



Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2014

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2014

City of Kaufman, Texas

City Manager

Curtis Snow

Director of Finance

Vivian Leverington



**CITY OF KAUFMAN, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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INTRODUCTORY SECTION



March 3, 2015

Citizens of Kaufman, Honorable Mayor William Fortner
Members of the City Council
City of Kaufman, Texas:

The Comprehensive Annual Financial Report ("CAFR") for fiscal year ended September 30, 2014 is hereby submitted as required by § 7.19 of the Kaufman City Charter. This report was prepared through the cooperative effort of the Finance Department and the City's independent auditors. The purpose of this report is to provide the City Council, management, staff, the public, bondholders and other interested parties information that reflects the City's financial condition and activities of the City government.

Full responsibility for both the accuracy and reliability of the data contained herein, and the completeness and fairness of the presentation, including all disclosures, rests with City management. The City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles ("GAAP"). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. 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 valuation of costs and benefits requires estimates and judgments by management. To the best of our knowledge and belief, the enclosed data is accurate, in all material respects, and is reported in a manner that presents fairly the financial position and activity of the City of Kaufman. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

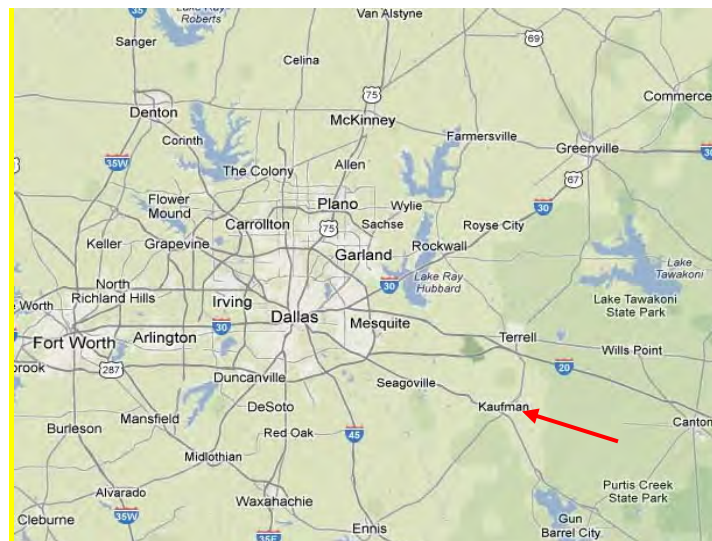
Beginning with the FY2003 report, the City complied with Governmental Accounting Standards Board ("GASB") Statement No. 34. In addition to the basic financial statements and supplementary information, you will also find Management's Discussion and Analysis ("MD&A"). The MD&A section of the CAFR presents only objective information, or currently known facts, known by the City's financial managers as of the date of the auditor's report. The objective is to provide a much broader and detailed analysis of the City's financial condition and operating results. Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This 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 auditors.

The Kaufman City Charter requires an annual audit by independent certified public accountants. The accounting firm of Conway Company, Greenville, Texas was selected by the City Council to complete the required audit. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal

year ended September 30, 2014, are free of material misstatement. 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, 2014, and that they 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.

PROFILE OF THE GOVERNMENT

Location The City of Kaufman, established in 1853, is located just southeast of the Dallas / Fort Worth Metroplex, in Kaufman County, in the North-Central region of the State of Texas. The Dallas/Fort Worth Metroplex ranks as the top growth area in the State of Texas and one of the top growth areas in the United States. Kaufman currently has a land area of 9 ½ square miles and a population of 6,969 (per the North Central Texas Council of Governments). The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council. There is no new City Council action planned for additional annexations, but there are areas that could be considered for annexation in the future.



Governmental Structure The City of Kaufman, a Home Rule City, has operated under the Council-Manager form of government since 1987. Policymaking and legislative authority is vested in the City Council, which consists of a Mayor and six council members. The City Council is responsible for passing ordinances, adopting the budget, hiring the City Manager, and appointing the City Secretary, City Judge, City Attorney and Chief of Police. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments. The City Council is elected on a non-partisan basis. Council members are elected to two-year staggered terms with three Council members elected every two years. The Mayor is also elected to two-year terms, while all Council members are elected at-large, on a plurality basis.

Services Provided The City of Kaufman provides a full range of municipal services including police and fire protection; water, sewer, and solid waste services; recreational and cultural activities; land planning and zoning/community development; building/code enforcement; and the construction and maintenance of streets and infrastructure. The City also is financially accountable for a legally separate economic development corporation, which is reported separately within the City's financial statements. Additional information on this legally separate entity can be found in **Note A** in the notes to the financial statements.

Mission Statement Our goal is to enhance the quality of life of our citizens by providing a safe, clean environment through efficient delivery of public services.

Budgetary Controls The City maintains acceptable budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the general fund, debt service fund and enterprise fund are included in the annual appropriated budget. Project-length budgets are adopted for capital project funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level.

As demonstrated by the statements and schedules included in the financial section of this report, the City of Kaufman continues to meet its responsibility for sound financial management.

FACTORS AFFECTING FINANCIAL CONDITION

A history of property values shows moderate growth from fiscal year 2003 through fiscal year 2009. The nationwide recession did not impact the local economy until fiscal year 2010 when the City recognized a 4.32% loss in property values. Part of this loss was related to a new exemption for 100% disabled veterans. Values in fiscal year 2012 dropped slightly and values for fiscal year 2013 increased by \$8.4 million, bringing values back to 2009 levels. Walmart opened in the spring of 2014 and substantially improved the City's tax base. Several new businesses have gained permits in a new strip center near the Walmart development. Property values are expected to improve going forward as the local economy improves.

Sales tax collections fell during fiscal year 2009 by 4.66% when compared to fiscal year 2008, partially due to the beginning of the recession. Several new retail outlets opened and fiscal year 2010 showed a 1.4% increase in sales tax revenue over the prior year. Fiscal year 2011 sales tax revenue was flat. Fiscal year 2012 saw an 8% increase over 2011 and 2013 revenues increased just under 13% over the prior year. Fiscal year 2014 saw a 33% increase over 2013. Area market indicators and an overall improved national economy point toward positive growth in sales tax during fiscal year 2015 and beyond.

Tax Rates All eligible property within the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The City's tax rate history as adopted by the City Council is shown below:

<u>Fiscal Year</u>	<u>Tax Rate</u>
2010-2011	0.640400
2011-2012	0.645382
2012-2013	0.652490
2013-2014	0.652490
2014-2015	0.702490

The City continued to monitor revenue and expenditures during the year and makes adjustments as necessary. In fiscal year 2014, the City paid cash for one police vehicle, financed a Public Works department tractor and street sweeper and one engine for the Fire Department. The street improvement program included \$300,000 in fiscal year 2006, \$337,000 in fiscal year 2007, \$200,000 in fiscal year 2008, \$200,000 in fiscal year 2009, and \$175,000 in fiscal year 2010. The allotment for fiscal year 2011 was increased to \$242,500, and budget year 2012 provided for another \$200,000 in an effort to steadily address needed street improvements. In fiscal years 2013 and 2014, \$210,000 and \$250,000, respectively was budgeted for street repair and overlays. Pay increases of 3%-5% were issued to employees in fiscal year 2014, with a 3% increase budgeted for fiscal year 2015.

Community Development Issues During fiscal year 2014, a total of 409 building permits were issued with a combined construction value of \$6,343,434. The breakdown is as follows: 86 building new or remodel permits valued at \$4,274,245 (includes three new commercial permits valued at \$3,330,000), 18 demolition permits valued at \$51,000, and 305 additional permits valued at \$6,203,584. The additional permits include electrical, fences, foundations/approaches, mechanical, plumbing, signs, storage and garages, swimming pools and miscellaneous permits.

Dollar General opened for business in a new 9,000 square foot building valued at \$750,000. Wal-Mart opened for business in a new 158,579 square foot retail building with an outdoor garden center containing 3,090 square feet valued \$9,500,000. Kaufman County completed its remodel on the second floor of the Annex Building in the downtown square.

The City of Kaufman was awarded a \$390,900 Transportation Enhancement Program for the improvement of the sidewalks around the square. The City of Kaufman will be investing approximately \$1,100,000 over the next several years to complete the work around the square, plus the sidewalks on the streets one block off of the square.

The City awarded contracts in 2014 for the construction of SH34 South as well as SH34 utility relocations. SH34 North and South will consist of joint participation by Kaufman County, TxDOT and the City. Once complete, long-haul traffic will be routed east of the City. The City is also in design phase for CR151 improvements from the Kings Fort Parkway area south.

A sanitary sewer assessment study, which began in 2012, should be complete in fiscal year 2015.

In 2013, the City was awarded a Community Development Block Grant by Texas Department of Agriculture in the amount of \$268,113 for the Sanitary Sewer improvement in the Scott Addition. The City's participation is \$53,622. Total project cost is \$321,735 and should be completed in 2015.

Compensation Plan/Personnel Overall staff budget during fiscal year 2014 was 69 full-time personnel. Total Fiscal Year 2014 budgeted payroll with benefits was \$4,007,450. A generous benefit package is provided to employees including vacation, holiday, sick pay and 100% employer paid health insurance plan for employees. In fiscal year 2007, health reimbursement accounts (HRA) were established for full time employees and funded by the City at the level of \$30 per month for each employee. Funding of the HRA accounts continued at the same level until fiscal year 2010 when it was increased to \$60 per month. The current HRA amount can range from \$0-\$168 per month per employee depending on the consumer choice plan and optional eligible insurance chosen by the employee. The City provides for retirement in the Texas Municipal Retirement System (TMRS) to their employees, with a contribution rate of 7% (effective October 2007), two to one match, five year vesting, updated service credits and a 20-year retirement plan.

Cash Management Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, and TexSTAR and TexPOOL investment pools. The average yield on investments, except for the pension trust fund, at 9/30/14 was 0.22% on pooled bank accounts (78.64% of portfolio), 0.3613% on certificates of deposit (8.4% of portfolio) and 0.0328% on investment pools (12.96% of portfolio).

The City's investment policy complies with the Public Funds Investment Act. The policy, updated in 2014, is designed to ensure the safety of its principal in the overall portfolio as the foremost objective. Accordingly, deposits are either insured by federal depository insurance or collateralized. The investment policy is reviewed and updated annually, as applicable. The City Council considered proposals for banking services in December 2010. Arvizu Financial Group reviewed the proposals and determined the best cost of banking services for the City. As recommended by Ben Arvizu, Wells Fargo was awarded the City's depository contract for three years, with two one year extensions. It is anticipated the city will consider proposals for banking services again in December, 2015.

Risk Management The City currently maintains third party insurance coverage to minimize all financial risks. Risk management programs are in place to minimize risk in the areas of workers' compensation, general liability, public officials and employees' liability, police officer liability and property and fleet/equipment liability and damage.

Pension Benefits The City provides pension benefits to all of its full-time employees through a nontraditional, joint contributory, defined contribution plan in the state-wide Texas Municipal Retirement System, an agent multiple-employment public employee retirement system. The pension plan is administered and accounted for by TMRS rather than by the City.

AWARDS AND ACKNOWLEDGEMENTS

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 Kaufman for its comprehensive annual financial report for the fiscal year ended September 30, 2013. This was the sixteenth consecutive year that the government achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual financial report 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.

The preparation of the comprehensive annual financial report was made possible by the dedicated services of the entire staff of Conway Company and the Finance Department of the City of Kaufman.

In closing, the members of the City Council are to be commended for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

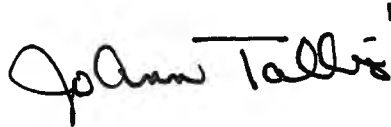
Sincerely,



Curtis Snow
City Manager



Vivian Leverington
Director of Finance



Jo Ann Talbot
Assistant City Manager



Mary Wennerstrom
Accountant



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

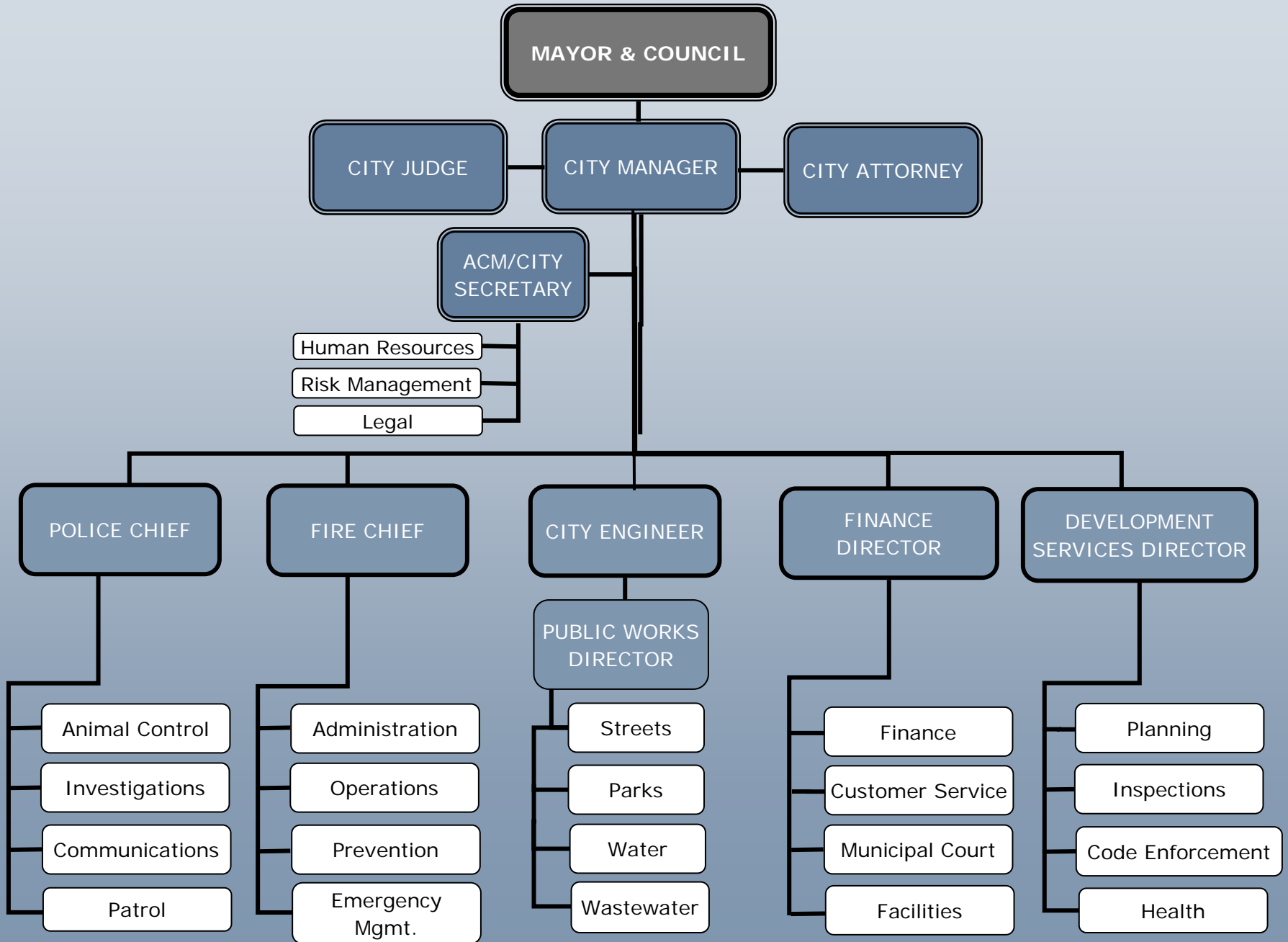
**City of Kaufman
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

CITY OF KAUFMAN ORGANIZATIONAL CHART



**CITY OF KAUFMAN, TX
2014-2015**

City Council:

William Fortner	Mayor
Charles Gillenwater	Mayor Pro-Tem
Barry Ratcliffe	Council member
Jeff Council	Council member
Patty Patterson	Council member
Jeff Jordan	Council member
Ryan Parker	Council member

Administrative Officers

Curtis Snow	City Manager
Jo Ann Talbot	Assistant City Manager/ City Secretary
Vivian Leverington	Director of Finance

FINANCIAL SECTION



Michael Conway, CPA
Neil Conway, CPA

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Member
American Institute of CPAs
Texas Society of CPAs

March 3, 2015

Independent Auditor's Report

Mayor and City Council
City of Kaufman
209 S. Washington
Kaufman, Texas 75142

Members of the City Council:

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 Kaufman, Texas ("City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Kaufman Economic Development Corporation, a component unit of the City, which represents 5% of the assets, 9% of the net position, and 3% of the revenues of the City and its component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Kaufman Economic Development Corporation, is based on the report of other auditors.

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 from material misstatement.

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603 South Goliad Street
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Kaufman, Texas, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 to 15 and the TMRs Funding Progress and Contributions on page 55 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kaufman, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements, budgetary comparison information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and budgetary comparison 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2015, on our consideration of the City of Kaufman, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the City of Kaufman, Texas' internal control over financial reporting and compliance.

Respectfully Submitted,

CONWAY COMPANY CPAs, P.C.



CITY OF KAUFMAN, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

As management of the City of Kaufman ("City"), we offer the readers of the City of Kaufman's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the fiscal year by \$23,985,401 (net position). Of this amount, \$624,483 is restricted for capital projects, debt service, court use, and hotel tax use. The amount of unrestricted net position is \$14,424,185.
- The government's total net position increased by \$7,965,613, mainly due to an increase in the intergovernmental revenues in relation to TxDOT highway improvement projects.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,618,134, an increase of \$9,393,037, in comparison with the prior year. Approximately 12% of this total amount, or \$1,539,800, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General fund of \$1,539,800 was 33% of total general fund expenditures for the fiscal year.
- The City's total long-term debt increased by \$15,183,053, or 266%, during the current fiscal year due to the issuance of the new 2014 certificate of obligation, 2014 pass through bond, 2014 SIB loan, and a developer payable incurred during the year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Kaufman's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Kaufman.

**CITY OF KAUFMAN, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Basic Financial Statements

The first two statements (pages 19-21) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 22-29) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes** (pages 30-51). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (page 55) is provided to show details about the City's pension plan.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The statement of net position presents information on all of the City of Kaufman's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 position and the statement of activities are prepared utilizing the accrual basis of accounting.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales tax and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the utility services offered by the City of Kaufman. The final category is the component unit. The City has one component unit: Kaufman Economic Development Corporation. The government-wide financial statements are on pages 19-21 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kaufman, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Kaufman can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs.

**CITY OF KAUFMAN, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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 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 Kaufman adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. Budgetary information required by the General Statutes can also be found in this part of the statements. The Governmental Fund financial statements can be found on pages 22-26 of this report.

