$ 633,274</u>

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

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**CITY OF KENNEDALE, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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.

## 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.

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.

(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 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.

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, 2012, the City had a tax rate of \$.7225 per \$100 of which \$.516013 was allocated for general government and \$.206487 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

(continued)

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

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

**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

**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.

(continued)

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

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

#### **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.

#### **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.

(continued)

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

### C. Assets, Liabilities and Net Assets or Equity (Continued)

#### Fund Balance

- **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. The city council has by resolution authorized the city manager and finance director to assign fund balance. The council may also assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- **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.

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.

#### 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  
(Continued)

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

Another element of that reconciliation states, "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 \$644,798 difference are as follows:

Principal repayments:	
General obligation debt	\$ 693,200
Capital lease	76,598
Debt issuance:	
Capital lease	( 125,000)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>644,798</u>

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 \$29,527 difference are as follows:

Compensated absences	\$( 40,130)
Accrued interest	21,484
Amortization of premium	10,429
Amortization of issuance costs	( 21,310)
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>29,527</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, 2012, \$520,734 of the City's \$1,020,734 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$500,000, 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, 2012, the primary government's investments consisted of:

	<u>Fair Value</u>
TexStar	\$ 1,379,730
Texas Term	31,312
State Treasurer's Investment Pool (TexPool)	<u>581,760</u>
	<u>\$ 1,992,802</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>233,928</u>
	<u>\$ 233,928</u>

At September 30, 2012, 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>Capital Bond Fund</u>	<u>Water and Wastewater</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:						
Taxes	\$ 388,350	\$ 70,169	\$ -	\$ -	\$ -	\$ 458,519
Accounts	<u>460,539</u>	<u>-</u>	<u>104,440</u>	<u>616,970</u>	<u>47,694</u>	<u>1,229,643</u>
Gross receivables	848,889	70,169	104,440	616,970	47,694	1,688,162
Less: allowance for uncollectibles	<u>( 440,836)</u>	<u>( 38,710)</u>	<u>-</u>	<u>( 109,591)</u>	<u>-</u>	<u>( 589,137)</u>
Net total receivables	<u>\$ 408,053</u>	<u>\$ 31,459</u>	<u>\$ 104,440</u>	<u>\$ 507,379</u>	<u>\$ 47,694</u>	<u>\$ 1,099,025</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	\$ 74,093
Ambulance charges	<u>46,502</u>
	120,595
Debt service fund:	
Delinquent property taxes receivable	<u>24,014</u>
Governmental Funds	<u>\$ 144,609</u>

#### Capital Assets

Capital asset activity for the year ended September 30, 2012, 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	\$ 3,919,045	\$ 69,550	\$ -	3,988,595
Construction work in progress	<u>8,396,510</u>	<u>4,719,448</u>	<u>-</u>	<u>13,115,958</u>
Total capital assets not being depreciated	<u>12,315,555</u>	<u>4,788,998</u>	<u>-</u>	<u>17,104,553</u>
Capital assets, being depreciated:				
Buildings	4,923,055	16,770	-	4,939,825
Machinery and equipment	3,159,421	290,345	56,313	3,393,453
Infrastructure	<u>21,409,458</u>	<u>-</u>	<u>-</u>	<u>21,409,458</u>
Total capital assets being depreciated	<u>29,491,934</u>	<u>307,115</u>	<u>56,313</u>	<u>29,742,736</u>
Less accumulated depreciation:				
Buildings	1,642,085	165,214	-	1,807,299
Machinery and equipment	1,911,888	306,933	47,187	2,171,634
Infrastructure	<u>7,652,221</u>	<u>532,210</u>	<u>-</u>	<u>8,184,431</u>
Total accumulated depreciation	<u>11,206,194</u>	<u>1,004,357</u>	<u>47,187</u>	<u>12,163,364</u>
Total capital assets, being depreciated, net	<u>18,285,740</u>	<u>( 697,242)</u>	<u>9,126</u>	<u>17,579,372</u>
Governmental activities capital assets, net	<u>\$ 30,601,295</u>	<u>\$ 4,091,756</u>	<u>\$ 9,126</u>	<u>\$ 34,683,925</u>

(continued)

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

**Capital Assets** (Continued)

Business-type activities:

Capital assets, not being depreciated:				
Land	\$ 228,147	\$ 5,305	\$ -	\$ 233,452
Construction work in progress	<u>32,386</u>	<u>85,675</u>	<u>32,386</u>	<u>85,675</u>
Total capital assets not being depreciated	<u>260,533</u>	<u>90,980</u>	<u>32,386</u>	<u>319,127</u>
Capital assets, being depreciated:				
Buildings	5,099,954	17,604	-	5,117,558
Machinery and equipment	667,610	90,638	14,279	743,969
Improvements other than buildings	<u>13,436,504</u>	<u>243,716</u>	<u>14,108</u>	<u>13,666,112</u>
Total capital assets being depreciated	<u>19,204,068</u>	<u>351,958</u>	<u>28,387</u>	<u>19,527,639</u>
Less accumulated depreciation:				
Buildings	1,875,349	101,797	-	1,977,146
Machinery and equipment	498,139	61,015	14,279	544,875
Improvements other than buildings	<u>3,090,548</u>	<u>320,143</u>	<u>12,373</u>	<u>3,398,318</u>
Total accumulated depreciation	<u>5,464,036</u>	<u>482,955</u>	<u>26,652</u>	<u>5,920,339</u>
Total capital assets, being depreciated, net	<u>13,740,032</u>	<u>( 130,997)</u>	<u>1,735</u>	<u>13,607,300</u>
Business-type activities capital assets, net	<u>\$ 14,000,565</u>	<u>\$( 40,017)</u>	<u>\$ 34,121</u>	<u>\$ 13,926,427</u>

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

Governmental activities:

General government	\$ 82,196
Public safety	274,225
Public works	560,139
Culture and recreation	<u>87,797</u>

Total depreciation expense - governmental activities \$ 1,004,357

Business-type activities:

Water and wastewater	<u>\$ 482,955</u>
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Total depreciation expense - business-type activities \$ 482,955

(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, 2012, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 985,945	\$ 150,669	\$ -	\$ 1,136,614
Construction in progress	<u>2,556,892</u>	<u>258,331</u>	<u>16,540</u>	<u>2,798,683</u>
Totals, capital assets, not being depreciated	<u>3,542,837</u>	<u>409,000</u>	<u>16,540</u>	<u>3,935,297</u>
Capital assets, being depreciated:				
Buildings	1,551,504	385,711	-	1,937,215
Improvements	<u>753,754</u>	<u>126,294</u>	<u>-</u>	<u>880,048</u>
Totals, capital assets being depreciated	<u>2,305,258</u>	<u>512,005</u>	<u>-</u>	<u>2,817,263</u>
Less accumulated depreciation for:				
Buildings	275,200	96,861	-	372,061
Improvements	<u>37,688</u>	<u>44,002</u>	<u>-</u>	<u>81,690</u>
Total accumulated depreciation	<u>312,888</u>	<u>140,863</u>	<u>-</u>	<u>453,751</u>
Total capital assets, being depreciated, net	<u>1,353,879</u>	<u>371,142</u>	<u>-</u>	<u>2,363,512</u>
Capital assets, net	<u>\$ 4,059,046</u>	<u>\$ 780,142</u>	<u>\$ 16,540</u>	<u>\$ 6,298,809</u>

**Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of September 30, 2012 is as follows:

Interfund receivables/payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Bond Fund	\$ 58,190
Total		<u>\$ 58,190</u>

