

D U N C A N V I L L E

T h e P e r f e c t B l e n d o f



F a m i l y



C o m m u n i t y



a n d B u s i n e s s

City of Duncanville, Texas

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2005**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF DUNCANVILLE, TEXAS

FOR

FISCAL YEAR ENDED

SEPTEMBER 30, 2005

PREPARED BY:

CITY OF DUNCANVILLE

FINANCE DEPARTMENT

CITY OF DUNCANVILLE, TEXAS

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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
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INTRODUCTORY SECTION



City of Duncanville

Kent Cagle
City Manager

December 21, 2005

The Honorable Mayor and Members of the City Council
City of Duncanville
Duncanville, Texas

The Finance Department and City Manager's Office is pleased to submit the Comprehensive Annual Financial Report for the City of Duncanville, Texas for the fiscal year ended September 30, 2005.

This report is published to provide the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

THE REPORT

This report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, a listing of the principal officials and an organizational chart of the City. The financial section includes a Management and Discussion Analysis (MD&A), basic financial statements and combining individual fund statements and schedules, as well as the independent auditors' report on the basic financial statements. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Duncanville's MD&A can be found immediately following the report of the independent auditors. The statistical section includes financial and demographical information, usually presented on a multi-year basis that is relevant to a financial statement reader.

The financial section described above is prepared in accordance with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB) and other professional associations, as applicable.

CITY PROFILE

Location

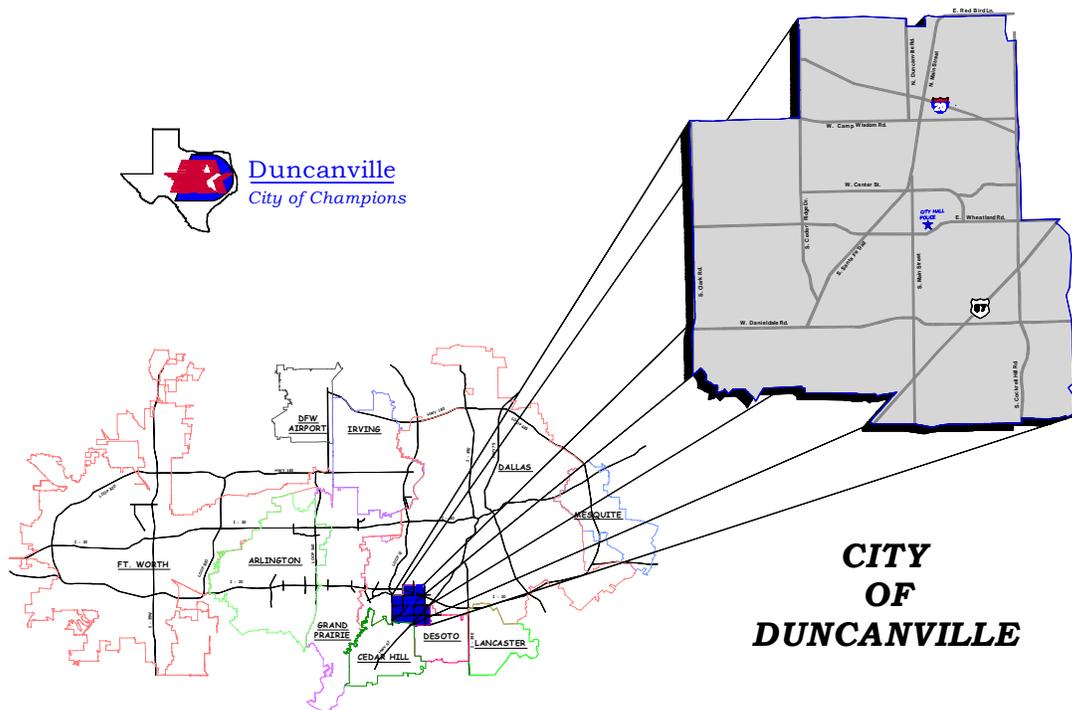
Located in the Greater Southwest portion of Dallas County, the City of Duncanville is situated approximately 20 minutes from Fort Worth and just minutes from downtown Dallas. With I-20 on its northern border and Hwy-67 bordering its east, the City covers approximately 12 square miles and is easily accessible from major interstate and highway systems in North Texas, including I-35 the NAFTA Corridor. The 2000 census population for the City was 36,081, while the estimated 2005 population is 36,150.