Proprietary Funds – The City of Kaufman has one type of proprietary fund which is the Utility Fund. 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 position and the statement of activities. Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 27-29 of this report.

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 are on pages 30-51 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Kaufman's progress in funding its obligation to provide pension benefits to its employees. This information is found on page 55.

Supplementary Information – The combining statements referred to earlier in connection with the non-major governmental funds are presented following the required supplementary information on pensions. Combining statements and individual fund statements can be found on pages 58-61. Budgetary statements for the debt service, law enforcement, court technology, court security, and hotel funds can be found on pages 62-66.

Statistical Section – The statistical section consists of unaudited information that presents details as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. These tables can be found on pages 69-99.

GASB Pronouncements – The following statements for the Governmental Accounting Standards Board ("GASB") were effective for the City in the fiscal year ending September 30, 2014.

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," was implemented by the City as required by GASB during the fiscal year ending September 30, 2014. This statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources.

**CITY OF KAUFMAN, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

GASB Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statement No. 10 and No. 62", has been implemented by the City as required by GASB during the fiscal year ending September 30, 2014. This statement improves financial reporting by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62 by modifying the specific guidance on accounting and operating leases. The implementation of this statement will not result in any changes to the financial statements.

GASB Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 has been implemented as required by GASB during the fiscal year ending September 30, 2014. The objective of this statement is to improve financial reporting by state and local government pension plans.

The GASB has issued the following statements which will be effective in future years as described below:

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27", will be implemented as required by GASB during the fiscal year September 30, 2015. The objective of this statement is to improve accounting and financial reporting by state and local government pensions and improve the decision-usefulness of information contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirement about pensions also are addressed. This statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 69, "Governmental Combinations and Disposals of Government Operations", will be implemented as required by GASB during the fiscal year September 30, 2015. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees", will be implemented as required by GASB during the fiscal year September 30, 2015. This statement requires a government that extends nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. It is not anticipated that the adoption of the statement will result in any changes to the City's financial statements.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date", will be implemented as required by GASB during the fiscal year September 30, 2015. This statement addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

**CITY OF KAUFMAN, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 25,007,998	\$ 3,658,233	\$ 2,209,390	\$ 2,756,629	\$ 27,217,388	\$ 6,414,862
Capital assets	7,972,423	4,497,221	11,566,208	11,801,321	19,538,631	16,298,542
Total assets	32,980,421	8,155,454	13,775,598	14,557,950	46,756,019	22,713,404
Deferred charge on refunding	30,045	33,801	14,139	15,907	44,184	49,708
Total deferred outflows of resources	30,045	33,801	14,139	15,907	44,184	49,708
Long-term liabilities outstanding	17,753,284	1,948,530	3,513,384	4,119,641	21,266,668	6,068,171
Other Liabilities	1,301,015	350,981	247,119	324,173	1,548,134	675,154
Total liabilities	19,054,299	2,299,511	3,760,503	4,443,814	22,814,802	6,743,325
Net position:						
Net investment in capital assets	788,591	2,846,779	8,148,142	8,180,720	8,936,733	11,027,499
Restricted	435,275	674,308	189,208	183,269	624,483	857,577
Unrestricted	12,732,301	2,368,657	1,691,884	1,766,055	14,424,185	4,134,712
Total net position	\$ 13,956,167	\$ 5,889,744	\$ 10,029,234	\$ 10,130,044	\$ 23,985,401	\$ 16,019,788

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of the City exceeded liabilities by \$23,985,401 as of September 30, 2014. The City's net position increased by \$7,965,613 for fiscal year ended September 30, 2014.

Net investment in capital assets:

The largest portion of the City's net position, \$8,936,733, or 37%, reflects the City's investment in capital assets (e.g. land, buildings, machinery and equipment) less any debt still outstanding that was issued to acquire those items. 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 the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

Restricted net position of \$624,483, representing 3%, is subject to external restrictions on how they may be used, or by enabling legislation. The restricted net position is comprised of (a) \$301,981, or 48%, for debt service and (b) \$322,502, or 52%, for state imposed restrictions.

Unrestricted net position:

Unrestricted net position in the amount of \$14,424,185, representing 60%, is available to fund City programs to citizens and creditors.

**CITY OF KAUFMAN, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Changes in Net Position

	Governmental Activities		Business Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 784,004	\$ 812,968	\$ 3,129,605	\$ 3,245,608	\$ 3,913,609	\$ 4,058,576
Operating grants and contributions	5,127	39,601	-	-	5,127	39,601
Intergovernmental	11,179,536	401,341	-	-	11,179,536	401,341
General Revenues:						
Property taxes	1,807,255	1,743,664	-	-	1,807,255	1,743,664
Franchise taxes	417,416	374,933	-	-	417,416	374,933
Sales tax collected	1,594,892	1,351,409	-	-	1,594,892	1,351,409
Hotel/Motel taxes	31,387	28,802	-	-	31,387	28,802
Beverage taxes	5,802	3,567	-	-	5,802	3,567
Investment income	12,446	4,107	12,725	14,311	25,171	18,418
Miscellaneous	56,364	33,149	43,002	33,296	99,366	66,445
Total Revenues	<u>15,894,229</u>	<u>4,793,541</u>	<u>3,185,332</u>	<u>3,293,215</u>	<u>19,079,561</u>	<u>8,086,756</u>
Expenses:						
Program Expenses						
General government	1,038,186	752,655	-	-	1,038,186	752,655
Public safety	2,173,310	2,185,030	-	-	2,173,310	2,185,030
Public works	3,721,180	617,511	-	-	3,721,180	617,511
Parks and recreational	379,839	297,587	-	-	379,839	297,587
Public services and operations	373,393	296,982	-	-	373,393	296,982
Interest on long-term debt	167,236	44,454	-	-	167,236	44,454
Water and sewer	-	-	3,260,804	3,205,722	3,260,804	3,205,722
Total Expenses	<u>7,853,144</u>	<u>4,194,219</u>	<u>3,260,804</u>	<u>3,205,722</u>	<u>11,113,948</u>	<u>7,399,941</u>
Increase in net position before transfers	8,041,085	599,322	(75,472)	87,493	7,965,613	686,815
Transfers	25,338	18,902	(25,338)	(18,902)	-	-
Increase (decrease) in net position	8,066,423	618,224	(100,810)	68,591	7,965,613	686,815
Net position - October 1	5,889,744	5,271,520	10,130,044	10,061,453	16,019,788	15,332,973
Net position - September 30	<u>\$ 13,956,167</u>	<u>\$ 5,889,744</u>	<u>\$ 10,029,234</u>	<u>\$ 10,130,044</u>	<u>\$ 23,985,401</u>	<u>\$ 16,019,788</u>

The Governmental Activities have increased the net position in the current fiscal period by \$8,066,423, a 137% increase from the prior year. This is mainly due to intergovernmental revenue recorded as a receivable from TxDOT since TxDOT is to reimburse the City for a portion of project costs incurred.

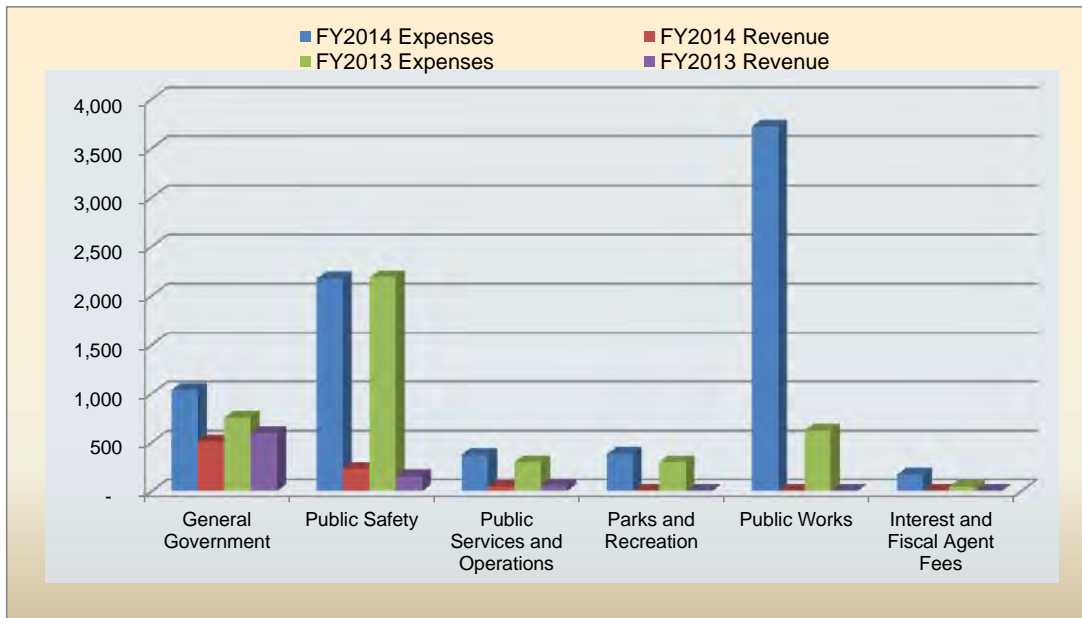
The Business-type Activities decreased the net position in the current fiscal year by (\$100,810). This is a 1% decrease from the prior year. This is due to a decrease in charges for services to customers.

**CITY OF KAUFMAN, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

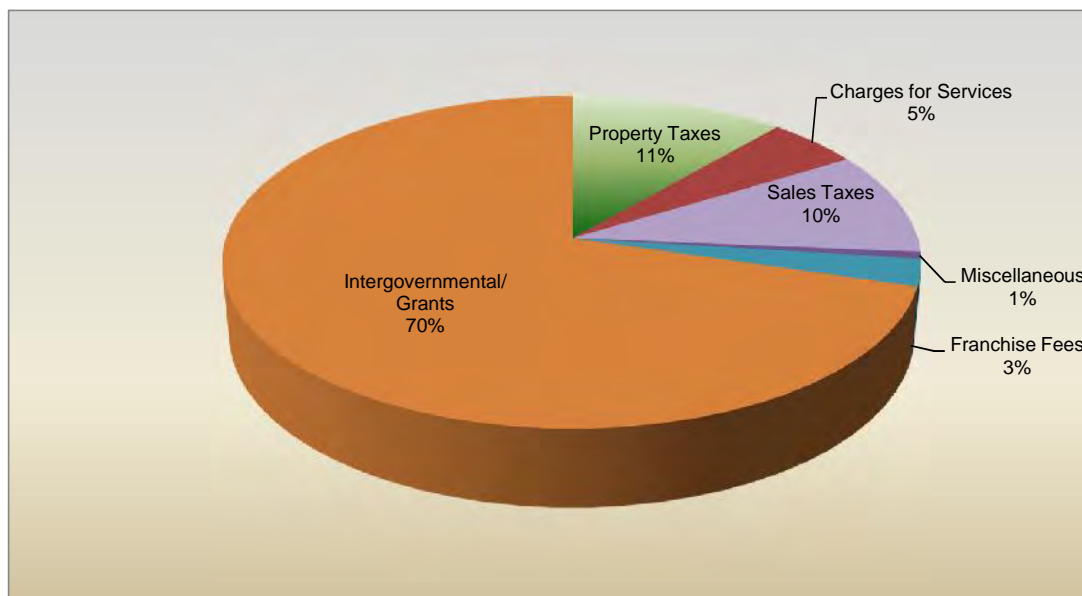
Governmental-type activities - Governmental-type activities increased the City's net position by \$8,066,423. Key elements of this increase are as follows:

Intergovernmental revenue of \$11,079,536 was receivable from TxDOT.

Expenses and Program Revenues - Governmental Activities
(amounts expressed in thousands)



Revenues by Source - Governmental Activities



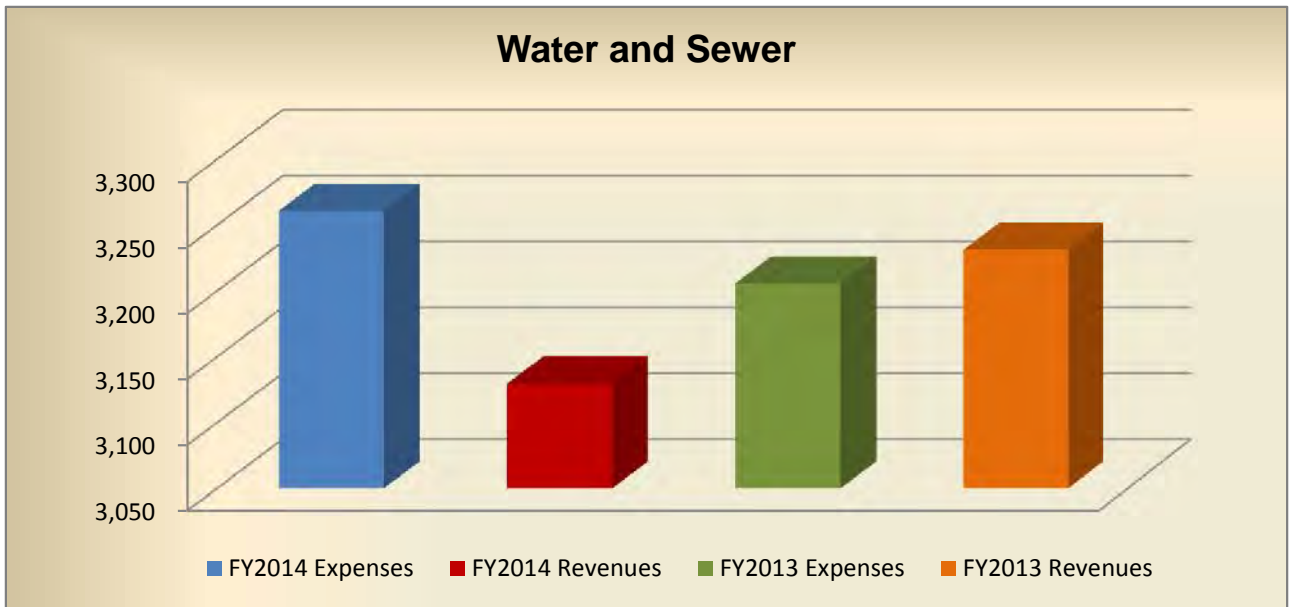
**CITY OF KAUFMAN, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2014**

Business-type Activities - Business-type activities decreased the City's net position by (\$100,810). A key element of this decrease is as follows:

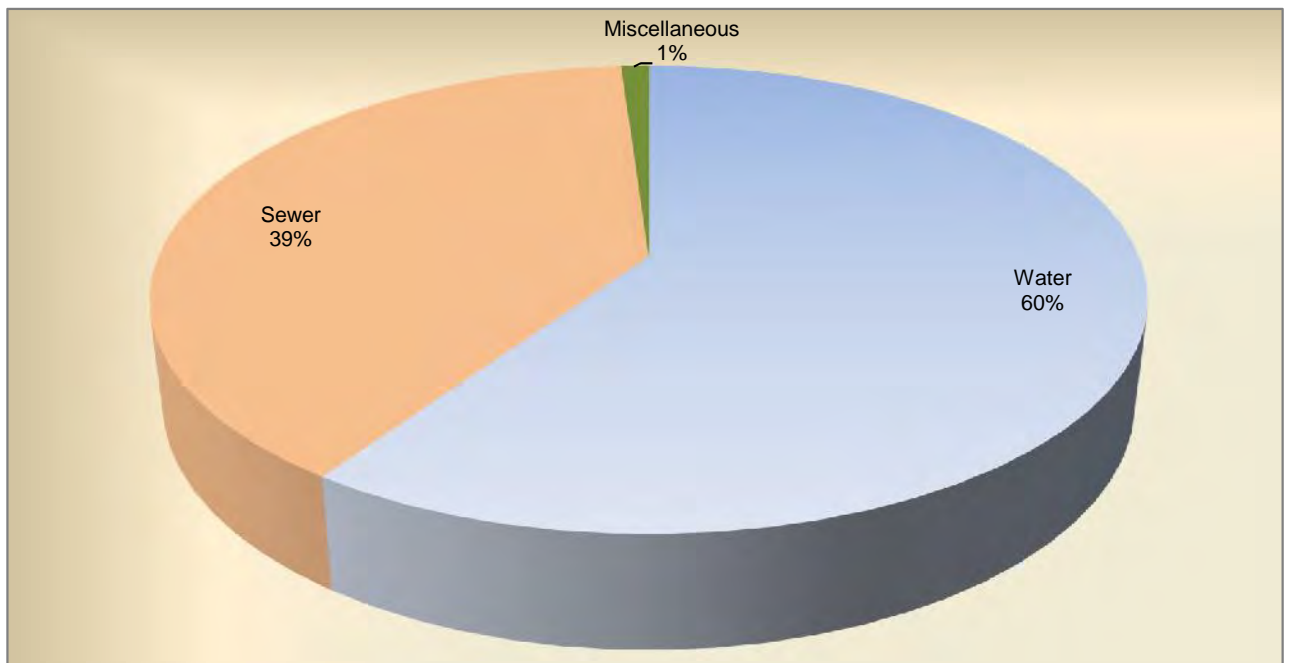
Charges for services decreased \$116,003, or 4%.

Expenditures and Program Revenues - Business-type Activities

(amounts expressed in thousands)



Revenues by Source - Business-type Activities



**CITY OF KAUFMAN, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Financial Analysis of the City's Funds

As noted earlier, the City of Kaufman uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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. Specifically, the unassigned fund balance may serve as a measure of net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$12,618,134, an increase of \$9,393,037, or 291% in comparison with the prior year. Of this amount, \$1,539,800, or 12%, constitutes unassigned fund balance, which is available for spending at the government's discretion. The City has assigned fund balances of \$1,031,484, or 8%, for monies for specific projects in the public works and police departments. A portion, 79%, of the fund balance is restricted to indicate that it is available for spending for the following: 1) \$126,192 for debt service, 2) \$9,591,802 for capital projects, and 3) \$310,456 due to state-imposed restrictions. The remaining fund balance of \$18,400, or 0.15%, is considered nonspendable and is made up of prepaid items.

The general fund is the chief operating fund of the City of Kaufman. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,539,800, while total fund balance was \$1,558,200. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to the total General Fund expenditures. Unassigned General Fund balance represents 33% of total general fund expenditures.

General Fund Budgetary Highlights: During the fiscal year, the City made revisions to the budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were slightly more than the budgeted amounts mainly in the areas of charges for services and intergovernmental revenue. Expenditures were significantly more than budgeted in the Public Safety and Public Works departments.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the the government-wide statements but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$1,691,884.