The amount payable to the General Fund is to cover expenditures prior to receiving the county reimbursement in the Capital Bond Fund.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Debt Service	Nonmajor	\$ 92,038
Water and Wastewater	Water and Wastewater	<u>205,394</u>
Total		<u>\$ 297,432</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>(137,775)</u>	<u>(134,968)</u>	<u>( 272,743)</u>
Total	<u>\$ 192,604</u>	<u>\$ 83,521</u>	<u>\$ 276,125</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2013	\$ 89,402
2014	89,402
2015	46,146
2016	46,146
2017	20,414
2018-2022	<u>40,828</u>
Total minimum lease payments	332,338
Less: amount representing interest	<u>34,048</u>
Present value of minimum lease payments	<u>\$ 298,290</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	\$ 11,735,000
Governmental activities - refunding	3.97	2,013,050
Business-type activities	4.10	2,375,000
Business-type activities - refunding	3.97	<u>1,246,950</u>
		<u>\$ 17,370,000</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>
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	912,162	424,375	252,838	105,659
2018 - 2022	4,518,163	1,605,248	1,356,837	365,231
2023 - 2027	3,771,262	716,346	1,118,738	108,225
2028 - 2032	<u>1,450,000</u>	<u>106,304</u>	-	-
Total	<u>\$ 13,748,050</u>	<u>\$ 4,837,359</u>	<u>\$ 3,621,950</u>	<u>\$ 1,096,155</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>
2013	\$ 50,000	\$ 1,088
Total	<u>\$ 50,000</u>	<u>\$ 1,088</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, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Government activities</b>					
General obligation bonds	\$ 14,396,250	\$ -	\$ 648,200	\$ 13,748,050	\$ 679,375
Premium on bonds	192,784	-	10,429	182,355	-
Revenue bonds	95,000	-	45,000	50,000	50,000
Capital leases	249,888	125,000	76,598	298,290	77,225
Compensated absences	290,175	191,643	151,513	330,305	66,061
Governmental activity					
Long-term liabilities	<u>\$ 15,224,097</u>	<u>\$ 316,643</u>	<u>\$ 931,740</u>	<u>\$ 14,609,000</u>	<u>\$ 872,661</u>
<b>Business-type activities</b>					
General obligation bonds	\$ 3,828,750	\$ -	\$ 206,800	\$ 3,621,950	\$ 210,625
Capital leases	37,399	-	37,399	-	-
Compensated absences	40,280	24,972	30,185	35,067	7,014
Business-type activity					
Long-term liabilities	<u>\$ 3,906,429</u>	<u>\$ 24,972</u>	<u>\$ 274,384</u>	<u>\$ 3,657,017</u>	<u>\$ 217,639</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, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	1,070,000	-	40,000	1,030,000	40,000
Texas leverage fund loan	1,700,000	-	1,091,348	608,652	34,907
Long-term liabilities	<u>2,770,000</u>	<u>-</u>	<u>1,131,348</u>	<u>1,638,652</u>	<u>74,907</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, 2012, 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, 2012, 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 state-wide 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.

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 from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

(continued)

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

**Employees' Retirement System** (Continued)

**Plan Description** (Continued)

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 2011</u>	<u>Plan Year 2012</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>
09/30/10	\$ 423,627	100%	-
09/30/11	432,356	100%	-
09/30/12	413,503	100%	-

(continued)

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

**Employees' Retirement System** (Continued)

**Contributions** (Continued)

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Actuarial Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	23.1 years; closed period	21.9 years; closed period	21.0 years; closed period
Amortization period for new gains/losses	25 years	25 years	25 years
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment rate of return *	7.5%	7.0%	7.0%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service
* Includes inflation at	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%

**Funded Status and Funding Progress**

The funded status as of December 31, 2011, the most recent actuarial valuation date, 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
12/31/2011	\$ 7,065,871	\$ 9,646,174	73.3%	\$ 2,580,303	\$ 3,521,706	73.3%

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.

(continued)

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

**Employees' Retirement System** (Continued)

**Funded Status and Funding Progress** (Continued)

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.

**Other Postemployment Benefits**

**Supplemental Death Benefits Fund**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

**Contributions**

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Schedule of Contribution Rates			
(RETIREE-only portion of the rate)			
Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2010	0.02%	0.02%	100%
2011	0.02%	0.02%	100%
2012	0.02%	0.02%	100%

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**CITY OF KENNEDALE, TEXAS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 2,900,182	\$ 2,900,182	\$ 2,846,647	\$( 53,535)
Sales	1,189,997	1,189,997	1,298,044	108,047
Franchise fees	782,960	823,160	856,096	32,936
Licenses and permits	220,520	220,520	253,914	33,394
Fines and forfeitures	342,610	342,610	244,884	( 97,726)
Public safety fees	196,300	196,300	210,676	14,376
Intergovernmental	75,150	75,150	83,005	7,855
Charges for service	489,453	489,453	418,826	( 70,627)
Investment earnings	4,612	4,612	1,457	( 3,155)
Other	90,580	116,580	131,547	14,967
Total revenues	<u>6,292,364</u>	<u>6,358,564</u>	<u>6,345,096</u>	<u>( 13,468)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,267,268	1,326,534	1,276,738	49,796
Public safety	4,167,032	4,259,136	4,148,970	110,166
Public works	836,683	876,883	840,656	36,227
Culture and recreation	260,532	260,532	251,035	9,497
Capital outlay	230,811	230,811	202,874	27,937
Total expenditures	<u>6,762,326</u>	<u>6,953,896</u>	<u>6,720,273</u>	<u>233,623</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>( 469,962)</u>	<u>( 595,332)</u>	<u>( 375,177)</u>	<u>220,155</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of capital lease	-	125,000	125,000	-
Total other financing sources (uses)	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 469,962)</u>	<u>( 470,332)</u>	<u>( 250,177)</u>	<u>220,155</u>
<b>FUND BALANCE, BEGINNING</b>	<u>1,363,996</u>	<u>1,363,996</u>	<u>1,363,996</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 894,034</u>	<u>\$ 893,664</u>	<u>\$ 1,113,819</u>	<u>\$ 220,155</u>