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1949, and first adopted its Home Rule Charter May 5, 1962. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members, who enact local laws, determine policies and adopt the annual budget. The term of office is two years with the terms of the Mayor and two of the Council members' terms expiring in even-numbered years and the other terms of the four Council members expiring in odd-numbered

years. The City Manager, appointed by City Council, is the chief administrative officer for the City and is responsible for the daily management of the City. The basic financial statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the GASB. Based on these criteria no other governmental organizations are included in this report.

Services Provided

The City provides to its citizens those services that have proven to be necessary and meaningful and which the City can provide at the least cost. Major services provided under general government and enterprise functions are: public safety (police and fire protection), emergency ambulance services, highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, library services, public improvements, planning and zoning, and general administrative services. Also complimenting the City’s own reputation as the “City of Champions,” the world-class Dr. Pepper® Star Center rests in the heart of the community symbolizing the winning tradition of the Dallas Stars Hockey Team. The 95,000 square foot double rink complex offers skating lessons, hockey lessons and open ice skating year round.



Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on the accrual basis. Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures (items over \$5,000 and having a useful life of three or more years) are monitored and controlled item by item. Revenue budgets are reviewed monthly.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City 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. The internal control structure is 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.

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

The City Charter provides that the City Council shall adopt the annual budget prepared by City Management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgetary control has been established at the individual fund level. Financial reports are produced showing budget and actual expenditures by line item, and are distributed monthly to City departmental and divisional management and to others upon request. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriation budget approved by the City Council. Budgetary control is maintained by the use of an automated general ledger system that compares actual expenditures to the legally adopted appropriation in each line-item account.

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

ECONOMIC OUTLOOK AND FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Regional Economy

- The Dallas/Fort Worth Consolidated Metropolitan Statistical Area (DFW) reported 5.2 million residents in the 2000 Census, making it the largest metropolitan area in Texas, the ninth largest metro in the country and larger than 31 U.S. states. (Census 2000)
- DFW continues to add population at the same levels of the previous decade, bringing the 2004 population to nearly 5.8 million residents despite flat economic performance and net job losses in 2002 and 2003. (NCTCOG, Greater Dallas Chamber)
- DFW claims 25.8 percent of the state's population, 27.7 percent of the labor force, 28.5 percent of all wage and salary jobs, and produces 33 percent of the state's total product as measured by Gross Domestic Product (GDP). (Census 2000, Texas Workforce Commission, Economy.com)
- Total GDP for the DFW metro surpassed \$250 billion in 2002, placing the area in 14th position among all states and 19th among the world's nations in total output. (Economy.com)
- DFW has one of the most diverse economies in the nation, reporting between 5 and 30 percent of the workforce in each of the major industrial sectors except mining, which has less than 1 percent. (Texas Workforce Commission)
- Dallas/Fort Worth offers the largest number of college and high school educated residents of any metro in the state of Texas and among the highest in the nation. According to the 2000 Census, 2.6 million residents in DFW hold school diplomas and more than 920,000 have completed at least four of college.
- Wholesale and retail trade is the largest employment sector in the Dallas regional economy, accounting for approximately 17 percent of all jobs. (Texas Workforce Commission)
- The Dallas/Fort Worth Metroplex is one of the largest beneficiaries of the passage of the North American Free Trade Agreement (NAFTA). DFW trade with Mexico and Canada has doubled to \$2.3 billion since the enactment of NAFTA in 1993. (NCTCOG)

- Dallas is one of the few areas in the nation with seven major league sports teams including Cowboys football, Desperados arena football, Mavericks basketball, Rangers baseball, Stars hockey, FC Dallas soccer, and Sidekicks indoor soccer. (Dallas Convention and Visitors Bureau)
- In the Dallas metro area, cultural arts contribute over \$22 billion to the local economy which is 34.6 percent of the state total. DFW is also Texas' most "arts intensive" metro area on a per capita basis, with \$6,654 expended per person on cultural arts. (The Perryman Group)

Duncanville's Position in the Region

Duncanville will always struggle with the challenge of providing first class services that are funded by a tax base that is 75% residential. However, 2006 promises to be one of the best in Duncanville's history for commercial construction. Costco has announced plans to build one of its warehouse stores in Duncanville and plans to open by June 2006. There will be associated restaurant and retail development on the site. Across Main Street from the Costco site, Carbon Development will break ground in early 2006 on a unique mixed use development that includes apartments, restaurants, retail and banking facilities constructed around a creek and linear park.

Southwest Dallas County is experiencing explosive residential growth and while Duncanville has limited residential land left there will be four new subdivisions under construction in 2006. This local and area residential growth coupled with the successful beer and wine election in 2003 has created renewed interest in Duncanville as a retail and restaurant location.