**CITY OF KAUFMAN, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Capital Asset and Debt Administration

Capital assets - The City of Kaufman's investment in capital assets for its governmental and business-type activities as of September 30, 2014, totals \$19,538,631 (net of accumulated depreciation). These assets include land, buildings, improvements, infrastructure, machinery and equipment, vehicles and construction in progress. This amount represents a net increase of \$3,240,089 (net of accumulated depreciation) over the prior fiscal year.

Major capital asset transactions during the year include the following additions and disposals:

- Sewer system improvements continued
- Infrastructure improvements for streets continued
- Accounting software conversion completed
- Purchase of a pumper fire truck, with trade in of old fire truck
- Purchase of a street sweeper
- Purchase of a new police vehicle
- Sale of three police vehicles

**City of Kaufman
Capital Assets
September 30, 2014
(net of depreciation)**

	Governmental		Business-type		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 953,524	\$ 953,524	\$ 549,375	\$ 549,375	\$ 1,502,899	\$ 1,502,899
Infrastructure	4,173,006	1,316,790	7,685,695	7,849,845	11,858,701	9,166,635
Buildings & Improvements	1,178,385	1,252,310	2,969,208	3,096,731	4,147,593	4,349,041
Machinery & Equipment	1,300,431	673,829	135,576	117,957	1,436,007	791,786
Construction in Progress	367,077	300,768	226,354	187,413	593,431	488,181
Total	\$ 7,972,423	\$ 4,497,221	\$ 11,566,208	\$ 11,801,321	\$ 19,538,631	\$ 16,298,542

More detailed information about the City's capital assets is presented in Note E to the financial statements.

Long-term debt - As of September 30, 2014, the City of Kaufman had total long-term debt outstanding of \$20,897,718, which increased 15,183,053, or 266%, from the previous year.

**City of Kaufman
Outstanding Debt
As of September 30, 2014**

	Governmental		Business-type		Total	
	2014	2013	2014	2013	2014	2013
Certificates of Obligation (backed by tax revenues and net Water/Sewer revenues)	\$ 1,475,647	\$ 449,350	\$ 2,065,350	\$ 2,206,629	\$ 3,540,997	\$ 2,655,979
General Obligation Bonds (backed by tax revenues and net Water/Sewer revenues)	1,023,600	1,201,092	907,143	1,353,200	1,930,743	2,554,292
Pass Through Bonds	8,255,000	-	-	-	8,255,000	-
Capital Leases	490,553	-	46,310	60,772	536,863	60,772
Notes Payable	4,500,000	-	-	-	4,500,000	-
Developer Payable	1,695,000	-	399,263	399,263	2,094,263	399,263
Net Pension Obligation	29,155	32,618	10,697	11,741	39,852	44,359
Total	\$ 17,468,955	\$ 1,683,060	\$ 3,428,763	\$ 4,031,605	\$ 20,897,718	\$ 5,714,665

More detailed information about the City's long-term obligations is presented in Note G to the financial statements.

**CITY OF KAUFMAN, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2014**

Economic Factors and Next Year's Budgets and Rates

In the fiscal year 2014-2015 budget, the General Fund revenues are budgeted to increase by \$94,780 or 2.1% from the 2013-2014 budget year with general property taxes making up about \$1,405,323 or 31% of anticipated general fund revenues. Property values show an increase of \$7,763,167 over the prior year primarily as a result of the overall improvement in the local economy and home values. This increase is part of a trend the City has experienced in the last four years, strengthening what the City sees as a turn-around in appraised values locally. The City Council adopted the tax rate of \$0.70249 per \$100 assessed valuation which is five cents more than the prior year's rate. The debt service portion of the tax rate increased by \$0.1312675, from \$0.073534 to \$0.2048014 per \$100 of net assessed valuation.

Sales tax, the second largest revenue source for the General Fund, is budgeted at \$1,960,515 or 43% of anticipated General Fund revenue. Construction and opening of a new Wal-Mart location in fiscal year 2013-2014, along with other retail outlets that will follow in 2015, continue to positively impact sales tax revenue.

Other major revenue sources include \$1,900,991 from water sales, \$1,291,182 from sewer services, and \$403,455 from franchise agreements. In fiscal year 2015, water rates increase by twenty-five cents (\$0.25) per 1,000 gallons. Of this increase, nineteen cents (\$0.19) is a direct pass through of increased costs from the City's water supplier, North Texas Municipal Water District, leaving six cents (\$0.06) for City operations. Wastewater fees remain unchanged.

The fiscal year 2015 budget adopted by the City Council includes a decrease of \$30,517 or 0.65% in the General Fund budget and an increase of \$260,833 or 7.27% in the business-type fund budget when compared to previous year's budget. Use of \$147,863 unrestricted General Fund balance is approved for capital improvements.

Requests for Information

This financial report is designed to provide an overview of the City's finances for those with an interest in the government's finances. If you have any questions about this report or need additional information, contact the City of Kaufman, Attention-Director of Finance at 209 South Washington Street, Kaufman, Texas 75142, call (972) 932-2216, or email kaufmanfinance@kaufmantx.org.

Separately issued financial statements for the City's component unit, Kaufman Economic Development Corporation can also be obtained by contacting the City of Kaufman.

BASIC FINANCIAL STATEMENTS

**CITY OF KAUFMAN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	<u>Primary Government</u>			<u>Component Unit EDC</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
ASSETS				
Cash and cash equivalents	\$ 2,489,089	\$ 1,320,505	\$ 3,809,594	\$ 1,511,661
Receivables (net of allowance for uncollectibles)	716,008	531,643	1,247,651	-
TxDOT receivable	11,079,536	-	11,079,536	-
Due from primary government	-	-	-	97,361
Prepaid expenses	18,400	2,294	20,694	100
Inventory	-	64,497	64,497	-
Restricted assets:				
Cash and cash equivalents	10,704,965	290,451	10,995,416	-
Capital assets not being depreciated:				
Land	953,524	549,375	1,502,899	686,523
Construction in progress	367,077	226,354	593,431	-
Capital assets net of accumulated depreciation:				
Infrastructure	4,173,006	7,685,695	11,858,701	15,836
Buildings	1,178,385	2,969,208	4,147,593	-
Machinery and equipment	1,300,431	135,576	1,436,007	6,195
Total Assets	<u>32,980,421</u>	<u>13,775,598</u>	<u>46,756,019</u>	<u>2,317,676</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	30,045	14,139	44,184	-
Total deferred outflows of resources	<u>30,045</u>	<u>14,139</u>	<u>44,184</u>	<u>-</u>
LIABILITIES				
Accounts payable	717,754	108,751	826,505	-
Other liabilities	334,431	2,214	336,645	-
Accrued interest payable	70,523	12,503	83,026	-
Accrued expenses	80,946	22,408	103,354	-
Customer deposits	-	101,243	101,243	-
Due to component unit	97,361	-	97,361	-
Noncurrent Liabilities:				
Due within one year:				
Compensated absences	16,604	5,637	22,241	5,175
Capital leases payable	74,502	15,171	89,673	-
Developer agreements payable	339,000	-	339,000	-
Certificates of obligation	49,741	149,200	198,941	-
Bonds payable	139,400	470,659	610,059	-
Due in more than one year:				
Compensated absences	267,725	78,984	346,709	-
Capital leases payable	416,051	31,139	447,190	-
Net pension obligation	29,155	10,697	39,852	-
Notes payable	4,500,000	-	4,500,000	-
Developer agreements payable	1,356,000	399,263	1,755,263	-
Certificates of obligation	1,425,906	1,916,150	3,342,056	-
Bonds payable	9,139,200	436,484	9,575,684	-
Total Liabilities	<u>19,054,299</u>	<u>3,760,503</u>	<u>22,814,802</u>	<u>5,175</u>
NET POSITION				
Net investment in capital assets	788,591	8,148,142	8,936,733	708,554
Restricted for:				
Impact fees	203,702	12,046	215,748	-
Court use	70,321	-	70,321	-
Hotel funds	36,433	-	36,433	-
Debt service	124,819	177,162	301,981	-
Unrestricted	12,732,301	1,691,884	14,424,185	1,603,947
Total Net Position	<u>\$ 13,956,167</u>	<u>\$ 10,029,234</u>	<u>\$ 23,985,401</u>	<u>\$ 2,312,501</u>

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

**CITY OF KAUFMAN, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities				
Primary Government				
Governmental Activities:				
General Government	\$ 1,038,186	\$ 508,092	\$ -	\$ -
Public Safety	2,173,310	231,171	2,755	-
Public Services and Operations	373,393	43,181	-	-
Parks and Recreation	379,839	1,560	2,372	-
Public Works	3,721,180	-	11,179,536	-
Interest on Long-Term Debt	167,236	-	-	-
Total governmental activities	7,853,144	784,004	11,184,663	-
Business-type Activities:				
Utility Fund	3,260,804	3,129,605	-	-
Total Revenues	3,260,804	3,129,605	-	-
Total primary government	11,113,948	3,913,609	11,184,663	-
Component unit:				
Economic Development Corporation	286,581	-	-	-
Total component unit	\$ 286,581	\$ -	\$ -	\$ -

General revenues:

Property taxes
Sales taxes
Franchise taxes
Motel tax
Beverage tax
Miscellaneous
Investment income
Transfers
Total general revenues
Change in net position
Net position - beginning
Net position - ending

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

**Net (Expense) Revenue
and Changes in Net Position**

Primary Government			
Governmental Activities	Business Activities	Total	EDC
\$ (530,094)	\$ -	\$ (530,094)	\$ -
(1,939,384)	-	(1,939,384)	-
(330,212)	-	(330,212)	-
(375,907)	-	(375,907)	-
7,458,356	-	7,458,356	-
(167,236)	-	(167,236)	-
4,115,523	-	4,115,523	-
-	(131,199)	(131,199)	-
-	(131,199)	(131,199)	-
4,115,523	(131,199)	3,984,324	-
-	-	-	(286,581)
\$ -	\$ -	\$ -	\$ (286,581)
\$ 1,807,255	\$ -	\$ 1,807,255	\$ -
1,594,892	-	1,594,892	531,631
417,416	-	417,416	-
31,387	-	31,387	-
5,802	-	5,802	-
56,364	43,002	99,366	6,100
12,446	12,725	25,171	2,947
25,338	(25,338)	-	-
3,950,900	30,389	3,981,289	540,678
8,066,423	(100,810)	7,965,613	254,097
5,889,744	10,130,044	16,019,788	2,058,404
\$ 13,956,167	\$ 10,029,234	\$ 23,985,401	\$ 2,312,501

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

**CITY OF KAUFMAN, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General Fund	Capital Improvements Fund	Debt Service Fund	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$1,427,762	\$ 954,827	\$ -	\$ 106,500	\$ 2,489,089
Receivables (net of allowances for uncollectible)	537,346	-	170,371	8,291	716,008
Restricted - cash and cash equivalents	-	9,253,986	124,819	1,326,163	10,704,968
TxDOT receivable	-	-	11,079,536	-	11,079,536
Prepaid items	18,400	-	-	-	18,400
Total assets	<u>1,983,508</u>	<u>10,208,813</u>	<u>11,374,726</u>	<u>1,440,954</u>	<u>25,008,001</u>
LIABILITIES					
Accounts payable	110,208	576,856	-	30,690	717,754
Other liabilities	70,049	104,382	160,000	-	334,431
Accrued expenditures	76,849	-	-	4,097	80,946
Due to component unit	97,361	-	-	-	97,361
Total liabilities	<u>354,467</u>	<u>681,238</u>	<u>160,000</u>	<u>34,787</u>	<u>1,230,492</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	70,841	-	8,998	-	79,839
Unavailable revenue - TxDOT receivable	-	-	11,079,536	-	11,079,536
Total deferred inflows of resources	<u>70,841</u>	<u>-</u>	<u>11,088,534</u>	<u>-</u>	<u>11,159,375</u>
Fund Balances					
Nonspendable - prepaid items	18,400	-	-	-	18,400
Restricted for:					
Use of impact fees	-	-	-	203,702	203,702
Court use	-	-	-	70,321	70,321
Hotel fund	-	-	-	36,433	36,433
Debt Service	-	-	126,192	-	126,192
Capital improvements	-	9,527,575	-	64,227	9,591,802
Assigned for:					
Police	-	-	-	35,826	35,826
Public Works	-	-	-	995,658	995,658
Unrestricted	1,539,800	-	-	-	1,539,800
Total fund balances	<u>1,558,200</u>	<u>9,527,575</u>	<u>126,192</u>	<u>1,406,167</u>	<u>12,618,134</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$1,983,508</u>	<u>\$ 10,208,813</u>	<u>\$ 11,374,726</u>	<u>\$ 1,440,954</u>	<u>\$25,008,001</u>

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

**CITY OF KAUFMAN, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Total fund balances - governmental funds balance sheet	\$ 12,618,134
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,608,187
Accumulated depreciation has not been included in the governmental fund financial statements.	(4,635,764)
Deferred charges associated with the difference between with refunded bonds and the newly issued bonds are amortized over the life of the debt in the government-wide statements.	30,045
Premiums and discounts on issuance of debt are not recognized on the balance sheet for governmental funds.	33,803
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	11,159,372
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(17,473,603)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(284,329)
Net pension liability has not been included in the governmental fund financial statements.	(29,155)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an expenditure is reported when due.	(70,523)
Net position of governmental activities - statement of net position	<u><u>\$ 13,956,167</u></u>

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

**CITY OF KAUFMAN, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	General Fund	Capital Improvements Fund	Debt Service Fund	Other Governmental Funds	Total
REVENUES					
Property taxes	\$ 1,610,784	\$ -	\$ 204,435	\$ -	\$ 1,815,219
Beverage tax	5,802	-	-	-	5,802
Hotel/Motel tax	-	-	-	31,387	31,387
Franchise taxes	417,416	-	-	-	417,416
Fines and forfeitures	194,524	-	-	12,739	207,263
Licenses and permits	108,529	-	-	-	108,529
Sales tax collected	1,594,892	-	-	-	1,594,892
Charge for services	267,302	-	-	-	267,302
Impact fees	-	160,000	-	5,161	165,161
Grants	-	-	-	2,755	2,755
Donations	2,372	-	-	-	2,372
Investment income	3,078	7,815	118	1,436	12,447
Intergovernmental	-	100,000	-	-	100,000
Miscellaneous	35,486	-	-	20,879	56,365
Total Revenues	4,240,185	267,815	204,553	74,357	4,786,910
EXPENDITURES					
Current:					
General government	838,269	-	199,480	-	1,037,749
Public safety	1,995,631	-	-	14,792	2,010,423
Public works	586,346	2,906,266	-	-	3,492,612
Public services and operations	313,315	-	-	60,314	373,629
Parks and recreation	245,390	-	-	-	245,390
Debt Service:					
Principal retirement	-	-	195,346	-	195,346
Interest and fiscal agent fees	-	-	136,088	-	136,088
Capital Outlays:					
Public safety	426,450	-	-	64,116	490,566
Public works	178,480	1,575,384	-	-	1,753,864
Parks and recreation	46,480	-	-	-	46,480
Total Expenditures	4,630,361	4,481,650	530,914	139,222	9,782,147
Excess (deficiency) of revenues over (under) expenditures	(390,176)	(4,213,835)	(326,361)	(64,865)	(4,995,237)
Other Revenues and Financing Sources (Uses)					
Bond Proceeds	-	-	13,800,000	-	13,800,000
Lease Proceeds	-	-	527,799	-	527,799
Sale of assets	35,750	-	-	-	35,750
Transfers	56,890	13,111,127	(13,994,489)	851,197	24,725
Total Other Financing Sources	92,640	13,111,127	333,310	851,197	14,388,274
Net Change in Fund Balance	(297,536)	8,897,292	6,949	786,332	9,393,037
Fund Balances, October 1	1,855,736	630,283	119,243	619,835	3,225,097
Fund Balances, September 30	\$ 1,558,200	\$ 9,527,575	\$ 126,192	\$ 1,406,167	\$ 12,618,134

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

**CITY OF KAUFMAN, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 9,393,037
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2014 capital outlays is to increase net position.	2,290,910
Expenditures incorrectly capitalized in a prior year were removed from fixed assets in the current year. The effect of this correction is to increase net position.	(57,619)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(453,090)
Current year long-term debt principal payments are expenditures in the fund financial statements but are shown as a reduction in long term debt in the government-wide financial statements.	195,346
Current year bond and note proceeds are other finance sources in the fund financial statements but are shown as an increase in the government-wide liabilities section of the financial statements.	(14,327,799)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(30,537)
Changes to vacation and other compensated absence liabilities are not shown in the fund financial statements. The net effect of the current year is to decrease net position.	(18,859)
Changes in the net pension obligation are not reported at the fund level; however, they are reported at the government-wide level	3,463
Revenues in the statement of revenues, expenditures and changes in fund balances that are not recognized as revenues in the statement of activities.	(7,965)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	11,079,536
Change in net position - statement of activities	<u>\$ 8,066,423</u>

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

CITY OF KAUFMAN, TEXAS
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUE				
Property taxes	\$ 1,619,590	\$ 1,619,590	\$ 1,610,784	\$ (8,806)
Franchise Fees	384,500	384,500	417,416	32,916
Sales Tax Collected	1,702,198	1,702,198	1,594,892	(107,306)
Beverage Tax	7,800	7,800	5,802	(1,998)
Fines and Forfeitures	242,268	242,268	194,524	(47,744)
Licenses and Permits	129,478	129,478	108,529	(20,949)
Charge for Services	273,420	273,420	267,302	(6,118)
Donations	720	720	2,372	1,652
Investment Income	3,500	3,500	3,078	(422)
Miscellaneous	34,110	34,110	35,486	1,376
Total Revenues	4,397,584	4,397,584	4,240,185	(157,399)
EXPENDITURES				
General Government				
City Administration	857,518	857,518	838,269	19,249
Capital Outlay	21,000	21,000	-	21,000
Total General Government	878,518	878,518	838,269	40,249
Public Safety				
Police	1,577,225	1,577,225	1,622,537	(45,312)
Fire	424,841	424,841	373,094	51,747
Capital Outlay	88,900	118,900	426,450	(307,550)
Total Public Safety	2,090,966	2,120,966	2,422,081	(301,115)
Public Works				
Streets	542,583	542,583	586,346	(43,763)
Capital Outlay	-	-	178,480	(178,480)
Total Public Works	542,583	542,583	764,826	(222,243)
Public Services and Operations				
Development Services	362,200	362,200	313,315	48,885
Total Public Services	362,200	362,200	313,315	48,885
Parks and Recreation				
Parks	332,815	332,815	245,390	87,425
Capital Outlay	40,000	40,000	46,480	(6,480)
Total Parks and Recreation	372,815	372,815	291,870	80,945
Total Expenditures	4,247,082	4,277,082	4,630,361	(353,279)
Excess (deficiency) of revenues over (under) expenditures	150,502	120,502	(390,176)	(510,678)
Other Revenues and Financing Sources (uses)				
Sale of Asset	30,000	30,000	35,750	5,750
Transfers	(416,819)	(416,819)	56,890	473,709
Total Other Financing Sources (uses)	(386,819)	(386,819)	92,640	479,459
Net change in Fund Balances	(236,317)	(266,317)	(297,536)	(31,219)
Fund Balances/Equity, beginning of year	1,855,736	1,855,736	1,855,736	
Fund Balances/Equity, end of year	\$ 1,619,419	\$ 1,589,419	\$ 1,558,200	

