

CITY OF KENNEDALE, TEXAS

GENERAL PURPOSE
FINANCIAL STATEMENTS

SEPTEMBER 30, 1994

GUINN & SCOTT
CERTIFIED PUBLIC ACCOUNTANTS

GUINN & SCOTT
CERTIFIED PUBLIC ACCOUNTANTS

C. N. GUINN, C.P.A.
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(817) 335-5453
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February 6, 1995

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

Gentlemen:

During the course of The City's audit for the fiscal year ended September 30, 1994, we discussed several comments and recommendations with management regarding your operational policies and procedures and internal control as follows:

Reportable Condition

For segregation of duties for a small government see separate report.

Employee Fidelity Bond

The Council has previously determined that this coverage was not cost effective.

Cash Position

The cash and cash equivalents decreased \$283,075 during the year to \$1,094,980.

The control over cash and investment transfers have been tightened.

Bi-Weekly Payroll

This is much better than weekly payroll.

Operations

The city administrator, department heads and their staffs continue to be very conscientious and efficient.

We wish to thank the staff for the continued courtesies and cooperation extended to us during the course of our audit. Vicki and her staff, as always, were very helpful.

Yours very truly,

GUINN & SCOTT, CPA'S

C. N. Guinn, C.P.A.

CNG/lda

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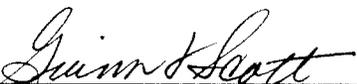
(817) 335-5453
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Honorable Mayor, City Council and
City Administrator
City of Kennedale
Kennedale, Texas

In planning and performing our audit of the general purpose financial statements of The City of Kennedale for the year ended September 30, 1994, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect Kennedale's ability to record, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Because the government is small, there are too few employees to permit an adequate segregation of duties.

This report is intended solely for the information and use of the City Council, Management, and others within the administration.



GUINN & SCOTT, CPA'S

2-6-95

DATE

CITY OF KENNEDALE, TEXAS
GENERAL PURPOSE
FINANCIAL STATEMENTS
SEPTEMBER 30, 1994

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

We have audited the accompanying general purpose financial statements of the City of Kennedale, Texas, as of and for the year ended September 30, 1994, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City of Kennedale, Texas, as of September 30, 1994, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.



GUINN & SCOTT

Fort Worth, Texas
January 25, 1995

CITY OF KENNEDALE, TEXAS
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 1994

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPES		ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)	
	GENERAL	DEBT SERVICE	ENTERPRISE		GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	SEPTEMBER 30:	
			WATER AND SEWER	AMBULANCE			1994	1993
ASSETS								
Cash (Note 2)	\$ 19,949	\$ 11,441	\$ 55,071	\$(1,486)	\$	\$	\$ 84,975	\$ 63,028
Investments at cost (Note 2)	509,765		367,594	15,402			892,761	1,190,963
Receivables (net of allowance for estimated uncollectible accounts of \$73,722 in 1993 & \$50,680 in 1994):								
Taxes (Note 3)	38,038	6,040					44,078	32,536
Accounts	72,783		113,384	3,967			190,134	180,455
Accrued interest	293						293	0
Due from other funds (Note 10)	30,000		827	405			31,232	391
Due from other governments (Note 4)	34,308						34,308	32,295
Restricted Assets:								
Cash (Note 2)			1,095				1,095	2,303
Investments (Note 2)			116,150				116,150	121,762
Accrued interest			111				111	36
Property, plant and equipment (net where applicable of accumulated depreciation of \$1,839,887) (Notes 5 & 8)			4,463,354	77,360	5,471,203		10,011,917	9,488,564
Amount available in Debt Service Fund						11,799	11,799	14,141
Amount to be provided for retirement of general long- term debt						448,768	448,768	493,366
TOTAL ASSETS	\$ 705,136	\$ 17,481	\$ 5,117,586	\$ 95,648	\$ 5,471,203	\$ 460,567	\$ 11,867,621	\$ 11,619,840

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

CITY OF KENNEDALE, TEXAS
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 SEPTEMBER 30, 1994