**CITY OF KENNEDALE, TEXAS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**  
**(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
12/31/2009	\$ 4,670,569	\$ 7,116,315	65.6%	\$ 2,445,746	\$ 3,681,826	66.4%
12/31/2010	6,207,310	8,935,379	69.5%	2,728,069	3,500,073	77.9%
12/31/2011	7,065,871	9,646,174	73.3%	2,580,303	3,521,706	73.3%

CITY OF KENNEDALE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2012

(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. All significant supplemental appropriations were offset either by increased revenue or decreased expenditures in other accounts. Appropriations did not exceed budget for the General Fund or the Debt Service Fund.

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**COMBINING FUND  
STATEMENTS AND SCHEDULES**

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## 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.

*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, 2012**

	Special Revenue Funds	
	Police Seizure	LEOSE Fund
<b>ASSETS</b>		
Cash and investments	\$ 9,666	\$ 1,290
Receivables (net of allowance for uncollectibles):		
Other	-	-
Total assets	\$ 9,666	\$ 1,290
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 900
Total liabilities	-	900
<b>FUND BALANCES</b>		
Restricted for:		
Public safety	9,666	390
Capital projects	-	-
Total fund balances	9,666	390
Total liabilities and fund balances	\$ 9,666	\$ 1,290

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>
\$ 60	\$ 6,546	\$ 96,929	\$ 5,433	\$ 119,924
<u>-</u>	<u>47,680</u>	<u>-</u>	<u>14</u>	<u>47,694</u>
<u>\$ 60</u>	<u>\$ 54,226</u>	<u>\$ 96,929</u>	<u>\$ 5,447</u>	<u>\$ 167,618</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 900</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>900</u>
<u>60</u>	<u>54,226</u>	<u>96,929</u>	<u>5,447</u>	<u>10,056</u>
<u>60</u>	<u>54,226</u>	<u>96,929</u>	<u>5,447</u>	<u>156,662</u>
<u>\$ 60</u>	<u>\$ 54,226</u>	<u>\$ 96,929</u>	<u>\$ 5,447</u>	<u>\$ 166,718</u>
<u>\$ 60</u>	<u>\$ 54,226</u>	<u>\$ 96,929</u>	<u>\$ 5,447</u>	<u>\$ 167,618</u>

**CITY OF KENNEDALE, TEXAS**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Special Revenue Funds	
	Police Seizure	LEOSE Fund
<b>REVENUES</b>		
Fines and forfeitures	\$ -	\$ -
Licenses and permits	-	-
Investment earnings	7	1
Other	-	-
Total revenues	7	1
<b>EXPENDITURES</b>		
Current:		
Public safety	-	900
Culture recreation	-	-
Total expenditures	-	900
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	7	( 899)
<b>OTHER FINANCING SOURCES(USES)</b>		
Transfers out	-	-
Total other financing sources	-	-
<b>NET CHANGE IN FUND BALANCES</b>	7	( 899)
<b>FUND BALANCES, BEGINNING</b>	9,659	1,289
<b>FUND BALANCES, ENDING</b>	\$ 9,666	\$ 390

Capital Projects Funds				Total
Park Dedication	Capital Projects	Roadway Impact Fee	Library Building	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 1,554	\$ 1,554
-	-	58,007	-	58,007
-	12	48	6	74
<u>900</u>	<u>98,209</u>	<u>-</u>	<u>1,865</u>	<u>100,974</u>
<u>900</u>	<u>98,221</u>	<u>58,055</u>	<u>3,425</u>	<u>160,609</u>
-	-	-	-	900
<u>841</u>	<u>-</u>	<u>-</u>	<u>5,227</u>	<u>6,068</u>
<u>841</u>	<u>-</u>	<u>-</u>	<u>5,227</u>	<u>6,968</u>
<u>59</u>	<u>98,221</u>	<u>58,055</u>	<u>( 1,802)</u>	<u>153,641</u>
<u>-</u>	<u>(92,038)</u>	<u>-</u>	<u>-</u>	<u>( 92,038)</u>
<u>-</u>	<u>( 92,038)</u>	<u>-</u>	<u>-</u>	<u>( 92,038)</u>
<u>59</u>	<u>6,183</u>	<u>58,055</u>	<u>( 1,802)</u>	<u>61,603</u>
<u>1</u>	<u>48,043</u>	<u>38,874</u>	<u>7,249</u>	<u>105,115</u>
<u>\$ 60</u>	<u>\$ 54,226</u>	<u>\$ 96,929</u>	<u>\$ 5,447</u>	<u>\$ 166,718</u>