**CITY OF KAUFMAN, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2014**

	<u>Utility Fund</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,320,505
Restricted cash and cash equivalents	290,451
Receivables (net of allowance for uncollectibles)	531,643
Prepaid expenses	2,294
Total Current Assets	<u>2,144,893</u>
Noncurrent Assets:	
Inventory	64,497
Capital Assets:	
Land	549,375
Infrastructure	12,917,448
Administrative	7,968,972
Machinery and equipment	906,348
Construction-in-progress	226,354
Less: accumulated depreciation	(11,002,289)
Total capital assets, net of accumulated depreciation	<u>11,566,208</u>
Total noncurrent assets	<u>11,630,705</u>
Total Assets	<u>13,775,598</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	14,139
Total Deferred Outflows of Resources	<u>14,139</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	108,751
Other liabilities	2,214
Accrued expenses	22,408
Payables from restricted assets:	
Customer deposits	101,243
Accrued interest payable	12,503
Compensated absences - current	5,637
Capital leases - current	15,171
Certificates of obligation - current	149,200
Bonds payable - current	470,659
Total Current Liabilities	<u>887,786</u>
Noncurrent Liabilities:	
Compensated absences	78,984
Capital leases	31,139
Net pension obligation	10,697
Developer agreements payable	399,263
Certificates of obligation	1,916,150
Bonds payable	436,484
Total noncurrent liabilities	<u>2,872,717</u>
Total Liabilities	<u>3,760,503</u>
NET POSITION	
Net investment in capital assets	8,148,142
Restricted for:	
Use of Impact fees	12,046
Debt service	177,162
Unrestricted	1,691,884
Total Net Position	<u><u>\$ 10,029,234</u></u>

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

**CITY OF KAUFMAN, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Utility Fund</u>
OPERATING REVENUES:	
Charges for sales and services:	
Water sales	\$ 3,096,246
Impact fees	4,998
Rental	28,361
Miscellaneous	43,002
Total operating revenues	<u>3,172,607</u>
OPERATING EXPENSES:	
Personnel services	847,929
Supplies and materials	101,047
Maintenance and repair	325,906
Contractual services	1,189,750
Depreciation	690,140
Total operating expenses	<u>3,154,772</u>
Operating income (loss)	<u>17,835</u>
NON-OPERATING REVENUES (EXPENSES):	
Investment income	12,725
Interest expense	(106,032)
Total non-operating revenues (expenses)	<u>(93,307)</u>
Income before transfers	(75,472)
Transfers	<u>(25,338)</u>
Changes in net position	(100,810)
Net position, October 1	10,130,044
Net position, September 30	<u>\$ 10,029,234</u>

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

**CITY OF KAUFMAN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,097,990
Cash paid for other transactions	76,361
Cash paid to employees	(852,388)
Cash paid for goods and services	(1,665,087)
Net cash provided by (used in) operating activities	<u>656,876</u>
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES	
Transfers to other funds	(25,338)
Net cash provided by (used in) noncapital financing activities	<u>(25,338)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(468,544)
Correction of capital assets	13,520
Interest and fiscal charges on debt	(110,190)
Deferred charge on refunding	1,768
Amortization of bond premiums	(436)
Principal payments on debt	(601,362)
Net cash provided by (used in) capital & related financing activities	<u>(1,165,244)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	12,725
Net cash provided by (used in) investing activities	<u>12,725</u>
Net increase (decrease) in cash and cash equivalents	(520,981)
Cash and cash equivalents, October 1	<u>2,131,937</u>
Cash and cash equivalents, September 30	<u>\$ 1,610,956</u>
Reconciliation of operating income to net cash provided by operation activities:	
Operating Income (Loss)	<u>\$ 17,835</u>
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	690,140
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables	9,836
Prepaid expense	5,398
Inventory	11,024
Increase (decrease) in liabilities:	
Accounts payable	(71,712)
Other liabilities	(1,044)
Accrued expenses	6,906
Customer deposits	(8,092)
Compensated absences	(3,415)
Total adjustments	<u>639,041</u>
Net cash provided by (used in) operating activities	<u>\$ 656,876</u>

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

**CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

The City of Kaufman ("City") is a municipal corporation governed by an elected mayor and a six-member council and provides the following services to the citizens of the City as authorized by its charter: public safety (police and fire), public works, parks and recreation, water and sewer utilities, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to the state and local governments. Generally accepted accounting principles for local government include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide*.

1. Reporting Entity

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund but distinguish between the City's governmental activities and business-type activities on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Under GASB 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB 39 added clarification to GASB 14 by including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

**CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

1. Reporting Entity (continued)

Discretely presented component units. The City has one component unit, Kaufman Economic Development Corporation ("EDC"). The EDC was incorporated September 30, 1994 and is governed by a five-member board appointed by and serving at the pleasure of the City Council. Thus, the EDC is legally separate, but due to the City appointing the voting majority of the EDC board, it is classified as a discretely presented component unit. The funding for the EDC occurs by the City transferring 1/4 of City sales tax collections to the EDC. Adding the creation of the EDC to the resources currently available will more than double the current ability to assist economic development prospects. All of the EDC funding can be used for direct assistance to business prospects and continued development of infrastructure. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. Separate financial statements are also issued for the EDC. These financial statements can be obtained by contacting the City of Kaufman located at 209 S. Washington, Kaufman, Texas. In addition, the fiscal year 2014 financial statements were audited by a separate audit firm, Yeldell, Wilson & Co., P.C.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (police, fire, public works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, franchise taxes, and interest income).

The fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the funds financial statements. The major governmental fund is the general fund. The major proprietary fund is the utility fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. With the adoption of GASB Statement No. 63, the presentation of deferred inflows/outflows is included in this calculation. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 utility fund are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and service administrative expenses and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting
 - a. Basis of Presentation (continued)

Government-wide and Proprietary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied. The government-wide and proprietary fund financial statements follow the accounting set forth by GASB.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

- b. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, in other words, as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are 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 the obligation has matured and is due and payable shortly after year-end as required by GASB Interpretation No. 6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

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

The City reports the following major governmental funds:

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. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvements costs that are not paid through other funds are paid from this fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds.

The *Capital Improvements Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Proprietary funds are accounted for on a flow of economic resources measurement focus. Within the measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and providing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenues of the City's water and sewer services are charges to customers for sales and services. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting

b. Measurement Focus, Basis of Accounting (continued)

The City reports the following major business-type fund:

The *Utility Fund* accounts for the operations of the water and sanitary sewer utilities which are self-supporting activities rendering services on a user-charge basis. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for obligation bonds when due throughout the year, as well as the accumulation of resources for capital projects. All costs are financed through charges made to utility customers with rates reviewed as necessary to ensure financial integrity of the fund.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

Cash of several funds is pooled into a common interest-bearing bank account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash has equity therein, and interest earned on these monies is allocated based upon relative equity at each month end.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of one year or less from the date of acquisition.

b. Inventories and Prepaid Items

Inventories are valued at using the first-in/first-out ("FIFO") 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 using the consumption method in both government-wide and fund financial statements.

c. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation.

Trade and property tax receivables are shown net of an allowance for uncollectibles.

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

d. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the proprietary fund represent cash and cash equivalents and investments set aside for repayment of customer's water/sewer deposits, impact fees, and various bond covenants.

Impact fees are the capital recovery fees that are, by law, restricted to the projects these funds may be used to support.

Customer deposits received for water and wastewater services are, by law, to be considered restricted assets. These activities are included in the Utility Fund.

**CITY OF KAUFMAN, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies
 3. Financial Statement Amounts (continued)

e. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund 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 two years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of capitalized interest for the year was \$7,073.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30-50 years
Buildings	50 years
Building Improvements	10 years
Machinery & Equipment	5-15 years

f. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding debt reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualifies for reporting in this category. Accordingly, the item *unavailable revenue* is reported in the governmental funds balance sheet. Deferred revenue from property taxes is shown as deferred inflows of resources. The amount is deferred and recognized as inflows of resources in the period that the amounts become available. Deferred revenue from TxDOT is also shown as deferred inflows of resources. The amount is deferred and recognized as inflows of resources in the period that the amounts become available.

g. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay 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 requirements. Vacation leave shall be taken during the year following its accumulation.

These accrued liabilities are typically paid by the General Fund for the governmental fund types and the Utility Fund for the business-type funds.

**CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

h. 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. The City has compared this method to the effective interest method and found the difference to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

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.

i. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

j. Fund Balance Policies

In the fund financial statements, government funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - include the portion of net resources that cannot be spent because of their form (i.e., inventory, long-term loans, or prepaids) or because they must remain in-tact such as the principal of an endowment.
- *Restricted fund balance* - includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* - includes the portion of net resources upon which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes determined by an ordinance or resolution by the City Council. Commitments may be changed or lifted only by an ordinance or resolution by the City Council. The ordinance or resolution must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.
- *Assigned fund balance* - includes the portion of net resources for which an *intended* use has been established by the City Council or the City Manager. Assignment of fund balance are much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for the purpose of that fund, as directed by the City Council or the City Manager.
- *Unassigned fund balance* - includes the amounts in the General Fund in excess of what can properly be classified in one of the other categories of fund balance. It is the residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

**CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

j. Fund Balance Policies (continued)

The purpose of the City's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unprecedented one-time expenditures.

It is the long-term goal of the City to maintain a minimum unassigned fund balance in the General Fund equal to three months of the annually budgeted expenditures. The City will appropriate one percent (1%) of each year's General Fund budgeted expenditures until the identified goal is met. The City is currently in compliance with this policy.

k. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

l. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. Grants are from various agencies including the Texas Department of Transportation, the Texas Department of Agriculture and the Texas Forestry Service, which are accounted for in a non-major governmental fund.

m. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statement for the debt service, law enforcement, court technology, court security, and hotel funds in order to provide an understanding of budgeted to actual results. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

n. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraisal values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed value.

**CITY OF KAUFMAN, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

- 3. Financial Statement Amounts (continued)
 - o. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line on the government-wide statement of net position.

- p. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

- q. Program Revenues

Certain revenues such as charges for services and impact fees are included in program revenues.

- r. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

B. Compliance and Accountability

- 1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
Expenditures exceed appropriations in the Public Safety and Public Works departments of the General Fund	Covered by available fund balance
Expenditures exceed appropriations in the Debt Service, Law Enforcement, and Court Technology funds	Covered by greater than anticipated revenues and debt proceeds

- 2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None reported	Not applicable

- 3. Budgets and Budgetary Accounting

The City adopts a budget of several of the governmental funds in the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures. The General Fund budget appears on page 26 and other informational budgets are presented in the supplementary information.

The following procedures are followed in establishing the budgetary data:

- No later than August 1st, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance.

**CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

B. Compliance and Accountability

3. Budgets and Budgetary Accounting (continued)

- Budgets for the General Fund, Debt Service Fund, Law Enforcement Fund, Court Technology Fund, Court Building Fund and Hotel Fund are legally adopted on a basis consistent with the modified accrual basis of accounting.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Manager may make a written recommendation to the Council for amendments at the department level. These require Council approval. Revisions that alter the total of any fund must be approved by the City Council by ordinance.

C. Cash and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract and investment policy pursuant to state statute. The depository bank deposits for safekeeping and trust with the City's agent approved pledged securities authorized by Chapter 2257, "Collateral for Public Fund of the Government Code", in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$14,805,010 and the bank balance was \$14,874,810. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The amount of deposits covered by collateralized securities was \$14,051,999. Cash and investments as of September 30, 2014 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Primary Government	
Cash and cash equivalents	\$ 3,809,594
Restricted assets-cash and cash equivalents	10,995,416
Total cash and cash equivalents	<u>\$ 14,805,010</u>
 Governmental - Restricted Cash	
Municipal court - technology and building security	\$ 82,240
Use of impact fees	203,702
Debt service	124,819
Hotel tax use	38,236
Unspent debt proceeds	10,255,968
Total Governmental	<u>10,704,965</u>
 Business-type - Restricted Cash	
Customer deposits	101,243
Debt service	177,162
Use of impact fees	12,046
Total Business-type	<u>290,451</u>
Total Restricted cash	<u>\$ 10,995,416</u>

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The City is required by Government Code Chapter 2256 to adopt, implement, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield and maturity and the quality and capability of investment management. A primary stated objective of the City's adopted investment policy is the safety of principal. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

**CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

C. Cash and Investments (continued)

Custodial Credit Risk

To control custody and safekeeping risk, the City's adopted Investment Policy requires collateral for all investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies and instrumentalities. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 105% of market or par, whichever is lower. The fair value of collateral will always equal or exceed the principal accrued interest of deposits at financial institutions. At its discretion, the City may require a higher level of collateralization for certain investment securities. Securities pledged as collateral shall be held by an independent third party with whom the City has a current custodial agreement.

The City will minimize credit risk, the risk of loss due to the failure of the security issuer or backer by:

- Limiting investment to the safest types of securities;
- Pre-qualifying the financial institutions and broker/dealers with which the City will do business;
- Diversifying the investment portfolio so that potential loss on individual securities will be minimized.

Interest Rate Risk

The City will minimize the risk that the interest earnings and the fair value of investments in the portfolio will fall due to changes in general interest rates by:

- Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investment prior to maturity;
- Investing operating funds primarily in certificates of deposits, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds;
- Diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

As of September 30, 2014, the portfolio contained no structured notes which would have been impacted by interest rate risk.

Portfolio Management and Investments

The City currently has a "buy and hold" portfolio strategy. Maturity dates are matched with cash flow requirements and investments are purchased with the intent to be held until maturity. However, investments may be liquidated before they mature if market conditions present an opportunity for the City to benefit from the trade. Investments may be liquidated for the following reasons:

- An investment with declining credit may be liquidated early to minimize loss of principal;
- An investment swap would improve the quality, yield, or target duration in the portfolio;
- Cash flow needs of the portfolio require that the investment be liquidated.

The City is a voluntary participant in various investment pools - TexPool and TexStar.

The Texas Local Investment Pool is a local investment pool that operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This type of investment pool uses amortized costs rather than fair value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. The Texas Local Government Investment Pool 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. The Pool is governed by an Advisory Board composed equally of participants in the pool and other persons who do not have a business relationship with the Pool who are qualified to advise the Pool. A request for TexPool's financial statement can be obtained at www.texpool.com.

**CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

C. Cash and Investments (continued)

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. 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 and Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poor's, as well as the office of the Comptroller for review.

The City also invested in TexSTAR. TexSTAR is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. Together, these organizations bring to the TexSTAR program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. The fund is rated AAAm by Standard & Poor's. A request for TexSTAR's financial statement can be made at www.TexStar.org.

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2014, investments in external investment pools that represent 5% or more of the City's investments is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	<u>Weighted Average Maturity</u>
TexPool	\$ 1,878,540	N/A	AAA-m	41 days
TexStar	49,171	N/A	AAA-m	62 days
	<u>\$ 1,927,711</u>			

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

D. Receivables

Receivables as of year end for the government's individual major funds and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Proprietary</u>	<u>Total</u>
Receivables:					
Taxes	\$ 512,427	\$ 15,473	\$ 8,291	\$ -	\$ 536,191
Fees and Charges	177,987	160,000	-	631,807	969,794
TxDOT Receivable	-	11,079,536	-	-	11,079,536
Gross Receivables	690,414	11,255,009	8,291	631,807	12,585,521
Less: allowance for uncollectibles	<u>(153,069)</u>	<u>(5,101)</u>	<u>-</u>	<u>(100,164)</u>	<u>(258,334)</u>
Net Total Receivables	<u>\$ 537,345</u>	<u>\$ 11,249,908</u>	<u>\$ 8,291</u>	<u>\$ 531,643</u>	<u>\$ 12,327,187</u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

E. Capital Assets

Capital asset activity for the period ended September 30, 2014 was as follows:

	Beginning Balances	Prior Period	Transfers	Additions	Decreases	Ending Balances
Governmental Activities						
Capital assets, not depreciated:						
Land	\$ 953,524	\$ -	\$ -	\$ -	\$ -	\$ 953,524
Construction in Progress	300,768	(76,459)	(224,308)	367,076	-	367,077
Total capital assets, not being depreciated:	<u>1,254,292</u>	<u>(76,459)</u>	<u>(224,308)</u>	<u>367,076</u>	<u>-</u>	<u>1,320,601</u>
Capital assets, being depreciated:						
Buildings & Improvements	2,537,824	-	-	21,259	-	2,559,083
Infrastructure	2,752,182	-	96,547	2,928,835	-	5,777,564
Machinery & Equipment	2,406,504	-	127,761	668,740	(252,066)	2,950,939
Total capital assets depreciated	<u>7,696,510</u>	<u>-</u>	<u>224,308</u>	<u>3,618,834</u>	<u>(252,066)</u>	<u>11,287,586</u>
Less accumulated depreciation for:						
Buildings & Improvements	(1,285,514)	(6,581)	-	(88,603)	-	(1,380,698)
Infrastructure	(1,435,392)	7,912	-	(177,078)	-	(1,604,558)
Machinery & Equipment	(1,732,674)	17,509	-	(187,409)	252,066	(1,650,508)
Total accumulated depreciation	<u>(4,453,580)</u>	<u>18,840</u>	<u>-</u>	<u>(453,090)</u>	<u>252,066</u>	<u>(4,635,764)</u>
Total capital assets, being depreciated, net	<u>3,242,930</u>	<u>18,840</u>	<u>224,308</u>	<u>3,165,744</u>	<u>-</u>	<u>6,651,822</u>
Governmental activities capital assets, net	<u>\$ 4,497,222</u>	<u>\$ (57,619)</u>	<u>\$ -</u>	<u>\$ 3,532,820</u>	<u>\$ -</u>	<u>\$ 7,972,423</u>
Business-type Activities						
Capital assets, not depreciated:						
Land	\$ 549,375	\$ -	\$ -	\$ -	\$ -	\$ 549,375
Construction in Progress	187,413	-	(110,531)	149,472	-	226,354
Total capital assets, not being depreciated	<u>736,788</u>	<u>-</u>	<u>(110,531)</u>	<u>149,472</u>	<u>-</u>	<u>775,729</u>
Capital assets, being depreciated:						
Buildings	7,887,322	-	81,650	-	-	7,968,972
Infrastructure	12,636,369	(13,520)	28,881	265,718	-	12,917,448
Machinery & Equipment	852,995	-	-	53,353	-	906,348
Total capital assets depreciated	<u>21,376,686</u>	<u>(13,520)</u>	<u>110,531</u>	<u>319,071</u>	<u>-</u>	<u>21,792,768</u>
Less accumulated depreciation for:						
Buildings	(4,790,592)	8,177	-	(217,349)	-	(4,999,764)
Infrastructure	(4,786,523)	57,444	-	(502,674)	-	(5,231,753)
Machinery & Equipment	(735,034)	2,349	-	(38,087)	-	(770,772)
Total accumulated depreciation	<u>(10,312,149)</u>	<u>67,969</u>	<u>-</u>	<u>(758,110)</u>	<u>-</u>	<u>(11,002,289)</u>
Total capital assets, being depreciated, net	<u>11,064,537</u>	<u>54,449</u>	<u>110,531</u>	<u>(439,039)</u>	<u>-</u>	<u>10,790,479</u>
Business-type activities capital assets, net	<u>\$ 11,801,325</u>	<u>\$ 54,449</u>	<u>\$ -</u>	<u>\$ (289,567)</u>	<u>\$ -</u>	<u>\$ 11,566,208</u>

**CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

E. Capital Assets (continued)

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

Governmental activities:	
General Government	\$ 19,755
Public Safety	146,151
Public Works, including depreciation of general infrastructure assets	152,548
Culture and Recreation	134,636
Total depreciation expense - governmental activities	<u>\$ 453,090</u>
Business-type activities:	
Utility	\$ 758,110
Total depreciation expense - business-type activities	<u>\$ 758,110</u>

F. Construction Commitments

The City has active construction projects as of September 30, 2014. The projects consist of street infrastructure.