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPES		ACCOUNT GROUPS		TOTALS		
	GENERAL	DEBT SERVICE	ENTERPRISE		GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	(MEMORANDUM ONLY)		
			WATER AND SEWER	AMBULANCE			SEPTEMBER 30:		
						1994	1993		
LIABILITIES									
Accounts payable	\$ 145,956		\$ 84,251	\$ 3,503			\$ 233,710	\$ 408,075	
Accrued liabilities	82,139		13,198	4,734			100,071	80,546	
Revenue bonds - Current (Note 8)							0	9,167	
Payable from restricted assets:									
Revenue bonds (Note 8)			20,000				20,000	833	
Deposits			87,796				87,796	83,741	
Accrued interest			104				104	156	
Due to other funds (Note 10)	1,232			30,000			31,232	391	
Due to other governments	269						269	0	
Deferred revenue (Note 3)	35,458	5,682					41,140	27,236	
Notes payable (Note 8)							312,567	326,507	
General obligation bonds payable (Note 8)							148,000	181,000	
Revenue bonds payable after one year (Note 8)									
			0				0	20,000	
TOTAL LIABILITIES	\$ 265,054	\$ 5,682	\$ 205,349	\$ 38,237	\$	\$ 460,567	\$ 974,889	\$ 1,137,652	
FUND EQUITY									
Contributed capital:									
Municipality	\$	\$	\$ 1,079,119	\$ 622	\$	\$	\$ 1,079,741	\$ 1,079,741	
Developers			1,105,668				1,105,668	961,954	
Federal grants			1,923,323				1,923,323	1,923,323	
Customers				5,281			5,281	5,281	
Investments in general fixed assets						5,471,203	5,471,203	5,031,036	
Retained earnings:									
Reserved for revenue bond retirement, loans			9,456	30,000			39,456	30,204	
Unreserved			794,671	21,508			816,179	861,099	
Fund balances:									
Reserved for encumbrances	57,487						57,487	57,487	
Reserved for automotive sub-fund	29,108						29,108	41,793	
Unreserved:									
Designated for debt service		11,799					11,799	14,141	
Designated for subsequent years' expenditures	218,489						218,489	222,689	
Undesignated	134,998						134,998	253,440	
TOTAL FUND EQUITY	\$ 440,082	\$ 11,799	\$ 4,912,237	\$ 57,411	\$ 5,471,203	\$	\$ 10,892,732	\$ 10,482,188	
TOTAL LIABILITIES AND FUND EQUITY	\$ 705,136	\$ 17,481	\$ 5,117,586	\$ 95,648	\$ 5,471,203	\$ 460,567	\$ 11,867,621	\$ 11,619,840	

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

CITY OF KENNEDALE, TEXAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED SEPTEMBER 30, 1994

REVENUES:	ALL GOVERNMENTAL FUND TYPES		TOTALS (MEMORANDUM ONLY)	
	GENERAL	DEBT SERVICE	SEPTEMBER 30:	
			1994	1993
Taxes				
Property taxes	\$ 642,825	\$ 87,665	\$ 730,490	\$ 712,245
Franchise taxes	247,328		247,328	208,256
Sales taxes	<u>365,802</u>		<u>365,802</u>	<u>367,584</u>
Total Taxes	\$ 1,255,955	\$ 87,665	\$ 1,343,620	\$ 1,288,085
Licenses and permits	47,869		47,869	36,829
Intergovernmental revenues	119,845		119,845	113,614
Charges for services	84,316		84,316	75,652
Fines and forfeits	122,320		122,320	113,353
Miscellaneous:				
Interest on investments	19,776		19,776	25,286
Other	<u>83,300</u>		<u>83,300</u>	<u>63,929</u>
TOTAL REVENUES	<u>\$ 1,733,381</u>	<u>\$ 87,665</u>	<u>\$ 1,821,046</u>	<u>\$ 1,716,748</u>
EXPENDITURES:				
Current:				
General government	\$ 417,093	\$	\$ 417,093	\$ 423,477
Public safety:				
Police	704,178		704,178	657,738
Fire	331,797		331,797	399,581
Public works and streets	376,476		376,476	263,810
Culture and recreation	39,164		39,164	39,178
Debt service:				
Principal retirement		78,987	78,987	68,394
Interest and fiscal charges		<u>11,020</u>	<u>11,020</u>	<u>12,842</u>
TOTAL EXPENDITURES	<u>\$ 1,868,708</u>	<u>\$ 90,007</u>	<u>\$ 1,958,715</u>	<u>\$ 1,865,020</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (135,327)</u>	<u>\$ (2,342)</u>	<u>\$ (137,669)</u>	<u>\$ (148,272)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out				15,337
TOTAL OTHER FINANCING SOURCES (USES)				<u>\$ (15,337)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (135,327)</u>	<u>\$ (2,342)</u>	<u>\$ (137,669)</u>	<u>\$ (163,609)</u>
Fund Balance, October 1	<u>575,409</u>	<u>14,141</u>	<u>589,550</u>	<u>753,159</u>
Fund Balance, September 30	<u>\$ 440,082</u>	<u>\$ 11,799</u>	<u>\$ 451,881</u>	<u>\$ 589,550</u>
	=====	=====	=====	=====