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**CITY OF KENNEDALE, TEXAS**

**DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes - property	\$ 1,140,015	\$ 1,140,015	1,136,082	\$( 3,933)
Investment earnings	230	230	168	( 62)
Other	<u>153,119</u>	<u>153,119</u>	<u>153,119</u>	<u>-</u>
Total revenues	<u>1,293,364</u>	<u>1,293,364</u>	<u>1,289,369</u>	<u>( 3,995)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	751,913	751,913	751,913	-
Interest and fiscal charges	<u>604,722</u>	<u>604,722</u>	<u>589,539</u>	<u>15,183</u>
Total debt service	<u>1,356,635</u>	<u>1,356,635</u>	<u>1,341,452</u>	<u>15,183</u>
Total expenditures	<u>1,356,635</u>	<u>1,356,635</u>	<u>1,341,452</u>	<u>15,183</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>( 63,271)</u>	<u>( 63,271)</u>	<u>( 52,083)</u>	<u>11,188</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>85,000</u>	<u>85,000</u>	<u>92,038</u>	<u>7,038</u>
Total other financing sources (uses)	<u>85,000</u>	<u>85,000</u>	<u>92,038</u>	<u>7,038</u>
<b>NET CHANGE IN FUND BALANCE</b>	21,729	21,729	39,955	18,226
<b>FUND BALANCE, BEGINNING</b>	<u>51,765</u>	<u>51,765</u>	<u>51,765</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 73,494</u>	<u>\$ 73,494</u>	<u>\$ 91,720</u>	<u>\$ 18,226</u>

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## **STATISTICAL SECTION**

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CITY OF KENNEDALE, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
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
<b>Financial Trends</b> 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
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	5-8
<b>Debt Capacity</b> 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
<b>Economic and Demographic Indicators</b> 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
<b>Operating Information</b> 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.

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## CITY OF KENNEDALE, TEXAS

## NET ASSETS BY COMPONENT

## LAST NINE FISCAL YEARS

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities:</b>									
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	\$ 20,730,909
Restricted	301,751	2,070,810	259,631	78,464	48,766	12,623	38,754	1,936,156	288,215
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>	<u>782,589</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>	<u>\$ 21,801,713</u>
<b>Business-type activities:</b>									
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	\$ 10,304,477
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>	<u>1,524,225</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>	<u>\$ 11,828,702</u>
<b>Primary government:</b>									
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	\$ 31,035,386
Restricted	736,492	2,706,152	1,184,616	1,003,449	48,766	12,623	38,754	1,936,156	288,215
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>	<u>2,306,814</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>	<u>\$ 33,630,415</u>

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

TABLE 2

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

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>EXPENSES</b>									
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	\$ 1,400,946
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	4,334,370
Public works	965,265	909,595	1,030,851	1,227,223	1,162,378	1,279,797	956,657	1,386,156	1,209,842
Culture and recreation	131,418	138,623	254,602	251,217	273,145	324,858	346,896	335,884	344,900
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	578,936
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>	<u>7,868,994</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	3,240,582
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>	<u>3,240,582</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>	<u>\$ 11,109,576</u>
<b>PROGRAM REVENUES</b>									
Governmental activities:									
Charges for services:									
General government	\$ 542,504	\$ 712,712	\$ 958,694	\$ 489,421	\$ 578,314	\$ 476,934	\$ 487,416	\$ 514,732	\$ 668,345
Public safety	487,236	627,204	717,527	648,597	607,201	485,605	435,195	460,983	459,955
Public works	41,172	106,801	175,655	57,840	37,377	26,018	25,174	44,910	58,007
Culture and recreation	119,819	50,571	115,403	66,291	2,424	2,180	1,674	2,023	1,554
Operating grants and contributions	108,948	139,802	99,692	191,039	143,139	74,554	67,924	64,217	83,005
Capital grants and contributions	3,432	1,346,349	1,397,176	-	402,146	1,215	1,424,036	2,793,402	2,872,517
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>	<u>4,143,383</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	3,264,892
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>	<u>3,264,892</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>	<u>\$ 7,408,275</u>
<b>NET (EXPENSE) REVENUES</b>									
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)	\$( 3,725,611)
Business-type activities	( 38,313)	287,658	1,424,085	174,344	42,452	111,083	( 145,508)	299,312	24,310
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>	<u>( 3,701,301)</u>

(continued)

## CITY OF KENNEDALE, TEXAS

## CHANGES IN NET ASSETS

(Continued)