<u>Capital Projects</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Downtown Transportation Improvement Project	\$ 25,527	\$ 1,274,473
SH 34 North - Utility Relocates	341,549	208,504
WWTP Aerator System, Ph 2	197,181	48,955
WS TxCDBG Grant 713261	22,100	277,900
Subtotal	<u>586,357</u>	<u>1,809,832</u>
SH 34 South	252,996	15,481,443 *
SH 34 North	2,729,731	1,270,269 *
Subtotal	<u>2,982,727</u>	<u>16,751,712</u>
Totals	<u>\$ 3,569,084</u>	<u>\$ 18,561,544</u>

* The City has entered into an advance funding agreement with Kaufman County ("County") and the Texas Department of Transportation ("TxDOT") for a road infrastructure project on SH 34. The scope of work is a fixed contribution by both the County and the City towards the cost to construct a four-lane of an ultimate six-lane urban roadway with an overpass on SH 34 from US 175 interchange to SH 243. After completion of the work, the State shall be responsible for maintenance of the state highway system, therefore, these costs associated with the SH 34 project have been expensed rather than capitalized as City assets.

G. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2014, is as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Certificates of obligation	\$ 449,350	\$ 1,045,000	\$ (18,700)	\$ 1,475,647	\$ 49,741
General obligation bonds	1,196,800	-	(139,400)	1,057,403	139,400
Pass through bonds	-	8,255,000	-	8,255,000	-
Plus: Issuance premiums	4,292	-	(477)	3,815	-
Less: Issuance discounts	-	(39,352)	1,734	(37,618)	-
Total bonds payable	<u>1,650,442</u>	<u>9,260,648</u>	<u>(156,843)</u>	<u>10,754,247</u>	<u>189,141</u>
Capital leases payable	-	527,799	(37,246)	490,553	74,502
Notes payable	-	4,500,000	-	4,500,000	-
Developer agreement payable	-	1,695,000	-	1,695,000	339,000
Net pension obligation	32,618	-	(3,463)	29,155	-
Compensated absences	265,470	111,514	(92,655)	284,329	16,604
Governmental activity Long-term liabilities	<u>\$ 1,948,530</u>	<u>\$ 16,094,961</u>	<u>\$ (290,207)</u>	<u>\$ 17,753,284</u>	<u>\$ 619,247</u>

General obligation bonds and certificates of obligation

The general obligation bonds and certificates of obligation are backed by the full faith and credit of the City and are payable from property taxes.

Pass through toll revenue bond

The pass through bond is payable from reimbursements from Kaufman County and the Texas Department of Transportation.

CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

G. Long-Term Obligations (continued)

	Beginning Balance	Issued	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Water & Sewer					
Refunding bonds	\$ 1,353,200	\$ -	\$ (450,600)	\$ 902,600	\$ 470,659
Certificates of obligation	2,201,650	-	(136,300)	2,065,350	149,200
Plus: Issuance premiums	4,979	-	(436)	4,543	
Total Bonds Payable	3,559,829	-	(587,336)	2,972,493	619,859
Capital leases payable	60,772	-	(14,462)	46,310	15,171
Net pension obligation	11,741	-	(1,044)	10,697	-
Developer agreement payable	399,263	-	-	399,263	-
Compensated absences	88,036	23,697	(27,112)	84,621	5,637
Business-type activity					
Long-term liabilities	<u>\$ 4,119,641</u>	<u>\$ 23,697</u>	<u>\$ (629,954)</u>	<u>\$ 3,513,384</u>	<u>\$ 640,667</u>

Refunding bonds, general obligation bonds and certificates of obligation

The refunding bonds and certificates of obligation are payable from the net revenues of the Utility Fund. Gross revenues are to be used first to pay operating and maintenance expenses of the system, and second to maintain bond funds in accordance with the bond covenants. The certificates of obligation are backed by the City.

Changes in Governmental Long-term Debt

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30		Amounts Outstanding September 30		Due Within One Year
			2013	Issued	Retired	2014	
2006A Cert of Oblig	4.38%	533,000	449,350	-	(18,700)	430,647	19,741
2011 Refunding GO	3.00%	1,275,000	1,196,800	-	(139,400)	1,057,403	139,400
2014 Pass Thru Bond	2.00%	8,255,000	-	8,255,000	-	8,255,000	-
2014 CO	2.00%	1,045,000	-	1,045,000	-	1,045,000	30,000
Total Bonds Payable		11,108,000	1,646,150	9,300,000	(158,100)	10,788,050	189,141
Compensated absences			265,470	111,514	(92,655)	284,329	16,604
Totals		<u>\$11,108,000</u>	<u>\$ 1,911,620</u>	<u>\$ 9,411,514</u>	<u>\$ (250,755)</u>	<u>\$ 11,072,379</u>	<u>\$ 205,745</u>

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2015	189,141	350,651	539,792
2016	203,637	336,951	540,588
2017	535,133	331,902	867,035
2018	545,727	320,191	865,917
2019	559,172	308,193	867,365
2020-2023	2,011,409	1,106,674	3,118,084
2024-2027	1,807,450	893,959	2,701,409
2028-2036	4,936,381	1,063,194	5,999,575
Totals	<u>\$ 10,788,050</u>	<u>\$ 4,711,714</u>	<u>\$ 15,499,765</u>

A brief discussion of each bond issuance follows:

\$533,000 Series 2006A Combination Tax & Revenue Certificates of Obligation bonds issued in December 2006 for the acquisition of a fire truck.

\$1,275,000 Series 2011 Refunding General Obligation bonds issued in November 2011 to refund a portion of the City's outstanding debt.

\$8,255,000 Series 2014 Pass-Through Toll Revenue and Limited Tax Bonds issued in April 2014 for the design, development, construction & relocation of SH 34. These bonds are to be paid using reimbursement funds from Kaufman County and the Texas Department of Transportation.

CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

G. Long-Term Obligations

Changes in Governmental Long-term Debt (continued)

\$1,045,000 Series 2014 Combination Tax and Limited Surplus Revenue Certificates of Obligation issued in April 2014 for constructing, installing & equipping street and sidewalk improvements, parking, landscaping, pedestrian access areas, furniture, lighting, utility relocation, and related improvements in the downtown area, along with street and road improvements associated with SH 34.

Capital Leases

The City entered into a capital lease agreement for an Elgin Broom Badger Mechanical Sweeper on July 28, 2014. The lease will be repaid over a five year period at an interest rate of 2.93%. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014 were as follows:

Year Ending September 30:	Minimum Obligation
2015	38,181
2016	38,181
2017	38,180
2018	38,180
Total minimum lease payments	\$ 152,722
Less: amount representing interest	(9,169)
Present value of lease payments	<u>\$ 143,553</u>

The City entered into a capital lease agreement for a 2012 Emergency One eMax Pumper truck on December 13, 2013. The lease will be repaid over an eight year period at an interest rate of 2.49%. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014 were as follows:

Year Ending September 30:	Minimum Obligation
2015	\$ 48,572
2016	48,572
2017	48,572
2018	48,572
2019	48,572
2020	48,572
2021	48,572
2022	48,572
Total minimum lease payments	\$ 388,576
Less: amount representing interest	(41,576)
Present value of lease payments	<u>\$ 347,000</u>

Note Payable

The City received a loan from State Infrastructure Bank for \$4,500,000 to fund the City's portion of the SH 34 project in July 2014. The City was approved for \$5,000,000, the remaining \$500,000 to be received by the City in July 2016. The loan will be repaid in 17 annual installments, with the first principal payment due in July 2018. Interest payments are to be made annually beginning July 2015 at an interest rate of 3%. The future minimum requirements as of September 30, 2014 were as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2015	-	135,000	135,000
2016	-	135,000	135,000
2017	-	135,000	135,000
2018	206,786	135,000	341,786
2019	212,990	128,796	341,786
2020-2023	678,081	347,279	1,025,360
2024-2027	1,002,908	364,238	1,367,146
2028-2036	2,399,235	335,056	2,734,291
Totals	<u>\$ 4,500,000</u>	<u>\$ 1,715,369</u>	<u>\$ 6,215,369</u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

G. Long-Term Obligations (continued)
Developer Agreement Payable

The City entered into a development agreement with Texas Opportunities, L.P. ("Developer") whereby the Developer constructed certain public improvements in the City of Kaufman, including roadways and utilities on the Developer's property, which will result in economic development in the City, thereby increasing property values and tax revenue for the City. The cost to the Developer for these improvements totaled \$1,695,000. The City is to reimburse the Developer for these actual costs of construction. Payments are to begin on the payable to the Developer in April 2015 and will be repaid over a period of five years.

Description	Amounts Original Issue	Amounts			Amounts Outstanding September 30 2014	Due Within One Year
		Outstanding September 30 2013	Issued	Retired		
Developer Agreement Chapter 380 Partnership	\$ 1,695,000	\$ -	\$ 1,695,000	\$ -	\$ 1,695,000	\$ 339,000

Debt service requirements are as follows:

Year Ending September 30:	Governmental Activities		
	Principal	Interest	Total Requirements
2015	\$ 339,000	\$ 52,763	\$ 391,763
2016	339,000	43,497	382,497
2017	339,000	32,358	371,358
2018	339,000	21,341	360,341
2019	339,000	10,987	349,987
Totals	\$ 1,695,000	\$ 160,946	\$ 1,855,946

Changes in Business-type Long-term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts			Amounts Outstanding September 30 2014	Due Within One Year
			Outstanding September 30 2013	Issued	Retired		
2003 Ref Bonds	3.05%-4.1%	3,990,000	790,000	-	(385,000)	405,000	405,000
2005 Cert of Oblig	1.9%-4%	1,325,000	905,000	-	(60,000)	845,000	65,000
2006A Cert of Oblig	4.38%	439,000	367,650	-	(15,300)	352,350	16,259
2006B Cert of Oblig	6.49%	194,000	84,000	-	(26,000)	58,000	28,000
2011 Refunding GO	3.00%	600,000	563,200	-	(65,600)	497,600	65,600
2011 Cert of Oblig	2.00%	880,000	845,000	-	(35,000)	810,000	40,000
Total Bonds Payable		7,428,000	3,554,850	-	(586,900)	2,967,950	619,859
Capital lease payable		-	60,772	-	(14,462)	46,310	15,171
Compensated Absences		-	88,036	23,697	(27,112)	84,621	5,637
Totals		\$ -	\$ 3,703,658	\$ 23,697	\$ (628,474)	\$ 3,098,881	\$ 640,667

Debt service requirements are as follows:

Year Ending September 30:	Total		
	Principal	Interest	Requirements
2015	\$ 619,859	\$ 89,400	\$ 709,259
2016	219,363	74,178	293,541
2017	210,867	67,756	278,623
2018	219,273	61,620	280,893
2019	233,828	55,232	289,060
2020-2023	881,591	145,870	1,027,461
2024-2027	583,169	38,331	621,500
Totals	\$ 2,967,950	\$ 532,387	\$ 3,500,337

A brief discussion of each bond issuance follows:

\$3,990,000 Series 2003 Combination Tax and Revenue Certificates of Obligation issued July 2003 to refund the Waterworks and Sewer System Revenue Refunding and Improvements bonds, Series 1994.

**CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

G. Long-Term Obligations

Changes in Business-type Long-term Debt (continued)

\$1,325,000 Series 2005 Combination Tax and Revenue Certificates of Obligation bonds issued April 2005 for the purpose of constructing, installing, and acquiring additions, extensions, and improvements to the sewer system, including collection line replacements and extensions and replacement lift stations.

\$439,000 Series 2006A Combination Tax & Revenue Certificates of Obligation bonds issued in December 2006 to refurbish and renovate two water storage tanks, and construction of and installing other additions and improvements to the waterworks and sewer systems.

\$194,000 Series 2006B Combination Tax & Revenue Certificates of Obligation bonds issued in December 2006 to refurbish and renovate two water storage tanks.

\$600,000 Series 2011 Refunding General Obligation bonds issued in November 2011 to refund a portion of the City's outstanding debt.

\$880,000 Series 2011 Combination Tax and Revenue Certificates of Obligation issued in November 2011 for extensions and improvements to the waterworks and sewer system.

Capital Leases

The City entered into a capital lease agreement for a 2013 John Deere backhoe/loader on March 7, 2013. The lease will be repaid over a five year period at an interest rate of 4.8%. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014 were as follows:

Year Ending September 30:	Minimum Obligation
2015	17,101
2016	17,101
2017	17,101
Total minimum lease payments	\$ 51,303
Less: amount representing interest	(4,993)
Present value of lease payments	<u>\$ 46,310</u>

Developer Agreement Payable

The City entered into a development agreement with a developer whereby the developer will construct, at its cost, impact fee eligible improvements to the City's water and sewer system that benefits properties other than the developer's property that are included in the City's capital improvement plan. Such credits may be used to reduce the amount of the impact fee that would otherwise be owed at the time of collection of impact fees. In the event that the amount of such credits would be insufficient to reimburse the developer for the cost of the improvements, the City shall provide for reimbursement to the developer up to the balance of the cost of the improvements from water or wastewater impact fees collected from other new development within the same service area. The agreement expires ten years from either the date of first certificate of occupancy is issued by the City for any structure on the property or the date of the City's adopted impact fee ordinance, whichever occurs last. The City adopted an impact fee ordinance in 2003; however, the first certificate of occupancy was issued in 2006. Maturity of the credits has been allocated over the term of the agreement in accordance with estimated usage of the credits. The balance of the credits at fiscal year end total \$144,347.

Description	Amounts Original Issue	Amounts Outstanding September 30 2013	Prior Period Adjustment	Retired	Amounts Outstanding September 30 2014	Due Within One Year
Developer Agreement Ranchland Holdings	\$ 183,498	\$ 144,347	\$ -	\$ -	\$ 144,347	\$ -

**CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

G. Long-Term Obligations

Developer Agreement Payable (continued)

Debt service requirements are as follows:

Year Ending September 30:	Business-Type Activities	
	Principal	Total Requirements
2015	72,174	72,174
2016	72,173	72,173
Totals	<u>\$ 144,347</u>	<u>\$ 144,347</u>

The City entered into an interlocal agreement with Kaufman County ("County") for the construction of improvements to the City's water system. Under the agreement, the City agreed to reimburse the County for the full costs of the design and construction at a future date after the City has collected water impact fees. The City is only obligated to reimburse such costs from proceeds received from water impact fees over fifteen years. If any unpaid balance remains after the fifteen year period, the debt will be forgiven. The City has recorded its liability under the agreement as long term. Maturity of the City's obligation has been allocated over the term of the agreement in accordance with estimated collection of water impact fees to be used in payment of the obligation due. The balance due the County at fiscal year end was \$254,916.

Description	Amounts Original Issue	Amounts Outstanding September 30 2013	Prior Period Adjustment	Retired	Amounts Outstanding September 30 2014	Due Within One Year
Developer Agreement Texas Opportunities, LP	<u>\$ 254,916</u>	<u>\$ 254,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,916</u>	<u>\$ -</u>

H. Operating Leases

The City leases copiers from Xerox to provide equipment for the printing, copying, faxing, and scanning needs of the City during daily operations. The total cost for the copier leases was \$9,628 for the year ended September 30, 2014. The City also leases a postage machine from Pitney Bowes. The total cost for the postage machine lease was \$2,016 for the current year. The future minimum lease payments for these leases are as follows:

Year Ending September 30	Court Copier	Admin Copier	Police Dept Copier	Postage Machine	Total
2015	\$ 919	\$ 4,408	\$ 4,297	\$ 2,016	\$ 11,640
2016	-	367	358	-	725
Total	<u>\$ 919</u>	<u>\$ 4,775</u>	<u>\$ 4,655</u>	<u>\$ 2,016</u>	<u>\$ 12,365</u>

**CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

I. Pension Plan

1. 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.