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

CITY OF KENNEDALE, TEXAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL AND DEBT SERVICE FUNDS
 YEAR ENDED SEPTEMBER 30, 1994

	GENERAL FUND			DEBT SERVICE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:						
Taxes						
Property taxes	\$ 640,244	\$ 642,825	\$ 2,581	\$ 87,307	\$ 87,665	\$ 358
Franchise taxes	234,591	247,328	12,737			
Sales taxes	<u>365,802</u>	<u>365,802</u>	<u>0</u>			
Total taxes	\$ 1,240,637	\$ 1,255,955	\$ 15,318	\$ 87,307	\$ 87,665	\$ 358
Licenses and permits	47,869	47,869	0			
Intergovernmental revenues	119,845	119,845	0			
Charges for services	84,316	84,316	0			
Fines and forfeits	122,320	122,320	0			
Miscellaneous						
Interest on investments	19,483	19,776	293			
Other	<u>67,512</u>	<u>83,300</u>	<u>15,788</u>			
TOTAL REVENUES	\$ 1,701,982	\$ 1,733,381	\$ 31,399	\$ 87,307	\$ 87,665	\$ 358
EXPENDITURES:						
General government	\$ 434,239	\$ 417,093	\$ 17,146	\$	\$	\$
Public safety:						
Police	676,481	704,178	(27,697)			
Fire	328,369	331,797	(3,428)			
Public works and streets	368,237	376,476	(8,239)			
Culture and recreation	46,161	39,164	6,997			
Debt service:						
Principal retirement				78,987	78,987	0
Interest and fiscal agent charges				<u>11,020</u>	<u>11,020</u>	<u>0</u>
TOTAL EXPENDITURES	\$ 1,853,487	\$ 1,868,708	\$(15,221)	\$ 90,007	\$ 90,007	\$ 0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$(151,505)	\$(135,327)	\$ 16,178	\$(2,700)	\$(2,342)	\$ 358

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

CITY OF KENNEDALE, TEXAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL AND DEBT SERVICE FUNDS
 YEAR ENDED SEPTEMBER 30, 1994
 (CONTINUED)

	GENERAL FUND			DEBT SERVICE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OTHER FINANCING SOURCES (USES):						
Operating transfers out	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL OTHER FINANCING SOURCES (USES) (NET)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (151,505)	\$ (135,327)	\$ 16,178	\$ (2,700)	\$ (2,342)	\$ 358
Fund Balance, October 1, 1993	<u>575,409</u>	<u>575,409</u>		<u>14,141</u>	<u>14,141</u>	
Fund Balance, September 30, 1994	\$ 423,904	\$ 440,082	\$ 16,178	\$ 11,441	\$ 11,799	\$ 358
	=====	=====	=====	=====	=====	=====

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

CITY OF KENNEDALE, TEXAS
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED
 EARNINGS
 PROPRIETARY FUND TYPES - ALL ENTERPRISE FUND TYPES
 YEAR ENDED SEPTEMBER 30, 1994