Duncanville is still home to a diversified group of manufacturing and distribution firms and continues to be the choice for many well-known leading businesses. Major manufacturing industries within the City produce corrugated storage and filing boxes, commercial bakery products, fabricated sheet-metal products, cabinets, doors, frozen foods, and cosmetics. One major industrial park thrives in the City, the Duncanville Industrial Corporation, and two other large industrial parks are adjacent to the City; Redbird Industrial Park and Mountain Creek Business Park.

In addition, the following reflects past, present, and anticipated progress of the flurry of economic development activity in the city of Duncanville.

- The area remains the distribution and financial center of the Southwest, while the growth of high tech industries, service industries, trade, and corporate headquarters have provided a strong, stable, and diverse local economy.
- Duncanville boasts a strong industrial community that includes companies like Texwood Industries, the second largest cabinet maker in the United States.
- Duncanville is also proud to say that the **Dr Pepper StarCenter** (a 95,000 foot double ice rink facility) which opened in 2000 is doing extremely well and continues to bring people near and far into the community.
- The community is benefiting from the addition of an **Upscale Senior Living Complex** constructed by Windriver Management Corporation called Champions Cove. This upscale, gated community provides individuals 55 and older with all of the amenities they need to truly enjoy life. Windriver Management Corporation broke ground on December 23, 2003 and the complex opened on November 21, 2004.
- **Pappas Restaurants** opened one of their famous **Pappadeaux Seafood Kitchen** restaurants in January 2004.
- In 2003, **Holiday Inn** opened a new hotel in Duncanville and **The Hilton Garden Inn** opened September 1, 2005 on a five-story, 142 room 93,000 square foot **Hotel and Conference Center** at the corner of Main Street and I-20. This new facility provides businesses and guests with access to 14,000 square feet of conference room and meeting space. Duncanville is currently recruiting quality full-service restaurants that will compliment the Hilton Garden Inn Hotel.
- Two major highways cross through Duncanville's corporate limits allowing the City to enjoy the convenience of nearby D/FW International Airport and Love Field Airport to meet commercial passenger air transportation needs.
- Main Station, which includes 22,000 square feet of office, retail, and residential loft space on Main and Center Street in Duncanville, opened in December 2003.

- Texwood Industries, one of the leading cabinet and door manufacturers in the nation recently completed an eleven million dollar expansion that added 365 jobs.

Also, as part of Duncanville’s comprehensive economic development plan, the 4B Board established four grant programs specifically designed to encourage redevelopment of maturing business corridors by providing financial resources to small business owners for exterior property improvements. The four grant programs are a Paint Grant, Landscape Participation Grant, Signage Update Grant and an Interest Rate Buy Down Grant.

Duncanville continues to house one of the state’s top rated school districts that continue to support residential property values. The City also benefits from an affluent workforce with Duncanville’s median household income of \$55,926 comparing favorably to \$40,921 for Dallas, \$51,877 Fort Worth/Arlington and \$43,487 for Texas. (Greater Dallas Chamber)

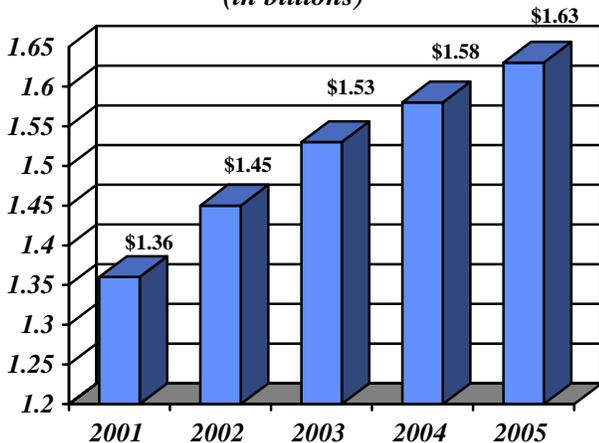
The long-range economic outlook for Duncanville is very promising. The City continues to grow with economic development initiatives targeting quality businesses that will bring unique products and services to this ever-growing community. The City’s citizens and business community are committed to managed growth and maintaining the level of economic prosperity and the quality of life Duncanville currently enjoys.