## LAST NINE FISCAL YEARS

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>									
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	4,010,855
Franchise	489,571	468,431	511,818	693,093	704,743	799,291	755,273	808,918	856,096
Sales	1,035,153	1,004,050	1,069,028	973,244	993,288	1,065,875	1,488,953	1,222,642	1,298,044
Investment earnings	69,513	104,592	239,006	242,876	190,424	86,660	14,263	6,401	2,885
Miscellaneous	79,919	119,841	173,600	193,773	401,026	815,390	363,708	976,899	385,640
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>	<u>6,553,520</u>
Business-type activities:									
Investment earnings	13,798	37,538	86,434	214,352	135,778	30,642	5,220	1,925	1,291
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>	<u>1,291</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>	<u>6,554,811</u>
<b>CHANGE IN NET ASSETS</b>									
Governmental activities	253,211	1,614,407	1,742,524	( 161,780)	83,578	204,747	( 614,445)	2,951,960	2,827,909
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>	<u>25,601</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>	<u>\$ 2,853,510</u>

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

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CITY OF KENNEDALE, TEXAS

FUND BALANCES  
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Reserved	\$ 69,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	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	5,751
Unassigned	-	-	-	-	-	-	-	-	1,332,648	1,108,068
Total general fund	<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>	<u>\$ 1,113,819</u>
All other governmental funds										
Reserved	\$ 1,074,872	\$ 39,994	\$ 53,381	\$ 61,105	\$ 78,464	\$ 48,766	\$ 12,623	\$ 38,754	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	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	-	-
Nonspendable	-	-	-	-	-	-	-	-	800	800
Restricted for:										
Debt service funds	-	-	-	-	-	-	-	-	50,965	90,920
Public safety	-	-	-	-	-	-	-	-	10,948	10,056
Capital projects funds	-	-	-	-	-	-	-	-	1,874,243	187,239
Total all other governmental funds	<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>	<u>\$ 289,015</u>

TABLE 4

## CITY OF KENNEDALE, TEXAS

CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>REVENUES</b>										
Taxes	\$ 3,523,656	\$ 3,905,474	\$ 3,970,553	\$ 4,211,922	\$ 4,501,130	\$ 4,937,787	\$ 5,559,101	\$ 6,175,282	\$ 5,862,988	\$ 6,136,869
Licenses, fees and permits	203,790	388,004	526,515	863,073	533,138	328,638	183,454	191,016	209,047	311,921
Fines and penalties	253,322	238,595	205,432	338,261	409,850	348,630	276,347	234,065	259,073	246,438
Public safety fees	65,935	243,963	340,433	217,560	237,691	257,942	209,253	200,904	201,483	210,676
Charges for services	302,829	315,752	345,522	389,187	81,470	292,252	321,683	323,474	353,045	418,826
Special assessments	5,230	-	-	-	-	-	-	-	-	-
Intergovernmental	-	108,948	216,048	255,888	141,039	43,139	74,554	1,487,099	2,278,514	2,955,522
Investment earnings	48,401	69,513	104,592	239,006	242,876	190,424	86,660	14,263	6,401	2,855
Contributions	-	-	-	-	-	-	1,215	4,861	579,105	-
Other revenues	187,742	87,768	142,528	179,586	243,773	901,026	815,390	363,708	976,899	385,640
Total revenues	4,590,905	5,358,017	5,851,723	6,694,483	6,390,967	7,299,838	7,527,657	8,994,672	10,726,555	10,668,747
<b>EXPENDITURES</b>										
General government	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	1,276,738
Public Safety	290,144	379,205	764,102	566,520	593,442	530,189	435,273	440,498	513,351	553,941
Police	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	1,963,838
Fire	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	1,632,091
Other public works	347,854	587,872	569,404	764,483	793,397	685,053	874,612	613,759	974,083	840,656
Parks and recreation	90,635	36,089	40,524	38,657	39,086	37,147	39,689	40,935	49,279	47,298
Library	68,125	72,746	86,576	203,345	147,622	167,809	188,146	200,573	210,914	209,805
Economic development	-	-	-	-	-	-	-	2,006,635	-	-
Capital outlay	88,601	108,369	38,797	708,868	717,577	623,084	2,311,107	5,958,166	7,527,192	4,826,076
Debt service										
Principal	122,036	142,067	144,582	152,685	171,139	450,944	453,480	488,495	660,969	751,913
Interest and fiscal charges	176,198	159,271	156,818	199,551	175,078	248,077	434,390	452,946	494,039	589,539
Bond issuance costs	-	-	-	-	-	156,195	-	87,409	114,480	-
Total expenditures	4,428,383	4,748,988	5,439,056	6,760,878	6,896,339	7,841,322	9,548,109	15,578,802	15,286,757	12,691,895