	<u>WATER AND SEWER FUND</u>	<u>AMBULANCE FUND</u>	<u>TOTALS (MEMORANDUM ONLY)</u>	
			<u>SEPTEMBER 30:</u>	
			<u>1994</u>	<u>1993</u>
OPERATING REVENUES				
Charges for services	\$ 869,634	\$ 151,882	\$ 1,021,516	\$ 1,107,831
OPERATING EXPENSES				
Personal services	\$ 212,748	\$ 89,509	\$ 302,257	\$ 288,443
Contractual services	16,264		16,264	18,584
Supplies	23,226	9,868	33,094	35,081
Materials	25,744	2,523	28,267	10,116
General services	224,778	29,441	254,219	240,567
Depreciation	155,515	11,605	167,120	161,493
Bad debts	2,123	16,924	19,047	64,381
Intergovernmental charges	250,861		250,861	269,577
TOTAL OPERATING EXPENSES	<u>\$ 911,259</u>	<u>\$ 159,870</u>	<u>\$ 1,071,129</u>	<u>\$ 1,088,242</u>
OPERATING INCOME (LOSS)	<u>\$(41,625)</u>	<u>\$(7,988)</u>	<u>\$(49,613)</u>	<u>\$ 19,589</u>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	14,784	1,510	16,294	11,681
Interest expense and fiscal charges	(2,057)	(293)	(2,350)	(3,599)
Other - Casualty gain				15,000
Sale of assets				225
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>\$ 12,727</u>	<u>\$ 1,217</u>	<u>\$ 13,944</u>	<u>\$ 23,307</u>
NET INCOME (LOSS)	<u>\$(28,898)</u>	<u>\$(6,771)</u>	<u>\$(35,669)</u>	<u>\$ 42,896</u>
RETAINED EARNINGS,				
October 1	<u>833,024</u>	<u>58,279</u>	<u>891,303</u>	<u>848,407</u>
RETAINED EARNINGS,				
September 30	<u>\$ 804,126</u>	<u>\$ 51,508</u>	<u>\$ 855,634</u>	<u>\$ 891,303</u>
	=====	=====	=====	=====

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

CITY OF KENNEDALE, TEXAS
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE - ALL ENTERPRISE FUND TYPES
 YEAR ENDED SEPTEMBER 30, 1994
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	WATER AND SEWER FUND	AMBULANCE FUND	TOTALS (MEMORANDUM ONLY)	
			SEPTEMBER 30:	
			1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 888,274	\$ 135,858	\$ 1,024,132	\$ 1,027,057
Cash paid to suppliers	(571,135)	(40,607)	(611,742)	(519,104)
Cash paid to employees	(208,818)	(88,059)	(296,877)	(290,446)
Net cash provided by operating activities	<u>\$ 108,321</u>	<u>\$ 7,192</u>	<u>\$ 115,513</u>	<u>\$ 217,507</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Insurance claims received - Net	\$	\$	\$	\$ 15,000
Water & sewer deposits	<u>4,055</u>	<u></u>	<u>4,055</u>	<u>4,396</u>
Net cash provided by noncapital financing activities	<u>\$ 4,055</u>	<u></u>	<u>\$ 4,055</u>	<u>\$ 19,396</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Sale of assets	\$	\$	\$	225
Contribution from General Fund				15,337
Proceeds from loan		30,000	30,000	0
Capital expenditures	(38,812)	(67,778)	(106,590)	(234,650)
Interest and fiscal charges paid	(2,109)		(2,109)	(3,723)
Payment of revenue bonds	(10,000)		(10,000)	(25,000)
Net cash used for capital and related financing activities	<u>\$(50,921)</u>	<u>\$(37,778)</u>	<u>\$(88,699)</u>	<u>\$(247,811)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investment securities	\$(28,354)	\$	\$(28,354)	\$(62,130)
Proceeds from maturities of investment securities	26,177		26,177	70,503
Interest on investments	<u>14,709</u>	<u>1,510</u>	<u>16,219</u>	<u>11,683</u>
Net cash provided by investing activities	<u>\$ 12,532</u>	<u>\$ 1,510</u>	<u>\$ 14,042</u>	<u>\$ 20,056</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	\$ 73,987	\$(29,076)	\$ 44,911	\$ 9,148
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>437,568</u>	<u>42,992</u>	<u>480,560</u>	<u>471,412</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 511,555</u>	<u>\$ 13,916</u>	<u>\$ 525,471</u>	<u>\$ 480,560</u>

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

CITY OF KENNEDALE, TEXAS
 COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY
 OPERATING ACTIVITIES
 PROPRIETARY FUND TYPE - ALL ENTERPRISE FUND TYPES
 YEAR ENDED SEPTEMBER 30, 1994