In addition, the following non-economic major initiatives are in place, contributing to the overall health of the City:

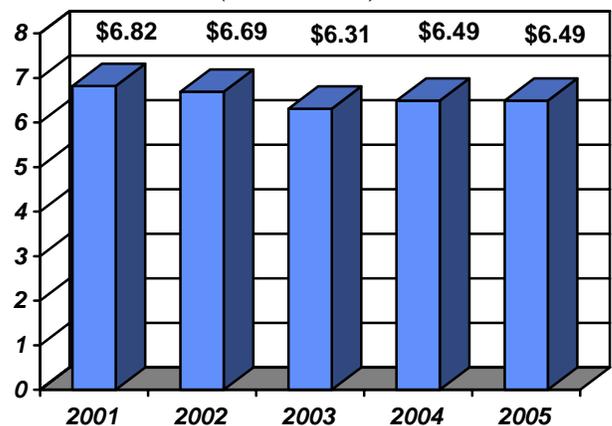
- Constructing new service roads between Main Street and Duncanville Road along I-20, this opened in March 2005.
- Begin design of the remainder of the service roads along I-20 from the east to west city limits.
- Continuing aggressive Code Enforcement, resolving violations.
- Pushing a more aggressive program of delinquent tax foreclosures when necessary.
- Promoting another year of aggressive apartment inspection program (third year).
- Maintaining an aggressive water and sewer line rehab program.
- Improving access to Highway 67.

Economic Signs . . .

ASSESED PROPERTY VALAUTIONS
(in billions)



SALES TAX COLLECTIONS
(in millions)



Future Economic Outlook

Duncanville has suffered several years of difficult economic times, but the future appears bright. New retail projects that are just opening or under construction will help replace the losses of the past three years. Property values continue to increase and indicate that Duncanville is still a top choice for existing home purchases. The recent vote that allowed beer and wine sales is spurring commercial activity that has not been seen in over twenty years. Duncanville remains an attractive, well maintained city with a solid infrastructure that is well deserving of its moniker of "City of Champions".

Cash Management

The City awards its depository contract through official bidding procedures for a two-year period with an option to extend the contract for an additional one year. The current depository contract with JP Morgan Chase, N.A. expires January 31, 2007.

The City has a services-only contract, where a minimum amount of cash is held in checking accounts to meet the City's operational needs.

Cash temporarily idle during the year was invested in demand deposits, Texpool, LOGIC, Federated Investors, and U.S. Treasury issues. Interest income from all sources was \$426,088 for FY 2004-05, compared to \$239,831 in FY 2003-04.

It is the City's policy that all demand deposits and time deposits are secured by pledged collateral with a market value equal to no less than 100% of the deposits less an amount insured by the FDIC. Evidence of the pledged collateral is maintained by the Finance Department and a third party financial institution. Collateral is reviewed monthly to assure the market value of the securities pledged equals or exceeds the related bank balances.

The audit committee of the Duncanville City Council is chartered to assist the City Council in fulfilling its financial and compliance oversight responsibilities. It is to be the City Council's principal agent in ensuring the independence of the City's annual financial audit, the integrity of the City management, and the adequacy of financial disclosures to the public. The Audit Committee is to serve as the focal point for communication between the City Council, the independent auditor, and City management. The Audit Committee's primary duties and responsibilities are to: 1) Advise the City Council and management on the selection of the independent auditor. 2) Serve as an independent and objective party to monitor the City's financial and compliance reporting process and internal controls system. 3) Review and appraise the audit efforts of the City's independent auditor. 4) Provide an open avenue of communication among the independent auditor, financial and senior management, and the Duncanville City Council.

These reports summarize recent market conditions, economic developments, anticipated investment conditions and investment strategies employed. They also describe the portfolio in terms of investment securities, maturities, risk characteristics, compare the investment return with budgetary expectations and suggest improvements that might be made in the investment program.

All safekeeping arrangements are in accordance with a safekeeping agreement approved by the City Manager which clearly defines the procedural steps for gaining access to pledged collateral on deposits should the City of Duncanville determine that the City's funds are in jeopardy. The safekeeping institution, or Custodian, is the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral. The safekeeping agreement is a three-party contract between the City, the depository bank and the Federal Reserve Bank as custodian.

All investments transacted by the City are purchased using the delivery versus payment method. That is, funds are not wired or paid until verification has been made that the correct security has been received by the Custodian. The security is held in the name of the City or held on behalf of the City. The Custodian's records must assure the notation of the City's ownership or explicit claim on the securities. The original copy of all safekeeping statements is delivered to the City.

All collateral is subject to inspection and audit by the Finance Director or the City's independent auditors.

Risk Management

In July, 1989, the City adopted a self-insurance program through the Arthur Gallagher Co. for workers' compensation, property and all of the City's liability coverage. The retention levels for the City and the corresponding policy limits are as follows: \$75,000/\$10,000,000 for workers' compensation; \$25,000/\$30,871,912 for property and \$50,000/\$1,000,000 for liability claims. In FY 95-96, Texas Municipal League Intergovernmental Risk Pool replaced Arthur Gallagher Company.