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>2014</u>	<u>2013</u>
Deposit Rate:	7%	7%
Matching Ratio (City to Employee):	2-1	2-1
A member is vested after	5 yrs	5 yrs
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

2. 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 of 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 at the basis of 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>9/30/2012</u>	<u>9/30/2013</u>	<u>9/30/2014</u>
Annual Required Contribution (ARC)	\$ 358,150	\$ 366,660	\$ 393,262
Interest on Net Pension Obligation	5,987	4,239	3,105
Adjustment to the ARC	<u>(36,026)</u>	<u>(26,070)</u>	<u>(19,545)</u>
Annual Pension Cost (APC)	328,111	344,829	376,822
Contributions Made	<u>(353,085)</u>	<u>(361,026)</u>	<u>(381,329)</u>
Increase (decrease) in net pension obligation	(24,974)	(16,197)	(4,507)
Net Pension Obligation/(Asset), beginning of year	85,530	60,556	44,359
Net Pension Obligation/(Asset), end of year	<u>\$ 60,556</u>	<u>\$ 44,359</u>	<u>\$ 39,852</u>

CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

I. Pension Plan
2. Contributions (continued)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>
Actuarial Value of Assets	\$ 7,059,666	\$ 7,891,790	\$ 8,744,936
Actuarial Accrued Liability	9,123,217	9,843,376	11,098,906
Percentage Funded	77.4%	80.2%	78.8%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	2,063,551	1,951,586	2,353,970
Annual Covered Payroll	2,443,624	2,389,986	2,558,729
UAAL as a Percentage of Covered Payroll	84.4%	81.7%	92.0%

The City's APC, percentage of APC contributed, and NPA for the plan for the current year and each of the three preceding years were as follows:

	<u>9/30/12</u>	<u>9/30/13</u>	<u>9/30/14</u>
Annual Pension Cost (APC)	\$ 328,111	\$ 344,829	\$ 376,822
Percentage of APC Contributed	107.61%	104.70%	101.20%
Net Pension Obligation (Asset)	60,556	44,359	39,852

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, as follows:

	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level % of PR	Level % of PR	Level % of PR
GASB 25 Equivalent Single Amortization Period	26.2 years - closed period	25.2 years - closed period	30.0 years - closed period
Amortization period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-yr Smoothed Market	10-yr Smoothed Market	10-yr Smoothed Market
Actuarial assumptions:			
Investment rate of return *	7.0%	7.0%	7.0%
Projected salary increase *	Varies by age & service	Varies by age & service	Varies by age & service
* Includes inflation at	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented in the Required Supplementary Information following the notes to the financial statements, presents 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.

**CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

I. Pension Plan (continued)

3. Group-term Life Insurance

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the 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.

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.

The City's contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were \$5,321, \$5,177 and \$4,824, respectively, which equaled the required contributions for each year.

The General Fund and the Utility Fund are typically used to liquidate long-term net pension obligations and net other postemployment obligations. The General Fund is responsible for 74% and the Utility fund is responsible for 26% of liquidation.

J. Health Care Coverage

During the year ended September 30, 2014, employees of the City were covered by a health insurance plan with Texas Municipal League Intergovernmental Employee Benefit Pool (TMLIEBP). The City contributed \$500 per month per employee. Six plans were offered ranging in price from approximately \$400-600 per month. The difference in premium cost was either deducted from pay or credited to a Health Reimbursement Account (HRA) for each employee. The monthly premium also included \$10,000 life insurance and accidental death and dismemberment (AD&D) protection for each employee. The City paid 100% of monthly premiums for full-time employees. The City did not pay for dependent coverage; however, it is available to employees at their option and was paid through payroll deductions.

K. Insurance Coverage

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2013, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

L. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

M. Litigation

The City is party to minor claims and litigation which have arisen in the ordinary course of business. The City is a party to legal proceedings as of August 2014 wherein legal actions have been filed against the City in regards to a car accident. This claim is covered by the Texas Municipal League Intergovernmental Risk Pool and adequate legal defenses are being maintained with respect to this claim. There have been no material loss contingencies of the City as of fiscal year end. In the opinion of the City's management, the City has adequate counsel and/or insurance coverage regarding these actions and does not believe that the City's operations or financial position will be materially affected.

**CITY OF KAUFMAN, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

N. Additional Water and Sewer Information

The following information is included at the request of the Texas Water Development Board for the year under audit. Water Accountability Report:

Gallons Purchased	445,303,000
Gallons Billed	466,164,073

The City secures its water supply and sewer services from the North Texas Municipal Water District ("District"), a district authorized by the Texas Constitution, Article XVI, Section 59, created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The District has police, taxation, and eminent domain power and is authorized to issue revenue and/or tax bonds upon approval by the Attorney General of the State of Texas and functions as a political subdivision of the State of Texas independent of the City. The District is governed by a 17-member board ("Board"). The Board has full power and discretion to establish its budget and to set the rates for the services it provides by contract with its member cities and customers. The Board is empowered by statute and contract, or otherwise permitted by law, to discontinue a facility or service in order to prevent an abuse or to enforce payment of an unpaid charge, fee or rental due to the District. Because of these factors, the District is not included in the City's basic financial statements.

The City purchases its water from the North Texas Municipal Water District ("NTMWD"). Each year, NTMWD calculates the cost of water based upon the previous year's usage. The total cost for the current fiscal year was \$855,061.

O. Interfund Transfers and Payables

Transfers between funds during the fiscal year were as follows:

<u>Funds</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Total</u>
General Fund	\$ (2,289,520)	\$ 3,909,451	\$ 1,619,931
Other Governmental Funds	(15,760,780)	14,166,187	(1,594,593)
Water and Sewer Funds	(351,469)	326,131	(25,338)
Total Major Funds	<u>\$(18,401,769)</u>	<u>\$ 18,401,769</u>	<u>\$ -</u>

Transfers are used to 1) move revenues to debt service fund as debt service principal and interest payments become due; 2) move restricted amounts from borrowing to the debt service fund to establish mandatory reserve accounts, if necessary; 3) move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, if applicable; and 4) move restricted impact fees to fund capital improvement programs.

P. TxDOT Receivable

The Texas Department of Transportation has entered into a contract with the City of Kaufman to reimburse the City for a portion of the costs associated with the Kaufman Highway 34 re-alignment. The maximum amount to be reimbursed totals \$13,646,876. The City has issued debt in the amount of \$11,079,536 as of September 30, 2014 to fund these highway improvements, which is therefore the amount receivable from TxDOT as of fiscal year end.

Q. EDC Receivables

Kaufman Economic Development Corporation voted to invest \$100,000 per year for seventeen years towards the project for the north phase of the Kaufman Highway 34 re-alignment. Actual payments made to the City as of September 30, 2014 totaled \$100,000. Future payments remaining total \$1,600,000 as of fiscal year end.

Kaufman Economic Development Corporation also entered into an agreement with the City to pay the City up to 2/3 of eligible costs related to public improvements of the City's 380 developer agreement, plus interest on the balance of the amount due to the developer, up to \$245,967 per year for five years. The payments under the agreement commence on the first date of the eleventh month following the date the certificate of occupancy is issued to the developer. As of September 30, 2014, no payments have been made from the EDC to the City under this agreement.

R. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2014 up through March 3, 2015, the date the financial statements were available to be issued. Management noted no subsequent events requiring disclosure for this period.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF KAUFMAN, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**PENSION TRUST - TMRS FUNDING PROGRESS AND CONTRIBUTIONS
(UNAUDITED)**

Fiscal Year	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) -Unit Credit	(3) Unfunded Actuarial Accrued Liability UAAL (2)-(1)	(4) Funded Percent (1)/(2)	(5) Covered Payroll	(6) UAAL as Percent of Covered Payroll (3)/(5)	(7) Annual Required Contributions	(8) Actual Contributions	Percent Contributed (8)/(7)	Accrual Cost Method
2006	12/31/2005	\$ 2,121,496	\$ 2,469,370	\$ 347,874	85.9%	\$ 2,540,308	13.7%	\$ 178,597	\$ 178,597	100%	Projected Unit
2007	12/31/2006	2,589,113	3,944,196	1,355,083	65.6%	3,225,322	42.0%	186,953	186,953	100%	Projected Unit
2008	12/31/2007	3,276,387	6,123,903	2,847,516	53.5%	3,583,302	79.5%	186,913	186,913	100%	Projected Unit
2009	12/31/2008	4,040,524	6,192,616	2,152,092	65.2%	2,318,685	92.8%	191,807	167,120	87%	Projected Unit
2010	12/31/2009	4,406,168	6,722,446	2,316,278	65.5%	2,408,271	96.2%	365,076	325,244	89%	Projected Unit
2011	12/31/2010	6,291,219	8,527,266	2,236,047	73.8%	2,396,683	93.3%	323,372	302,360	94%	Projected Unit
2012	12/31/2011	7,059,666	9,123,217	2,063,551	77.4%	2,443,624	84.4%	328,111	353,085	108%	Projected Unit
2013	12/31/2012	7,891,790	9,843,376	1,951,586	80.2%	2,389,986	81.7%	344,829	361,026	105%	Projected Unit
2014	12/31/2013	8,744,936	11,098,906	2,353,970	78.8%	2,558,729	92.0%	376,822	381,329	101%	Projected Unit

SUPPLEMENTARY INFORMATION

**CITY OF KAUFMAN, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014**

	<u>Law Enforcement</u>	<u>Court Technology</u>	<u>Court Security</u>
ASSETS			
Cash and Investments:			
Unrestricted	\$ 35,826	\$ -	\$ -
Restricted	-	46,677	35,565
Receivables (net of allowances for uncollectible)	-	-	-
Total Assets	<u>35,826</u>	<u>46,677</u>	<u>35,565</u>
LIABILITIES			
Accounts payable	-	11,921	-
Accrued expenses	-	-	-
Total Liabilities	<u>-</u>	<u>11,921</u>	<u>-</u>
FUND BALANCES			
Restricted:			
Court use	-	34,756	35,565
Hotel use	-	-	-
Impact Fees	-	-	-
Capital outlay	-	-	-
Assigned:			
Police	35,826	-	-
Public Works	-	-	-
Total Fund Balances	<u>35,826</u>	<u>34,756</u>	<u>35,565</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 35,826</u>	<u>\$ 46,677</u>	<u>\$ 35,565</u>

<u>Hotel</u>	<u>Impact Fees</u>	<u>Equipment Replacement</u>	<u>Grants</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ -	\$ 62,347	\$ 8,327	\$ 106,500
38,236	203,702	-	1,001,983	1,326,163
8,291	-	-	-	8,291
<u>46,527</u>	<u>203,702</u>	<u>62,347</u>	<u>1,010,310</u>	<u>1,440,954</u>
10,094	-	(1,880)	10,555	30,690
-	-	-	4,097	4,097
<u>10,094</u>	<u>-</u>	<u>(1,880)</u>	<u>14,652</u>	<u>34,787</u>
-	-	-	-	70,321
36,433	-	-	-	36,433
-	203,702	-	-	203,702
-	-	64,227	-	64,227
-	-	-	-	35,826
-	-	-	995,658	995,658
<u>36,433</u>	<u>203,702</u>	<u>64,227</u>	<u>995,658</u>	<u>1,406,167</u>
<u>\$ 46,527</u>	<u>\$ 203,702</u>	<u>\$ 62,347</u>	<u>\$ 1,010,310</u>	<u>\$ 1,440,954</u>

**CITY OF KAUFMAN, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Law Enforcement</u>	<u>Court Technology</u>	<u>Court Security</u>
REVENUE			
Fines and forfeitures	\$ 5,205	\$ 4,154	\$ 3,380
Hotel tax	-	-	-
Impact fees	-	-	-
Contributions and grants	-	-	-
Investment income	38	23	22
Miscellaneous	20,879	-	-
Total Revenues	<u>26,122</u>	<u>4,177</u>	<u>3,402</u>
EXPENDITURES			
Current:			
Public safety	12,037	-	-
Public services and operations	-	23,018	1,474
Capital Outlays			
Public safety	-	-	-
Total Expenditures	<u>12,037</u>	<u>23,018</u>	<u>1,474</u>
Excess (deficiency) of revenues over (under) expenditures	14,085	(18,841)	1,928
Other Revenues and Financing Sources (uses)			
Transfers In(Out)	-	-	-
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	14,085	(18,841)	1,928
Fund Balances/Equity, beginning of year	21,741	53,597	33,637
Fund Balances/Equity, end of year	<u>\$ 35,826</u>	<u>\$ 34,756</u>	<u>\$ 35,565</u>

<u>Hotel</u>	<u>Impact Fees</u>	<u>Equipment Replacement</u>	<u>Grants</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 12,739
31,387	-	-	-	31,387
-	5,161	-	-	5,161
-	-	-	2,755	2,755
43	456	59	795	1,436
-	-	-	-	20,879
<u>31,430</u>	<u>5,617</u>	<u>59</u>	<u>3,550</u>	<u>74,357</u>
-	-	-	2,755	14,792
35,822	-	-	-	60,314
-	-	38,589	25,527	64,116
<u>35,822</u>	<u>-</u>	<u>38,589</u>	<u>28,282</u>	<u>139,222</u>
(4,392)	5,617	(38,530)	(24,732)	(64,865)
-	(229,390)	78,605	1,001,982	851,197
-	(229,390)	78,605	1,001,982	851,197
(4,392)	(223,773)	40,075	977,250	786,332
40,825	427,475	24,152	18,408	619,835
<u>\$ 36,433</u>	<u>\$ 203,702</u>	<u>\$ 64,227</u>	<u>\$ 995,658</u>	<u>\$ 1,406,167</u>

**CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property Taxes including P&I	\$ 201,930	\$ 201,930	\$ 204,435	\$ 2,505
Interest Income	-	-	118	118
Total Revenues	<u>201,930</u>	<u>201,930</u>	<u>204,553</u>	<u>2,623</u>
EXPENDITURES				
Current:				
General Government	340	340	199,480	(199,140)
Debt Service				
Principal Payments	158,100	158,100	195,346	(37,246)
Interest and Fiscal Agent Fees	43,430	43,430	136,088	(92,658)
Total Expenditures	<u>201,870</u>	<u>201,870</u>	<u>530,914</u>	<u>(329,044)</u>
Excess (deficiency) of revenues over(under) expenditures	60	60	(326,361)	(326,421)
Other Revenues and Financing Sources (uses)				
Bond Proceeds	-	-	13,800,000	13,800,000
Lease Proceeds	-	-	527,799	527,799
Transfers	-	-	(13,994,489)	(13,994,489)
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>333,310</u>	<u>333,310</u>
Net Change in Fund Balances	60	60	6,949	6,889
Fund Balances/Equity, beginning of year	119,243	119,243	119,243	
Fund Balances/Equity, end of year	<u>\$ 119,303</u>	<u>\$ 119,303</u>	<u>\$ 126,192</u>	

**CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - LAW ENFORCEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ 5,205	\$ 3,205
Miscellaneous	5,000	5,000	20,879	15,879
Interest Income	15	15	38	23
Total Revenues	<u>7,015</u>	<u>7,015</u>	<u>26,122</u>	<u>19,107</u>
EXPENDITURES				
Current:				
Public Safety	2,825	2,825	12,037	(9,212)
Capital Outlays				
Public safety	4,000	4,000	-	4,000
Total Expenditures	<u>6,825</u>	<u>6,825</u>	<u>12,037</u>	<u>(5,212)</u>
Net Change in Fund Balances	190	190	14,085	13,895
Fund Balances/Equity, beginning of year	21,741	21,741	21,741	
Fund Balances/Equity, end of year	<u>\$ 21,931</u>	<u>\$ 21,931</u>	<u>\$ 35,826</u>	

**CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - COURT TECHNOLOGY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Fines and forfeitures	\$ 8,300	\$ 8,300	\$ 4,154	\$ (4,146)
Interest income	30	30	23	(7)
Total Revenues	<u>8,330</u>	<u>8,330</u>	<u>4,177</u>	<u>(4,153)</u>
EXPENDITURES				
Current:				
Public services and operations	3,935	3,935	23,018	(19,083)
Total Expenditures	<u>3,935</u>	<u>3,935</u>	<u>23,018</u>	<u>(19,083)</u>
Net Change in Fund Balances	4,395	4,395	(18,841)	(23,236)
Fund Balances/Equity, beginning of year	53,597	53,597	53,597	
Fund Balances/Equity, end of year	<u>\$ 57,992</u>	<u>\$ 57,992</u>	<u>\$ 34,756</u>	

**CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - COURT SECURITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Fines and forfeitures	\$ 4,000	\$ 4,000	\$ 3,380	\$ (620)
Interest income	15	15	22	7
Total Revenues	<u>4,015</u>	<u>4,015</u>	<u>3,402</u>	<u>(613)</u>
EXPENDITURES				
Current:				
Public services and operations	1,950	1,950	1,474	476
Total Expenditures	<u>1,950</u>	<u>1,950</u>	<u>1,474</u>	<u>476</u>
Net Change in Fund Balances	2,065	2,065	1,928	(137)
Fund Balances/Equity, beginning of year	33,637	33,637	33,637	
Fund Balances/Equity, end of year	<u>\$ 35,702</u>	<u>\$ 35,702</u>	<u>\$ 35,565</u>	

**CITY OF KAUFMAN, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - HOTEL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Hotel Tax	\$ 22,800	\$ 22,800	\$ 31,387	\$ 8,587
Interest income	-	-	43	43
Total Revenues	<u>22,800</u>	<u>22,800</u>	<u>31,430</u>	<u>8,630</u>
EXPENDITURES				
Current:				
Public services and operations	38,550	38,550	35,822	2,728
Total Expenditures	<u>38,550</u>	<u>38,550</u>	<u>35,822</u>	<u>2,728</u>
Net Change in Fund Balances	(15,750)	(15,750)	(4,392)	11,358
Fund Balances/Equity, beginning of year	40,825	40,825	40,825	
Fund Balances/Equity, end of year	<u>\$ 25,075</u>	<u>\$ 25,075</u>	<u>\$ 36,433</u>	

STATISTICAL SECTION (UNAUDITED)

STATISTICAL SECTION (unaudited)

This part of the City of Kaufman's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Table #s</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1,2,3,4,5
Revenue Capacity These tables contain information to help the reader assess the City's two most significant local revenue sources, property and sales taxes.	6,7,8,9
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	10,11,12,13,14
Economic and Demographic Information These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	15,16
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	17,18,19

Source: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF KAUFMAN, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (unaudited)

	FISCAL YEAR			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 2,302,733	\$ 2,223,962	\$ 4,338,832	\$ 4,309,014
Restricted	261,186	287,583	308,595	263,071
Unrestricted	1,913,172	2,113,075	774,807	769,124
Total governmental activities net position	<u>4,477,091</u>	<u>4,624,620</u>	<u>5,422,234</u>	<u>5,341,209</u>
Business-type activities				
Net investment in capital assets	5,761,873	7,799,600	7,089,869	8,259,857
Restricted	277,231	265,560	294,968	324,576
Unrestricted	3,309,751	1,637,728	1,883,816	1,211,069
Total business-type activities net position	<u>9,348,855</u>	<u>9,702,888</u>	<u>9,268,653</u>	<u>9,795,502</u>
Primary government				
Net investment in capital assets	8,064,606	10,023,562	11,428,701	12,568,871
Restricted	538,417	553,143	603,563	587,647
Unrestricted	5,222,923	3,750,803	2,658,623	1,980,193
Total primary government net position	<u>\$13,825,946</u>	<u>\$14,327,508</u>	<u>\$14,690,887</u>	<u>\$15,136,711</u>