	WATER AND SEWER FUND	AMBULANCE FUND	TOTALS (MEMORANDUM ONLY)	
			SEPTEMBER 30:	
			1994	1993
OPERATING INCOME (LOSS)	\$(41,625)	\$(7,988)	(49,613)	\$ 19,589
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	155,515	11,605	167,120	161,493
Provision for uncollectible accounts	2,323	16,924	19,247	64,381
Change in assets and liabilities:				
Decrease in accounts receivable	18,439		18,439	0
Increase in accounts receivable		(16,024)	(16,024)	(80,774)
Decrease in due from other funds			0	3,068
Increase in due from other funds	(821)	(401)	(1,222)	0
Increase in accounts payable		1,627	1,627	58,600
Decrease in accounts payable	(29,439)		(29,439)	(7,520)
Increase in accrued liabilities	3,929	1,449	5,378	773
Decrease in accrued liabilities				(2,777)
Decrease in due to other funds				674
	-----	-----	-----	-----
Net cash provided by operating activities	\$ 108,321	\$ 7,192	\$ 115,513	\$ 217,507
	=====	=====	=====	=====

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

During the year C.D.B.G. paid for and contributed street improvements in the amount of	\$ 110,000	
and Kennedale Independent School District paid	2,472	\$ 112,472
Developers paid for and contributed waterlines and storm sewers in the amount of		280,620

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

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1994

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The reporting entity for financial reporting purposes include all activities over which the City Council exercises oversight responsibility. Therefore, the following are not included because they are autonomous entities:

Kennedale Public Library sponsored by Friends of
The Library - Kennedale.

Kennedale Independent School District - provides
educational services.

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

A. BASIS OF PRESENTATION - FUND ACCOUNTING

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

GOVERNMENTAL FUND TYPES

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

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1994

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

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

PROPRIETARY FUND TYPE

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

ACCOUNT GROUPS

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

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

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

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

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1994

B. BASIS OF ACCOUNTING

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

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

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

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

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

C. BUDGETARY DATA

(1) General Budget Policies

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

1. Prior to the beginning of the fiscal year, the City Administrator submits to the City Council a proposed budget. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance. The annual appropriations lapse at year end.
4. Revisions that alter the total expenditures of any fund must be approved by the City Council.

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1994

5. Budgets for the General and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts presented in the general purpose financial statements are as originally adopted and amended by the City Council.

D. ENCUMBRANCES

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

E. INVESTMENTS

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

F. GENERAL FIXED ASSETS

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

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

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

G. PROPERTY, PLANT AND EQUIPMENT - ENTERPRISE FUNDS

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

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

CITY OF KENNEDALE, TEXAS
 NOTES TO COMBINED FINANCIAL STATEMENTS
 SEPTEMBER 30, 1994

H. COMPENSATED ABSENCES

Vacation, sick leave and compensatory time are granted to City employees in limited amounts. Accumulated vested amounts that are expected to be liquidated with expendable available financial resources are accrued as expenditures and fund liabilities in the General Fund and Enterprise Funds. Liabilities accrued as of September 30, 1994 by fund are:

General Fund	\$	70,442.83
Water & Sewer Fund		11,993.41
Ambulance Fund		1,804.36
		\$ 84,240.60
		=====

I. RESERVES

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

J. UNBILLED CHARGES

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

K. TRANSACTIONS BETWEEN FUNDS

Residual equity transfers between funds are reported as changes to fund balances of governmental funds and contributed capital of the proprietary funds. There were none this year. All other transfers between funds are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

NOTE 2 - CASH AND INVESTMENTS

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

Deposits

At year-end, the carrying amount of the City's cash on hand and deposits was \$86,070 (including deposits in transit) and the bank balance was \$160,944. The bank balance was entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name.

CITY OF KENNEDALE, TEXAS
 NOTES TO COMBINED FINANCIAL STATEMENTS
 SEPTEMBER 30, 1994

Investments

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

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

	CATEGORY			CARRYING AMOUNT	MARKET VALUE
	1	2	3		
Treasury bills	\$ 28,354			\$ 28,354	\$ 28,465
Mutual funds/pools:					
Texpool				416,653	416,653
Lone Star Investment Pool				152,204	152,204
Treasury Cash Series-Federal funds				411,699	411,699
Total investments				\$ 1,008,910	\$ 1,009,021

Investments during the fiscal years ended September 30, 1993 and 1994 were limited to governmental pools investing in government securities and to U.S. Treasury obligations only.

NOTE 3 - PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each October 1 on the assessed value for all real property and certain personal property located in the City. The assessed value, net of exemptions, upon which the fiscal 1993-94 levy was based was approximately \$144,355,128.

General property taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 1994 was \$.50860 per \$100 of assessed valuation.