(continued)

CITY OF KENNEDALE, TEXAS

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ 162,522	\$ 609,029	\$ 412,667	\$ (66,395)	\$ (505,372)	\$ (541,484)	\$ (2,020,452)	\$ (6,584,130)	\$ (4,560,202)	\$ (2,023,148)
<b>OTHER FINANCING SOURCES (USES)</b>										
Debt issuance	-	-	790,000	-	2,995,388	7,235,000	-	2,000,000	3,260,000	-
Issuance of capital lease	-	-	-	-	-	-	-	154,388	119,597	125,000
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	2,954	1,952	97,187	73,714	57,545	599,646	397,667	158,850	949,476	92,038
Transfers out	(2,954)	(1,952)	(97,187)	(73,714)	(57,545)	(579,646)	(341,895)	(158,850)	(949,476)	(92,038)
Total other financing sources (uses)	19,866	-	755,584	109,666	375,265	7,317,571	55,772	2,239,807	3,443,213	125,000
<b>NET CHANGE IN FUND BALANCES</b>	\$ 182,388	\$ 609,029	\$ 1,168,251	\$ 43,271	\$ (130,107)	\$ 6,776,087	\$ (1,964,680)	\$ (4,344,323)	\$ (1,116,989)	\$ (1,898,148)
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	6.9%	6.5%	5.6%	5.8%	5.6%	12.1%	12.9%	10.1%	15.3%	17.7%

## 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
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
2012	395,279,350	153,044,584	68,930,946	70,604,766	\$ 546,650,114	\$ 0.722500	546,171,493

Source: Tarrant Appraisal District Totals Report (September 01, 2011).

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
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
2012	\$ 0.516013	\$ 0.206487	\$ -	\$ 0.722500	\$ 1.512068	\$ 0.264000	\$ 0.148970	\$ 0.227897

Source: Tarrant Appraisal District (2011 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	2012		2003	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Goss International Americas Inc	17,875,636	3.27%	\$ -	- %
Chesapeake Operating	16,809,770	3.08%	-	- %
XTO Energy Inc	9,979,290	1.83%	-	- %
FWT Inc	9,215,766	1.69%	-	- %
Hawk Steel Industrial Inc	7,412,728	1.36%	1,683,190	0.53%
Kennedale Holdings LLC	6,667,908	1.22%	-	- %
Oncor Electric Delivery Co LLC	6,624,422	1.21%	-	- %
Trinidad Drilling LP	5,800,000	1.06%	-	- %
Harrison Jet Guns II LP	5,017,354	0.92%	2,852,560	0.90%
Hexpol Compounding LLC	4,898,074	0.90%	-	- %
Heidelberg Web Press Inc	-	- %	13,796,377	4.34%
Southwestern Bell	-	- %	9,578,254	3.02%
TXU Electric Co	-	- %	7,070,831	2.23%
Poly One Corp & MA Hanna Co.	-	- %	3,846,683	1.21%
Snikwah, LP	-	- %	2,817,664	0.89%
Tealwood Apartments Ltd Prtshp	-	- %	2,167,165	0.68%
Bloxom, DE Sr. Fnd Rp Hold LLC	-	- %	2,046,954	0.64%
Sovran Acquisition Ltd Prtshp	-	- %	1,930,530	0.61%
Total	\$ <u>90,300,948</u>	<u>5.31%</u>	\$ <u>47,790,208</u>	<u>14.52%</u>
Total City Taxable Assessed Value	<u><u>546,650,114</u></u>		<u><u>317,578,299</u></u>	

Source: Tarrant Appraisal District (October 1, 2011 Top Taxpayers & October 1, 2002 Top Taxpayers).

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

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected With the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2012	3,964,881	3,890,850	98.13%	52,738	3,943,588	99%

Source: Tarrant County Tax Office, Summary Part C (As Of September 30, 2012).

**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			
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
2012	-	50,000	13,748,050	298,290	-	-	-	3,621,950	-	17,718,290	0.28%	2,605.6

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.

The City entered into a capital lease for \$339,000 for equipment - split between Governmental Activities 67.65% and Business Activities 32.35%.

The 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.

The City entered into a capital lease for \$125,000 for police radios in 2012. First principal payment due 2013.

The City entered into a capital lease for \$1,539,536 for Global Water Automatic Meter Reader (AMR) equipment in 2012. First principal payment due 2013.