Table 1

FISCAL YEAR					
2009	2010	2011	2012	2013	2014
\$ 2,159,116	\$ 2,100,017	\$ 2,280,578	\$ 2,469,014	\$ 2,846,779	\$ 788,591
43,570	45,261	355,713	369,700	674,308	435,275
2,943,548	2,894,313	2,479,843	2,432,807	2,368,657	12,732,301
5,146,234	5,039,591	5,116,134	5,271,521	5,889,744	13,956,167
8,170,514	8,167,062	8,536,149	7,358,938	8,180,720	8,148,142
333,897	321,019	246,088	176,116	183,269	189,208
1,500,064	1,444,279	1,302,882	2,526,400	1,766,054	1,691,884
10,004,475	9,932,360	10,085,119	10,061,454	10,130,043	10,029,234
10,329,630	10,267,079	10,816,727	9,827,952	11,027,499	8,936,733
377,467	366,280	601,801	545,816	857,577	624,483
4,443,612	4,338,592	3,782,725	4,959,207	4,134,711	14,424,185
<u>\$15,150,709</u>	<u>\$14,971,951</u>	<u>\$15,201,253</u>	<u>\$15,332,975</u>	<u>\$16,019,787</u>	<u>\$23,985,401</u>

**CITY OF KAUFMAN, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(unaudited)**

	FISCAL YEAR			
	2005	2006	2007	2008
EXPENSES				
Governmental activities:				
General government	\$ 512,648	\$ 549,167	\$ 572,732	\$ 804,317
Public Safety	1,610,705	1,783,685	1,792,653	1,936,885
Public Services and Operations	-	-	-	-
Public Works	525,335	760,407	857,519	552,602
Parks and Recreational	289,024	329,128	320,335	328,352
Interest on long-term debt	90,010	87,247	101,211	97,919
Total governmental activities expenses	<u>3,027,722</u>	<u>3,509,634</u>	<u>3,644,450</u>	<u>3,720,075</u>
Business-type activities:				
Utilities	2,373,931	2,513,997	2,542,027	2,558,797
Total business-type activities expenses	<u>2,373,931</u>	<u>2,513,997</u>	<u>2,542,027</u>	<u>2,558,797</u>
Total primary government expenses	<u>5,401,653</u>	<u>6,023,631</u>	<u>6,186,477</u>	<u>6,278,872</u>
PROGRAM REVENUES				
Governmental activities:				
Charge for services:				
General government	105,871	149,219	103,239	107,027
Public Safety	164,871	203,005	168,728	191,328
Public Services and Operations	-	-	-	-
Public Works	56,929	173,376	64,409	46,219
Parks and Recreational	4,678	3,224	5,729	4,219
Operating grants and contributions	578	18,900	521	141,528
Capital grants and contributions	10,411	34,203	11,296	-
Intergovernmental	-	-	-	-
Total governmental activities program revenues	<u>343,338</u>	<u>581,927</u>	<u>353,922</u>	<u>490,321</u>
Business-type activities:				
Charge for services:				
Utilities	2,276,199	2,396,129	2,299,712	2,407,206
Capital grants and contributions	-	155,982	94,018	181,944
Total business-type activities program revenues	<u>2,276,199</u>	<u>2,552,111</u>	<u>2,393,730</u>	<u>2,589,150</u>
Total primary government program revenues	<u>2,619,537</u>	<u>3,134,038</u>	<u>2,747,652</u>	<u>3,079,471</u>
NET (EXPENSE)/REVENUE				
Governmental activities	(2,684,384)	(2,927,707)	(3,290,528)	(3,229,754)
Business-type activities	(97,732)	38,114	(148,297)	30,353
Total primary government program net expenses	<u>\$ (2,782,116)</u>	<u>\$ (2,889,593)</u>	<u>\$ (3,438,825)</u>	<u>\$ (3,199,401)</u>

Table 2

FISCAL YEAR					
2009	2010	2011	2012	2013	2014
\$ 803,190	\$ 617,346	\$ 713,661	\$ 785,132	\$ 752,655	\$ 1,038,186
2,092,090	2,136,890	1,952,397	2,012,451	2,185,030	2,173,310
-	-	269,726	300,000	296,982	373,393
802,630	649,766	642,185	664,620	617,511	3,721,180
321,217	408,849	325,739	314,967	297,587	379,839
98,130	93,137	83,546	48,569	44,454	167,236
<u>4,117,257</u>	<u>3,905,988</u>	<u>3,987,254</u>	<u>4,125,739</u>	<u>4,194,219</u>	<u>7,853,144</u>
2,827,764	2,991,423	3,023,158	3,124,159	3,205,722	3,260,804
<u>2,827,764</u>	<u>2,991,423</u>	<u>3,023,158</u>	<u>3,124,159</u>	<u>3,205,722</u>	<u>3,260,804</u>
6,945,021	6,897,411	7,010,412	7,249,898	7,399,941	11,113,948
104,309	106,942	314,635	324,060	597,204	508,092
221,431	216,152	206,375	330,417	157,387	231,171
-	-	55,310	52,826	57,610	43,181
46,413	18,722	-	-	-	-
3,460	3,353	3,523	2,871	767	1,560
204,767	9,003	29,373	2,575	39,601	5,127
88,480	117,223	75,700	199,433	1,341	-
-	-	-	-	400,000	11,179,536
<u>668,860</u>	<u>471,395</u>	<u>684,916</u>	<u>912,182</u>	<u>1,253,910</u>	<u>11,968,667</u>
2,488,509	2,547,465	3,095,161	2,944,416	3,245,608	3,129,605
258,056	185,916	147,753	-	-	-
<u>2,746,565</u>	<u>2,733,381</u>	<u>3,242,914</u>	<u>2,944,416</u>	<u>3,245,608</u>	<u>3,129,605</u>
3,415,425	3,204,776	3,927,830	3,856,598	4,499,518	15,098,272
(3,448,397)	(3,434,593)	(3,302,338)	(3,213,557)	(2,940,309)	4,115,523
(81,199)	(258,042)	219,756	(179,743)	39,886	(131,199)
<u>\$ (3,529,596)</u>	<u>\$ (3,692,635)</u>	<u>\$ (3,082,582)</u>	<u>\$ (3,393,300)</u>	<u>\$ (2,900,423)</u>	<u>\$ 3,984,324</u>

(continued)

**CITY OF KAUFMAN, TEXAS
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 (accrual basis of accounting)**

	FISCAL YEAR			
	2005	2006	2007	2008
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Property tax	\$ 1,405,606	\$ 1,442,491	\$ 1,596,067	\$ 1,712,812
Sales tax	975,556	984,641	1,078,622	1,142,915
Franchise tax	376,254	416,592	407,515	402,485
Hotel Occupancy Tax	35,434	36,358	35,973	38,511
Alcoholic Beverage Tax	4,700	4,712	5,019	4,884
Investment Income	39,951	85,533	144,457	82,046
Donations	-	-	-	-
Gain on sale of capital assets	-	15,945	74,634	-
Miscellaneous	40,007	88,964	125,537	96,346
Transfers	-	-	620,318	(331,270)
Total governmental activities	2,877,508	3,075,236	4,088,142	3,148,729
Business-type activities:				
Investment Income	64,063	128,761	157,073	55,570
Miscellaneous	197,632	187,158	177,307	109,656
Transfers	-	-	(620,318)	331,270
Total business-type activities	261,695	315,919	(285,938)	496,496
Total primary government	3,139,203	3,391,155	3,802,204	3,645,225
CHANGE IN NET POSITION				
Governmental activities	193,124	147,529	797,614	(81,025)
Business-type activities	163,963	354,033	(434,235)	526,849
Total primary government	\$ 357,087	\$ 501,562	\$ 363,379	\$ 445,824

Table 2
(continued)

FISCAL YEAR					
2009	2010	2011	2012	2013	2014
\$ 1,776,057	\$ 1,768,186	\$ 1,777,109	\$ 1,772,204	\$ 1,743,664	\$ 1,807,255
1,089,696	1,104,987	1,104,523	1,193,154	1,351,409	1,594,892
426,761	385,293	483,935	399,268	374,933	417,416
38,575	36,046	35,819	21,780	28,802	31,387
4,581	7,744	8,044	5,267	3,567	5,802
30,236	11,263	5,477	4,346	4,107	12,446
-	-	5,774	-	-	-
-	9,497	-	-	-	-
57,092	66,146	75,566	40,045	33,149	56,364
(169,576)	(61,212)	(34,328)	173,051	18,902	25,338
<u>3,253,422</u>	<u>3,327,950</u>	<u>3,461,919</u>	<u>3,609,115</u>	<u>3,558,533</u>	<u>3,950,900</u>
21,147	7,167	5,230	18,195	14,311	12,725
99,449	117,548	6,077	3,286	33,296	43,002
169,576	61,212	34,328	(173,051)	(18,902)	(25,338)
<u>290,172</u>	<u>185,927</u>	<u>45,635</u>	<u>(151,570)</u>	<u>28,705</u>	<u>30,389</u>
<u>3,543,594</u>	<u>3,513,877</u>	<u>3,507,554</u>	<u>3,457,545</u>	<u>3,587,238</u>	<u>3,981,289</u>
(194,975)	(106,643)	159,581	395,558	618,224	8,066,423
208,973	(72,115)	265,391	(331,313)	68,591	(100,810)
<u>\$ 13,998</u>	<u>\$ (178,758)</u>	<u>\$ 424,972</u>	<u>\$ 64,245</u>	<u>\$ 686,815</u>	<u>\$ 7,965,613</u>

CITY OF KAUFMAN, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (unaudited)

Table 3

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Hotel Occupancy Tax	Alcoholic Beverage Tax	Total
2005	1,405,606	975,556	376,254	35,434	4,700	2,797,550
2006	1,442,491	984,641	416,592	36,358	4,712	2,884,794
2007	1,596,067	1,078,622	407,515	35,973	5,019	3,123,196
2008	1,712,812	1,142,915	402,485	38,511	4,884	3,301,607
2009	1,776,057	1,089,696	426,761	38,575	4,581	3,335,670
2010	1,768,186	1,104,987	385,293	36,046	7,744	3,302,256
2011	1,777,109	1,104,523	483,935	35,819	8,044	3,409,430
2012	1,772,204	1,193,154	399,268	21,780	5,267	3,391,673
2013	1,743,664	1,351,409	374,933	28,802	3,567	3,502,375
2014	1,807,255	1,594,892	417,416	31,387	5,802	3,856,752

CITY OF KAUFMAN, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

Table 4

	FISCAL YEAR				
	2005	2006	2007	2008	2009
General Fund					
Nond spendable - prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	239,568	281,506	287,434	230,042	226,910
Unassigned	1,781,467	1,958,396	2,180,718	1,931,798	1,876,268
Total General Fund	2,021,035	2,239,902	2,468,152	2,161,840	2,103,178
All other governmental funds					
Nond spendable - prepaid items	-	-	-	-	150
Restricted for:					
Impact fees	-	-	-	-	-
Court use	-	-	-	-	-
Hotel Fund	-	-	-	-	-
Debt service	22,868	28,712	32,295	33,029	38,428
Capital improvements	-	-	-	-	-
Assigned for:					
Police	-	-	-	-	-
Capital improvements	44,891	73,230	729,699	822,725	809,998
Total all other governmental funds	\$ 67,759	\$ 101,942	\$ 761,994	\$ 855,754	\$ 848,576

	FISCAL YEAR				
	2010	2011	2012	2013	2014
General Fund					
Nond spendable - prepaid items	\$ -	\$ 18,981	\$ 2,923	\$ 13,868	\$ 18,400
Restricted	227,546	-	-	-	-
Unassigned	1,951,777	2,029,082	1,968,406	1,841,869	1,539,800
Total General Fund	2,179,323	2,048,063	1,971,329	1,855,737	1,558,200
All other governmental funds					
Nond spendable - prepaid items	-	150	-	-	-
Restricted for:					
Impact fees	-	191,877	195,503	427,474	203,702
Court use	-	77,483	84,242	87,231	70,321
Hotel Fund	-	40,598	44,759	40,825	36,433
Debt Service	39,360	45,605	45,519	119,243	126,192
Capital improvements	-	-	-	-	9,591,802
Assigned for:					
Police	-	39,353	42,868	40,149	35,826
Capital improvements	730,348	440,910	512,710	654,436	-
Public Works	-	-	-	-	995,658
Total all other governmental funds	\$ 769,708	\$ 835,976	\$ 925,601	\$ 1,369,358	\$ 11,059,934

CITY OF KAUFMAN, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(unaudited)

	FISCAL YEAR			
	2005	2006	2007	2008
REVENUES				
Taxes:				
Property taxes	\$ 1,381,073	\$ 1,464,921	\$ 1,585,801	\$ 1,678,647
Sales tax	1,464,921	989,353	1,078,622	1,142,915
Franchise Fees	989,353	1,078,622	407,515	402,485
Hotel Occupancy Tax	411,880	407,515	35,973	38,511
Alcoholic Beverage Tax	36,358	35,973	5,019	4,884
Licenses and Permits	82,937	121,415	81,900	73,665
Fines and Forfeitures	156,604	196,455	160,010	182,709
Charge for Current Services	92,808	210,955	100,196	70,214
Impact Fees	-	-	-	-
Grants	-	-	-	-
Donations	-	-	-	-
Investment Income	39,951	85,533	144,457	82,046
Intergovernmental	-	33,483	160,010	150,031
Miscellaneous	48,995	95,187	131,243	110,049
Total Revenues	<u>4,704,880</u>	<u>4,719,412</u>	<u>3,890,746</u>	<u>3,936,156</u>
EXPENDITURES				
General government	427,262	454,366	467,240	564,622
Public Safety	1,573,022	1,779,638	2,269,690	1,909,034
Public Works	536,163	761,040	848,405	469,245
Parks and Recreational	197,764	234,368	297,491	267,582
Public Services and Operations	-	-	-	-
Capital Outlay	-	-	-	375,707
Debt Service				
Principal Retirement	113,618	103,621	107,450	117,380
Interest and other charges	86,390	83,651	79,627	113,868
Bond issuance costs	-	-	6,596	-
Total Expenditures	<u>2,934,219</u>	<u>3,416,684</u>	<u>4,076,499</u>	<u>3,817,438</u>
Excess (deficiency) of revenues over (under) expenditures	1,770,661	1,302,728	(185,753)	118,718
OTHER FINANCING SOURCES (USES):				
Transfers	-	-	1,145,221	(331,270)
Certificate of Obligation Proceeds	-	-	533,000	-
Bond Proceeds	-	-	-	-
Capital Lease Proceeds	38,205	-	-	-
Sale of capital assets	-	19,482	74,634	-
Total other financing sources (uses)	<u>38,205</u>	<u>19,482</u>	<u>1,752,855</u>	<u>(331,270)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,808,866</u>	<u>\$ 1,322,210</u>	<u>\$ 1,567,102</u>	<u>\$ (212,552)</u>
Debt service as a percentage of noncapital expenditures	<u>7.32%</u>	<u>5.80%</u>	<u>4.81%</u>	<u>7.20%</u>

Table 5

FISCAL YEAR					
2009	2010	2011	2012	2013	2014
\$ 1,788,426	\$ 1,757,609	\$ 1,804,279	\$ 1,759,924	\$ 1,752,725	\$ 1,815,219
1,089,696	1,104,987	1,104,523	1,193,154	1,351,409	1,594,892
426,761	385,293	483,935	399,268	374,933	417,416
38,575	36,046	35,819	21,780	28,802	31,387
4,581	7,744	8,044	5,267	3,567	5,802
84,966	83,755	87,478	95,864	122,192	108,529
213,302	207,236	217,618	345,313	176,882	207,263
51,751	53,564	268,845	253,656	260,414	267,302
-	-	1,520	2,839	251,714	165,161
-	-	-	-	1,341	2,755
-	-	5,774	623	4,548	2,372
30,236	11,263	5,477	4,346	4,106	12,447
193,209	123,488	105,073	59,540	400,000	100,000
82,562	69,500	80,876	40,045	33,149	56,365
<u>4,004,065</u>	<u>3,840,485</u>	<u>4,209,261</u>	<u>4,181,619</u>	<u>4,765,782</u>	<u>4,786,910</u>
697,209	496,204	684,238	737,287	731,811	1,037,749
2,012,422	2,153,242	1,830,633	1,831,677	1,961,215	2,010,423
518,957	498,463	528,899	551,452	503,324	3,492,612
262,422	258,227	208,609	198,975	181,909	245,390
-	-	268,517	301,051	297,551	373,629
198,797	171,188	392,505	345,515	578,747	2,290,910
116,353	124,287	128,171	155,863	152,554	195,346
94,319	89,732	84,826	40,585	49,405	136,088
-	-	-	-	-	-
<u>3,900,479</u>	<u>3,791,343</u>	<u>4,126,398</u>	<u>4,162,405</u>	<u>4,456,516</u>	<u>9,782,147</u>
103,586	49,142	82,863	19,214	309,266	(4,995,237)
(169,576)	(61,212)	(34,329)	173,051	18,902	24,725
-	-	-	-	-	-
-	-	-	-	-	13,800,000
-	-	-	-	-	527,799
-	9,497	-	12,502	-	35,750
<u>(169,576)</u>	<u>(51,715)</u>	<u>(34,329)</u>	<u>185,553</u>	<u>18,902</u>	<u>14,388,274</u>
<u>\$ (65,990)</u>	<u>\$ (2,573)</u>	<u>\$ 48,534</u>	<u>\$ 204,767</u>	<u>\$ 328,168</u>	<u>\$ 9,393,037</u>
<u>6.03%</u>	<u>6.28%</u>	<u>6.05%</u>	<u>5.20%</u>	<u>5.49%</u>	<u>4.63%</u>

**CITY OF KAUFMAN, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (unaudited)**

Table 6

8

Fiscal Year Ended Sept. 30	Estimated Actual Value		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Total Taxable Assessed Value Inc / (Dec)
	Real Property	Personal Property					
2005	\$ 286,027,284	\$ 33,850,600	\$ 95,815,859	\$ 224,062,025	\$ 0.62432	\$ 319,877,884	6.31%
2006	290,122,404	35,018,370	96,234,043	228,906,731	0.62161	325,140,774	2.12%
2007	298,978,883	41,081,120	90,059,098	250,000,905	0.62161	340,060,003	8.44%
2008	318,567,526	44,601,284	91,587,585	271,581,225	0.60880	363,168,810	7.95%
2009	336,438,937	45,102,890	95,707,973	285,833,854	0.60880	381,541,827	4.99%
2010	336,596,364	36,768,460	100,256,681	273,108,143	0.63710	373,364,824	-4.66%
2011	333,616,219	38,556,450	100,510,922	271,661,747	0.64040	372,172,669	-0.53%
2012	326,261,068	39,926,850	99,740,725	266,447,193	0.64538	366,187,918	-1.96%
2013	323,747,199	41,637,470	99,243,200	266,141,469	0.65249	365,384,669	-0.11%
2014	328,703,417	45,524,420	99,621,127	274,606,710	0.65249	374,227,837	3.08%
						10 Yr Avg	2.56%

Source: City Administration Office.