Property taxes are due by January 31 following the levy date. Current tax collections for the year ended September 30, 1994 were 97.04% of the tax levy. Beginning this fiscal year, property taxes are being collected by Tarrant County for the City.

CITY OF KENNEDALE, TEXAS
 NOTES TO COMBINED FINANCIAL STATEMENTS
 SEPTEMBER 30, 1994

Property taxes of \$732,509 were levied for 1993-94 and are recorded as receivables, net of estimated uncollectibles. The net receivables collected and those considered "available" at September 30, 1994 (i.e., property taxes collected within 60 days of year end) are recognized as revenues in 1994. Prior year levies were recorded using these same principles. The remaining receivables are reflected as deferred revenue.

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

NOTE 4 - DUE FROM OTHER GOVERNMENTS

The amount due for City sales tax revenue for September 1994 amounted to \$34,308.

NOTE 5 - FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>BALANCE OCTOBER 1, 1993</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE SEPTEMBER 30, 1994</u>
Land, buildings and improvements	\$1,570,714	\$ 10,656	\$	\$ 1,581,370
Machinery and equipment	1,373,420	149,775	51,125	1,472,070
Streets and other improvements	<u>2,086,902</u>	<u>330,861</u>	<u> </u>	<u>2,417,763</u>
	<u>\$5,031,036</u>	<u>\$ 491,292</u>	<u>\$ 51,125</u>	<u>\$ 5,471,203</u>

A summary of proprietary fund type property, plant and equipment at September 30, 1994 follows:

	<u>WATER AND SEWER FUND</u>	<u>AMBULANCE FUND</u>
Land	\$ 66,060	\$
Buildings, structures and improvements	5,903,951	
Machinery and equipment	<u>254,119</u>	<u>156,471</u>
	\$6,224,130	\$ 156,471
Less accumulated depreciation	<u>1,760,776</u>	<u>79,111</u>
	<u>\$4,463,354</u>	<u>\$ 77,360</u>

CITY OF KENNEDALE, TEXAS
 NOTES TO COMBINED FINANCIAL STATEMENTS
 SEPTEMBER 30, 1994

CAPITAL LEASES

Leased property at September 30, 1994 under Capital leases is capitalized in general fixed assets - Machinery and equipment in the amount of \$343,798.

The following is a schedule by years of future minimum lease payments under Capital leases together with the present value of the net minimum lease payments as of September 30, 1994:

Year ending September 30:

	\$	
1995		51,120
1996		49,229
1997		49,056
1998		49,056
1999		47,779
2000		45,987
2001		45,987
2002		45,987
2003		45,987
Total minimum lease payments	\$	430,188
Less: Amount representing interest		117,621
Present value of net minimum lease payments	\$	312,567

NOTE 6 - RISK MANAGEMENT

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

NOTE 7 - EMPLOYEE PLANS

a. Deferred Compensation Plan

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

b. Volunteer Fire/Ambulance Incentive Program (VIP)

This program was established March 9, 1989 by City Council as an incentive to encourage volunteers to join and/or stay in the program by providing life insurance and saving plan benefits. All costs are to be paid by

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1994

the City and includes furnishing \$ 5,000 of permanent life insurance and \$200 per year in the savings plan for each volunteer. The volunteers may continue the insurance coverage at their own expense in case of departure. The savings program vests 75% after 10 years up to 100% after 15 years. The City reserves the right to discontinue the program at anytime by giving 30 days notice.

The contribution by the City to the saving plan for the current year amounted to \$1,153. The balance including interest in the cash account at September 30, 1994 was \$17,864. Life insurance premiums paid during the year amounted to \$2,311.

- c. Cafeteria Plan (IRC Sec 125)
Plan benefits consist of a health plan (hospitalization) and a dental plan for which the city pays the employee portion of the premiums. Dependent coverage is funded by charges to employees.

d. Pension Plan

1. Plan Description

Beginning April 1, 1992, all full-time employees of the City are covered by the Texas Municipal Retirement System (TMRS), which is a multiple-employer public employee retirement system. It is the opinion of the TMRS management that the plans in TMRS are substantially defined contribution plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the Plan.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent has always been in existence and if the employee's salary had always been the average of

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1994

his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 10 or more years of service or with 25 years of service regardless of age. The plan also provides death and disability benefits. A member is vested after 10 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he is vested. The plan provisions are adopted by the governing body of the City, within the options available in the State statutes governing TMRS and within the actuarial constraints also in the statutes.