**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		
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
2012	13,748,050	50,000	13,798,050	2.52%	\$ 2,029.1

Source: Table 5, 9 and 14.

## CITY OF KENNEDALE, TEXAS

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER, 2012

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Direct Debt (Table 9)			
City of Kennedale, Texas	\$ 14,096,340	100.000%	\$ 14,096,340
Subtotal, Direct Debt	<u>14,096,340</u>		
Overlapping Debt			
Arlington ISD	470,403,141	0.020%	94,081
Fort Worth ISD	715,693,282	0.080%	572,555
Kennedale ISD	46,481,068	39.000%	18,127,617
Tarrant County	317,725,000	0.380%	1,207,355
Tarrant County College District	20,765,026	0.380%	78,907
Tarrant County Hospital District	56,385,000	0.380%	214,263
Subtotal, Overlapping Debt	<u>1,627,452,517</u>		<u>20,294,777</u>
Total, Direct and Overlapping Debt			<u>\$ 34,391,117</u>
Ratio, Direct and Overlapping Debt to Taxable Assessed Valuation (Table 5)			<u>6.30%</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 2012 was established at \$0.722500 per \$100 assessed valuation based on 100% of net taxable value.

**CITY OF KENNEDALE, TEXAS**  
**PLEDGED REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Water Revenue Bonds						Special Assessment Bonds				Sales Tax Increment Bonds		
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage	Sales Tax Increment	Debt Service	
				Principal	Interest			Principal	Interest			Principal	Interest
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	157,140	\$ 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	-	-	-	-	-	-	-
2011	3,264,892	2,604,618	\$ 660,274	210,625	142,623	\$ 1.87	-	-	-	-	-	-	-

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**

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
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%
2012	6,800	49,091	53,901	6.3%

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 FIVE YEARS AGO**

Employer	2012		2007	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Fort Worth Tower	470	28.62%	202	15.87%
Kennedale Independent School District	411	25.03%	375	29.46%
Speed Fab Crete	121	7.37%	125	9.82%
ARK Contracting Services	115	7.00%	-	- %
City of Kennedale	86	5.24%	85	6.68%
Harrison Jet Guns	92	5.60%	-	- %
Excel Polymers	76	4.63%	92	7.23%
Texas Tile	55	3.35%	-	- %
Mike Conkle's Custom Cabinets	52	3.17%	49	3.85%
Goss International	40	2.44%	115	9.03%
US Galvanizing LP	34	2.07%	45	3.53%
Stovall Electric	30	1.83%	30	2.36%
H&O Die Supply	17	1.04%	-	- %
RE Watson & Associates	15	0.91%	15	1.18%
Redi-Mix LP	14	0.85%	33	2.59%
Global Servo Hydraulics	9	0.55%	-	- %
Wear Master	5	0.30%	-	- %
Pro-Fab Equipment	-	- %	32	2.51%
Grover Corporation	-	- %	25	1.96%
Rebar Service and Supply	-	- %	50	3.93%
<b>Total</b>	<b>1,642</b>	<b>100.00%</b>	<b>1,273</b>	<b>100.00%</b>

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Management services	3.5	2.5	3.5	3.5	4.0	3.5	3.5	3.5	3.5	3.5
Finance	4.0	3.0	3.0	3.0	3.0	2.5	2.5	2.5	2.5	2.5
Planning	3.0	5.0	3.0	4.0	3.5	2.0	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	1.0
Other	3.0	3.0	4.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0
Police										
Officers	19.0	19.0	19.0	22.0	23.0	20.0	19.0	19.0	19.0	19.0
Civilians	5.0	6.0	5.5	6.0	6.5	6.5	7.5	7.5	7.5	7.5
Fire										
Firefighters and officers	15.0	17.0	16.0	16.0	20.0	17.0	17.0	17.0	17.0	17.0
Civilians	3.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Refuse Collection	-	-	-	-	-	-	-	-	-	-
Other public works										
Engineering	-	-	-	-	-	-	-	-	-	-
Other	6.0	5.0	5.0	5.0	6.0	5.0	5.0	5.0	5.0	5.0
Redevelopment	0.5	0.5	0.5	0.5	1.0	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	1.0
Library	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Water	9.0	7.0	8.0	8.0	9.0	9.5	11.0	10.5	14.5	14.5
Wastewater	1.0	1.0	-	-	-	-	-	-	-	-
Transit	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<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>	<u>80.0</u>

Source: FY2011-12 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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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 2014.

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

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	-	-	-	-	-	-	-	-	-	-

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