Note: Property is reassessed annually. Property is assessed at actual value; therefore, the assessed values are equal to actual value.

Tax rates are per \$100 of assessed value.

Residential: includes single family, vacant lots, acreage, farm and ranch

Commercial: includes real property, industrial and utilities

**CITY OF KAUFMAN, TEXAS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(PER \$100 OF ASSESSED VALUE)
(unaudited)**

Table 7

Fiscal Year Ended Sept. 30	City Direct Rates			Overlapping Rates *		Total Direct and Overlapping Rates
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Kaufman Independent School District	Kaufman County	
2005	0.54335	0.08097	0.62432	1.72000	0.54270	2.88702
2006	0.54585	0.07576	0.62161	1.72000	0.50000	2.84161
2007	0.55246	0.06915	0.62161	1.59000	0.56220	2.77381
2008	0.53000	0.07880	0.60880	1.30000	0.56150	2.47030
2009	0.53530	0.07350	0.60880	1.30000	0.55280	2.46160
2010	0.55900	0.07810	0.63710	1.30000	0.55650	2.49360
2011	0.56200	0.07840	0.64040	1.30000	0.50770	2.44810
2012	0.56659	0.07880	0.64538	1.30000	0.49910	2.44448
2013	0.57698	0.07551	0.65249	1.30000	0.55650	2.50899
2014	0.57896	0.07353	0.65249	1.30000	0.55650	2.50899

Source: City Administration Office

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

**CITY OF KAUFMAN, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO
(unaudited)**

Table 8

Taxpayer	2014 ¹			2005 ²		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
ABOX PAPERBOARD	\$ 9,157,020	1	3.33%			
WAL-MART REAL ESTATE BUSINESS TRUST	7,276,540	2	2.65%			
FALCON STEEL INC	6,632,280	3	2.42%			
BW RANCH INC	4,819,880	4	1.76%			
BROOKSHIRE GROCERY CO	4,496,400	5	1.64%			
TABLES MANUFACTURING INC	3,250,680	6	1.18%			
KOLDER INC	3,197,430	7	1.16%			
JWS LAND LTD	2,899,180	8	1.06%			
ONCOR ELECTRIC DELIVERY COMPANY	2,064,750	9	0.75%			
2M PROPERTIES LTD	<u>1,959,930</u>	10	<u>0.71%</u>			
Numo Manufacturing Inc.				\$ 5,898,230	1	2.63%
Brookshire Grocery Co.				5,310,280	2	2.37%
Abox Paperboard				2,686,590	3	1.20%
Kinplex Trust				2,638,390	4	1.18%
Tables Manufacturing Inc.				2,606,140	5	1.16%
CenterAmerica Capital Partners				2,193,070	6	0.98%
E F Products				2,033,760	7	0.91%
Falcon Steel Inc.				1,829,670	8	0.82%
Council Real Estate				1,499,280	9	0.67%
Paul Murrey Ford-Mercury				<u>1,427,870</u>	10	<u>0.64%</u>
Total	<u>\$ 45,754,090</u>		<u>16.66%</u>	<u>\$ 28,123,280</u>		<u>12.55%</u>
Total valuation of City net of exempt property	<u>\$ 274,606,710</u>			<u>\$ 224,062,025</u>		

Source: ¹ www.kaufman-cad.net

² City Administration Office.

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

Table 9

Fiscal Year Ended Sept. 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2005	\$ 1,398,864	\$ 1,313,020	93.86%	\$ 74,845	\$ 1,387,865	99.21%
2006	1,422,907	1,369,799	96.27%	46,997	1,416,796	99.57%
2007	1,554,031	1,504,009	96.78%	41,517	1,545,526	99.45%
2008	1,653,386	1,612,378	97.52%	25,604	1,637,982	99.07%
2009	1,740,157	1,677,518	96.40%	36,151	1,713,669	98.48%
2010	1,774,744	1,678,366	94.57%	21,708	1,700,074	95.79%
2011	1,739,722	1,689,601	97.12%	49,456	1,739,057	99.96%
2012	1,733,400	1,687,208	97.34%	24,924	1,712,132	98.77%
2013	1,736,415	1,684,211	96.99%	28,610	1,712,821	98.64%
2014	1,769,535	1,742,183	98.45%	23,725	1,765,908	99.80%

Source: Kaufman County Appraisal District

CITY OF KAUFMAN, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(unaudited)

Table 10

Fiscal Year	Governmental Activities					Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Certificates of Obligation	General Obligation Bonds	Pass Through Bonds	Other Obligations	Capital Leases	Certificates of Obligation	Revenue Bonds	Other Obligations	Capital Leases			
2005	\$ 2,016,668	\$ -	\$ -	\$ -	\$ 38,205	\$ 2,293,332	\$ 3,440,000	\$ 6,327	\$ 23,385	\$ 7,817,917	4.36%	1,169
2006	1,925,335	-	-	-	25,917	2,214,665	3,145,000	-	11,950	7,322,867	3.82%	1,085
2007	2,363,661	-	-	-	13,138	2,752,339	2,840,000	-	-	7,969,138	3.84%	1,171
2008	2,259,419	-	-	-	-	2,651,581	2,530,000	-	-	7,441,000	3.36%	1,087
2009	2,143,065	-	-	-	-	2,516,935	2,205,000	-	-	6,865,000	3.12%	1,002
2010	2,018,778	-	-	-	-	2,376,222	1,870,000	-	-	6,265,000	2.47%	895
2011	1,890,606	-	-	-	-	2,232,393	1,520,000	399,263	-	6,042,262	2.46%	888
2012	547,504	1,251,200	-	-	-	2,376,495	1,748,800	399,263	-	6,323,262	2.42%	907
2013	449,350	1,201,092	-	-	-	2,201,650	1,358,179	399,263	60,772	5,670,306	2.12%	810
2014	1,475,647	1,023,600	8,255,000	6,195,000	490,553	2,065,350	907,143	399,263	46,310	20,857,866	8.20%	2,980

Note 1: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 15 for personal income and population data.

**CITY OF KAUFMAN, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(unaudited)**

Table 11

Fiscal Year	Certificates of Obligation	Capital Leases	General Obligation Bonds	Other Obligations	Less: Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property ¹	Per Capita ²
2005	\$ 2,016,668	\$ 38,205	\$ -	\$ -	\$ 22,868	\$ 2,032,005	0.89%	298
2006	1,925,335	25,917	-	-	28,712	1,922,540	0.83%	281
2007	2,363,661	13,138	-	-	32,295	2,344,504	0.93%	343
2008	2,259,419	-	-	-	33,029	2,226,390	0.82%	325
2009	2,143,065	-	-	-	34,506	2,108,559	0.74%	308
2010	2,018,778	-	-	-	38,201	1,980,577	0.73%	283
2011	1,890,606	-	-	-	45,605	1,845,001	0.68%	271
2012	547,504	-	1,251,200	-	45,195	1,753,509	0.66%	252
2013	449,350	-	1,201,092	-	118,828	1,531,614	0.58%	219
2014	1,475,647	490,553	1,023,600	6,195,000	124,819	9,059,981	3.30%	1,294

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

Source:

- ¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on Table 6 for property value data.
- ² Population data can be found in the Schedule of Demographic and Economic Statistics on Table 15.

**CITY OF KAUFMAN, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2014
(unaudited)**

Table 12

Governmental Subdivision	Gross Bonded Debt	Percentage of Debt Applicable to Area 1	City Share of Overlapping Debt
Kaufman County	\$ 41,578,850	4.53%	\$ 1,883,522
Kaufman I S D	<u>23,360,881</u>	43.52%	<u>10,166,655</u>
	<u>\$ 64,939,731</u>		12,050,177
City of Kaufman, Texas direct debt			<u>9,184,800</u>
			<u>21,234,977</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u>7.73%</u>
Per capita overlapping bonded debt			<u>\$ 3,034</u>

Source: "Texas Municipal Report" as of September 30, 2014, prepared by the Municipal Advisory Council.

Note: 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 government that is borne by the residents and businesses of the City of Kaufman. This process recognizes that, when considering the City of Kaufman'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.

(1) The percentage of overlapping debt applicable is estimated using the 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 Kaufman's boundaries and dividing it by the overlapping government's total taxable assessed value.

**CITY OF KAUFMAN, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(unaudited)**

	FISCAL YEAR				
	2005	2006	2007	2008	2009
Debt Limit	\$31,987,788	\$32,514,077	\$34,006,000	\$36,316,881	\$38,154,183
Total net debt applicable to limit	<u>1,993,800</u>	<u>1,896,623</u>	<u>2,331,366</u>	<u>2,226,390</u>	<u>2,108,559</u>
Legal Debt Margin	<u>\$29,993,988</u>	<u>\$30,617,454</u>	<u>\$31,674,634</u>	<u>\$34,090,491</u>	<u>\$36,045,624</u>
Total net debt applicable to the limit as a percentage of debt limit	6.23%	5.83%	6.86%	6.13%	5.53%

Table 13

FISCAL YEAR				
2010	2011	2012	2013	2014
\$37,336,482	\$35,059,582	\$36,618,792	\$ 36,538,467	\$ 37,422,784
<u>1,980,577</u>	<u>1,890,606</u>	<u>1,753,509</u>	<u>1,531,614</u>	<u>9,059,981</u>
<u>\$35,355,905</u>	<u>\$33,168,976</u>	<u>\$34,865,283</u>	<u>\$ 35,006,853</u>	<u>\$ 28,362,803</u>
5.30%	5.39%	4.79%	4.19%	24.21%

Legal Debt Margin Calculation for Fiscal year 2014

Assessed Value	\$274,606,710
Add back exempt real property	99,621,127
Total assessed value	<u>\$374,227,837</u>
Debt limit (10% of total assessed value)	37,422,784
Debt applicable to limit:	
General bonds	9,184,800
Less: Amount set aside for repayments of debt	124,819
Total net debt applicable to limit	<u>\$ 9,059,981</u>
Legal debt margin	<u>\$ 28,362,803</u>

**CITY OF KAUFMAN, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (unaudited)**

Table 14

Fiscal Year	Tax and Revenue Refunding Bonds					
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Debt Service		Times Coverage
				Principal	Interest	
2005	\$ 2,537,894	\$ 1,695,573	\$ 842,321	\$ 285,000	\$ 127,109	2.04
2006	2,712,048	1,782,311	929,737	295,000	117,684	2.25
2007	2,634,092	1,756,279	877,813	305,000	107,934	2.13
2008	2,572,432	1,848,283	724,149	310,000	97,940	1.78
2009	2,609,105	2,005,847	603,258	325,000	87,946	1.46
2010	2,672,180	2,101,132	571,048	335,000	77,295	1.39
2011	3,254,220	2,152,934	1,101,286	511,834	142,072	1.68
2012	2,945,309	2,258,624	686,685	570,446	150,266	0.95
2013	3,278,904	2,351,745	927,159	586,956	111,667	1.33
2014	3,172,607	2,464,632	707,975	635,030	91,330	0.97

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

a Revenues does not include transfers.

b Includes operating expenses minus depreciation and bond issuance costs.

**CITY OF KAUFMAN, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(unaudited)**

Table 15

<u>Fiscal Year</u>	<u>Estimated Population ¹</u>	<u>Personal Income</u>	<u>Per Capita Personal Income ²</u>	<u>Median Age</u>	<u>School Enrollment ³</u>	<u>Unemployment Rate ⁴</u>
2005	6,685	185,241,350	27,710	*	3,542	5.0%
2006	6,750	162,789,750	24,117	*	3,553	5.0%
2007	6,805	207,756,650	30,530	*	3,619	4.7%
2008	6,848	221,704,000	32,375	*	3,653	5.4%
2009	6,850	219,761,700	32,082	*	3,728	8.3%
2010	7,000	253,988,000	36,284	30.3	3,746	9.0%
2011	6,805	246,912,620	36,284 **	30.3	3,820	9.0% **
2012	6,969	261,553,965	37,533 **	30.3	3,737	6.6%
2013	7,000	266,903,000	38,129	32.0	3,752	6.5% ⁵
2014	7,000	254,275,000	36,325	32.0	3,798	6.8%

Sources:

¹ North Texas Council of Governments

² US Department of Commerce - Bureau of Economic Analysis

³ Kaufman Independent School District

⁴ Texas Workforce Commission

⁵ www.citydata.com

* Median age only available in census years.

** Estimated

**CITY OF KAUFMAN, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO
(unaudited)**

Table 16

Name of Employer	2014 ¹			2005 ²		
	No. of Employees	Rank	Percentage of Total City Employment	No. of Employees	Rank	Percentage of Total City Employment
Kaufman ISD	519	1	12.10%			
Kaufman County	510	2	11.89%			
Walmart	300	3	7.00%			
Texas Health Presbyterian Hospital	250	4	5.83%			
Trinity Valley Electric Co-Op	156	5	3.64%			
Advanced Tabco	150	6	3.50%			
Falcon Steel	143	7	3.33%			
Brookshire's	125	8	2.92%			
Numo Manufacturing	118	9	2.75%			
Abox Packaging	110	10	2.57%			
Kaufman I.S.D.				537	1	7.17%
Kaufman County				415	2	4.67%
Numo				283	3	4.00%
Presbyterian Hospital				253	4	3.34%
Brookshire's Grocery Co.				183	5	2.27%
Trinity Valley Electric Co-op				167	6	2.24%
Advanced Tabco				153	7	2.55%
Falcon Steel				148	8	1.74%
Sunflower Park				103	9	1.50%
Abox Packaging				85	10	1.42%
Totals	<u>2,381</u>		<u>55.53%</u>	<u>2,327</u>		<u>30.90%</u>
Total employment within City	<u>4,288</u>			<u>6,001</u>		

Source: ¹Kaufman Economic Development Corporation
²City Administration Office.

**CITY OF KAUFMAN, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (unaudited)**

Function / Program	Fiscal Year				
	2005	2006	2007	2008	2009
General government					
Administrative Services					
Administration	1.0	1.0	1.0	1.0	1.0
City Secretary	1.0	1.0	1.0	1.0	1.0
Secretary/Admin Assistant	1.0	1.0	1.0	1.0	1.0
Financial Services					
Finance	5.0	5.0	5.0	5.0	5.0
Municipal Court	1.0	1.0	1.0	1.0	1.0
Municipal Court Judge	1.0	1.0	1.0	1.0	1.0
Public Safety					
Police	25.0	24.0	24.0	24.0	24.0
Development Services	2.0	3.0	3.0	3.0	3.0
Fire	4.0	4.0	4.0	4.0	4.0
Streets	10.0	10.0	10.0	10.0	10.0
Water and Sewer Systems	12.0	12.0	12.0	13.0	13.0
Total	63.0	63.0	63.0	64.0	64.0

Source: City Administration Office.

Table 17

Fiscal Year				
2010	2011	2012	2013	2014
1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0
5.0	5.0	5.0	5.0	6.0
1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0
24.0	26.0	26.0	26.0	25.0
3.0	3.0	3.0	3.0	3.0
4.0	4.0	4.0	4.0	6.0
10.0	10.0	10.0	10.0	12.0
13.0	13.0	13.0	13.0	12.0
64.0	66.0	66.0	66.0	69.0

**CITY OF KAUFMAN, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(unaudited)**

Function/Program	FISCAL YEAR			
	2005	2006	2007	2008
Police				
UCR - Reported Crimes	317	362	417	294
Number of Violations (Citations)	1,653	2,343	1,783	1,774
Judicial				
Municipal Court Fines	\$ 156,604	\$ 196,455	\$ 160,010	\$ 182,709
Fire				
Fire Calls	878	849	800	850
Fire Loss	\$ 430,100	\$ 275,100	\$ 200,000	\$ 280,000
Inspection				
Permits Issued (Units)	36	137	9	10
Permit Value	\$ 5,682,181	\$ 10,062,641	\$ 2,789,819	\$ 1,428,435
Streets				
Miles of Streets Maintained	34.31	35.31	35.31	35.31
Health				
Animals Impounded	669	547	462	330
Cultural and Recreational				
Parks				
Parks Maintained	5	5	5	5
Sanitation Service				
Refuse Customers	1,824	1,846	1,849	1,847
Water				
Number of Water Customers	2,400	2,488	2,493	2,491
Estimated Gallons Billed (in thousands)	388,838	430,872	356,133	372,508
Sewer				
Number of Wastewater Customers	2,300	2,354	2,350	2,342

Sources: Various government departments.

Table 18

FISCAL YEAR					
2009	2010	2011	2012	2013	2014
180	181	144	134	155	132
2,270	1,577	3,396	5,504	4,074	2,977
\$ 213,302	\$ 207,236	\$ 217,618	\$ 257,964	\$ 224,673	\$ 258,077
771	813	910	940	735	880
\$ 280,000	\$ 216,411	\$ 309,100	unavailable	unavailable	unavailable
3	3	1	6	3	3
\$ 2,147,500	\$ 3,711,993	\$ 550,000	\$ 1,233,000	\$ 10,309,526	\$ 1,470,000
35.31	35.31	35.31	35.31	35.31	35.81
450	316	282	276	269	245
5	5	5	5	5	5
1,833	1,832	1,835	1,833	1,835	1,788
2,481	2,470	2,480	2,463	2,451	2,447
343,707	320,810	420,491	427,433	341,270	324,422
2,351	2,347	2,345	2,126	2,142	2,108

**CITY OF KAUFMAN, TEXAS
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS
 (unaudited)**

Function	Fiscal Year				
	2005	2006	2007	2008	2009
Police					
Number of Stations	1	1	1	1	1
Fire					
Number of Stations	1	1	1	1	1
Fire Hydrants	240	242	242	257	257
Streets					
Miles of Streets	34.31	35.31	35.31	35.31	35.31
Cultural and Recreational					
Parks Maintained	5	5	5	5	5
Water					
Water Storage Capacity (gallons)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Sewer					
Sewer Plant Capacity (million gallons per day)	1.20	1.20	1.20	1.20	1.20

Sources: Various government departments.

Table 19

Fiscal Year				
2010	2011	2012	2013	2014
1	1	1	1	1
1 265	1 265	1 300	1 300	1 312
35.31	35.31	35.31	35.31	35.81
5	5	5	5	5
1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
1.20	1.20	1.20	1.20	1.20