2. Contributions

The contribution rate for the employees is 5%, and the City matching percent is currently 100%, both as adopted by the governing body of the City. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to city matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. When the City periodically adopts updated service credits and increases its annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period which began April 1992. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

CITY OF KENNEDALE, TEXAS
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 1994

The City's total payroll for the year ended September 30, 1994 was \$1,077,342, and their contributions were based on a participating payroll of \$1,059,522. Both the City and the employees made the required contributions, amounting to \$39,059 at a retirement rate of 3.66% for the City and \$52,976 (5%) for the employees. There were no related party transactions.

3. Funding Status and Progress

Even though the substance of the City's plan is not to provide a defined benefit in some form, some additional voluntary disclosure is appropriate due to the nontraditional nature of the defined contribution plan which had an initial unfunded pension benefit obligation due to the monetary credits granted by the City for service rendered before the plan began and which can have additions to the unfunded pension benefit obligation through the periodic adoption of increases in benefit credits and benefits. Statement No. 5 of the Governmental Accounting Standards Board (GASB 5) defines pension benefit obligation as a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of public employee pension plans, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee pension plans.

The pension benefit obligation shown below is similar in nature to the standardized disclosure measure required by GASB 5 for defined benefit plans except that there is no need to project salary increases since the benefit credits earned for service to date are not dependent upon future salaries. The calculations were made as part of the annual actuarial valuation as of December 31, 1992. Because of the money-purchase nature of the plan, the interest rate assumption, currently 8.5% per year, does not have as much impact on the results as it does for a defined benefit plan. Market value of assets is not determined for each city's plan, but the market value of assets for TMRS as a whole was 112.3% of book value as of December 31, 1993.

CITY OF KENNEDALE, TEXAS
 NOTES TO COMBINED FINANCIAL STATEMENTS
 SEPTEMBER 30, 1994

	<u>MEMBER CITIES</u> (Amts in Millions)
Pension benefit obligation	
Annuitants currently receiving benefits	\$ 448.4
Terminated employees	300.1
Current employees -	
Accumulated employee contributions including allocated invested earnings	1,155.5
Employer-financed vested	1,740.0
Employer-financed nonvested	<u>306.4</u>
Total	\$
Net assets available for benefits, at book value	<u>3,041.2</u>
Unfunded pension benefit obligation	\$ <u>909.2</u> =====

The book value of assets is the amortized cost for bonds and original cost for short-term securities and stocks. The actuarial assumptions used to compute the actuarially determined City contribution rate are the same as those used to compute the pension benefit obligation.

<u>4. City's Contributions</u>	<u>FYE 9-30-94</u>	<u>FYE 9-30-93</u>
General Fund	\$ 30,851	\$ 27,845
Water and Sewer Fund	5,750	5,875
Ambulance Fund	<u>2,458</u>	<u>2,251</u>
	\$ 39,059	\$ 35,971
	=====	=====

5. Trend Information
 Ten-year historical trend information presenting the TMRS progress in accumulating sufficient assets to pay benefits when due is presented in the TMRS December 31, 1993, Comprehensive Annual Financial Report.

CITY OF KENNEDALE, TEXAS
 NOTES TO COMBINED FINANCIAL STATEMENTS
 SEPTEMBER 30, 1994

NOTE 8 - LONG-TERM DEBT

Long-term debt transactions of the City for the year ended September 30, 1994 were as follows:

	DATE OF ISSUE	ORIGINAL AMOUNT	BALANCE AT 10-01-93	DEBT INCURRED	DEBT RETIRED	BALANCE AT 09-30-94	INTEREST RATE	MATURITY
<u>General Obligation Bonds</u>								
Sewer system	3-01-60	\$ 80,000	\$ 36,000	\$	\$ 8,000	\$ 28,000	5 1/2 %	9M 95/96; 10M 97
Sewer system	11-01-62	30,000	30,000			30,000	5 1/2	10M 11-1-98/2000
Sewer construction	7-10-64	25,000	25,000			25,000	5	10M 1-10-2001; 15M 2002
Sewer system	5-01-65	15,000	15,000			15,000	5 1/2	15M 5-1-2003
Sewer	3-01-73	170,000	75,000		25,000	50,000	6 1/4	25M 95/96
Total Bonds			\$ 181,000	\$	\$ 33,000	\$ 148,000		
<u>Other Long-Term Debt</u>								
<u>To Whom Payable Security</u>								
Liabilities on Capital Lease/Purchase:								
Corporation	Copier Equipment	12-21-90	7,718	3,216	1,544	1,672		Payable \$172.05 per month for 5 years.
Corporation	Copier Equipment	3-02-94	12,789	12,789	1,764	11,025		Payable \$255.78 per month for 5 years.
Corporation	Radio Equipment	5-27-93	323,291	323,291	23,421	299,870		Payable \$45,987 per year beginning 5-27-94
Total Other			\$ 326,507	\$ 12,789	\$ 26,729	\$ 312,567		
Totals per General Long-Term Debt Account Group			\$ 507,507	\$ 12,789	\$ 59,729	\$ 460,567		

CITY OF KENNEDALE, TEXAS
 NOTES TO COMBINED FINANCIAL STATEMENTS
 SEPTEMBER 30, 1994

NOTE 8 - LONG-TERM DEBT (Continued)

	<u>DATE OF ISSUE</u>	<u>ORIGINAL AMOUNT</u>	<u>BALANCE AT 10-01-93</u>	<u>DEBT INCURRED</u>	<u>DEBT RETIRED</u>	<u>BALANCE AT 09-30-94</u>	<u>INTEREST RATE</u>	<u>MATURITY</u>
<u>Revenue Bonds</u>								
W & S Revenue	3-01-73	\$ 140,000	\$ <u>30,000</u>	\$ _____	\$ <u>10,000</u>	\$ <u>20,000</u>	6 1/4	20M - 9-01-95
Total Revenue Bonds per Water and Sewer Fund			\$ <u>30,000</u> =====	\$ _____ =====	\$ <u>10,000</u> =====	\$ <u>20,000</u> =====		

CITY OF KENNEDALE, TEXAS
 NOTES TO COMBINED FINANCIAL STATEMENTS
 SEPTEMBER 30, 1994

NOTE 8 - LONG TERM DEBT (CONTINUED)

The annual requirements to amortize all debt outstanding as of September 30, 1994, including interest of \$151,095 are as follows:

<u>YEAR ENDING SEPTEMBER 30,</u>	<u>NOTES PAYABLE</u>	<u>GENERAL OBLIGATION BONDS</u>	<u>REVENUE BONDS</u>	<u>TOTAL</u>
1995	51,120	42,142	21,250	114,512
1996	49,229	40,085	-	89,314
1997	49,056	14,000	-	63,056
1998	49,056	13,725	-	62,781
1999	47,779	13,175	-	60,954
2000	45,987	12,625	-	58,612
2001	45,987	12,075	-	58,062
2002	45,987	16,575	-	62,562
2003	45,987	15,825	-	61,812
	<u>\$ 430,188</u>	<u>\$ 180,227</u>	<u>\$ 21,250</u>	<u>\$ 631,665</u>

The ordinances authorizing the issuance of Water and Sewer revenue bonds created the revenue, interest and sinking and reserve funds. The gross revenues of the waterworks system, after deduction of reasonable expenses of operation and maintenance, are pledged to such funds in amounts equal to the total annual principal and interest requirements of the bonds and amounts required to maintain the revenue bond and reserve funds. At September 30, 1994 the City was in compliance with these requirements.

The ordinances authorizing the issuance of General Obligation Bonds created the Debt Service Fund. All taxes levied and collected for and on account of said bonds are pledged to the Debt Service Fund in amounts authorized by the City Council, but never less than annual maturing interest and principal requirements. \$11,799 is available in the Debt Service Fund to service the general obligation bonds.

NOTE 9 - SEGMENTS OF ENTERPRISE ACTIVITIES

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

CITY OF KENNEDALE, TEXAS
 NOTES TO COMBINED FINANCIAL STATEMENTS
 SEPTEMBER 30, 1994

NOTE 10 - TRANSACTIONS BETWEEN FUNDS

Individual fund interfund receivable and payable balances at September 30, 1994 were as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 30,000	\$ 1,232
Water & Sewer Fund	827	
Ambulance Fund	<u>405</u>	<u>30,000</u>
	\$ 31,232	\$ 31,232
	=====	=====

The Water & Sewer Fund paid the General Fund \$119,845 as its share of overhead expense as authorized in the budget. The charges are classified as intergovernmental charges.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

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

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