The risk management program has been implemented in order to minimize or eliminate any harm to the financial position of the City, any physical injury to employees or potential destruction of property by providing proper insurance coverage, safety training and safety assessment.

Employee Health Plan

The City maintains an employee health plan for employees and dependents, which is self-insured by the City. Revenues are recognized from payroll deductions and from City contributions. The City utilizes a preferred provider organization for its primary health care option and actively solicits input from its employees regarding benefit levels and cost containment strategies.

OTHER INFORMATION

Independent Audit

The City Charter requires an independent audit of the City's financial records each year by qualified certified public accountants selected by the City Council. This requirement has been complied with and the independent auditors' report has been included in this report.

GFOA Certificate of Achievement

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 Duncanville for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments

The preparation of this report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the staff has our sincere appreciation for the contributions made in the preparation of this report and specifically Philip Varghese, Assistant Finance Director.

We would also like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,

Kent Cagle
City Manager

Frank Trando
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Duncanville,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2004

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



Nancy L. Zjelke

President

Jeffrey R. Emer

Executive Director



Duncanville

City of Champions

"The Perfect Blend of Family,
Community and Business"

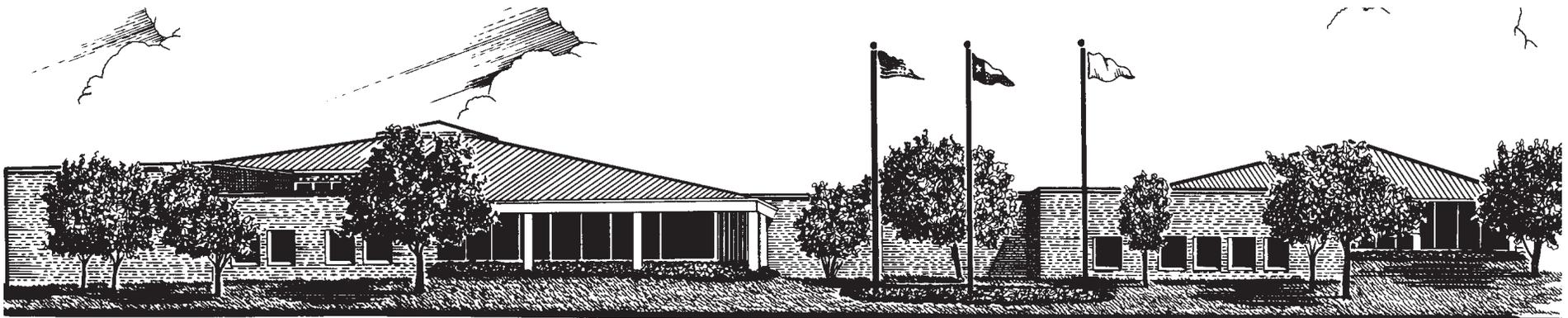
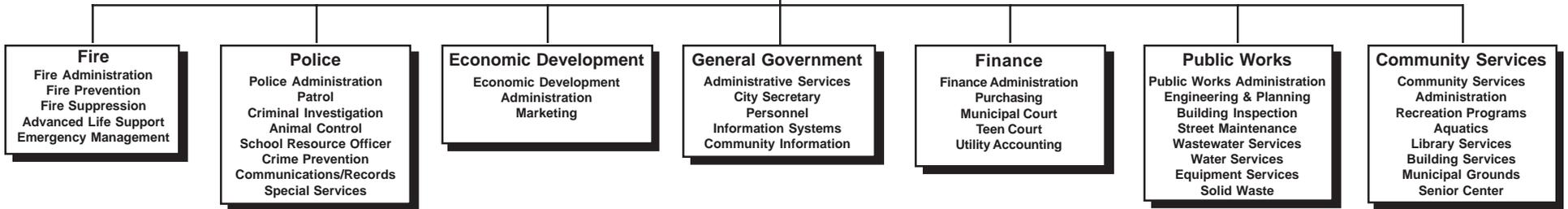
Citizens of Duncanville

Mayor & City Council
(Elected)

Office of the City
Manager

City of Duncanville

Organizational Chart September 30, 2005



**CITY OF DUNCANVILLE
CITY COUNCIL**

David Green, Mayor

Scott Cannon, Mayor Pro Tem

Dorothy Burton, Council Member at large

Anthony Skinner, Council Member

Johnette Jameson, Council Member

Grady Smithey, Council Member

Ken Weaver, Council Member



ADMINISTRATIVE OFFICIALS

Kent Cagle, City Manager

Frank Trando, Director of Finance

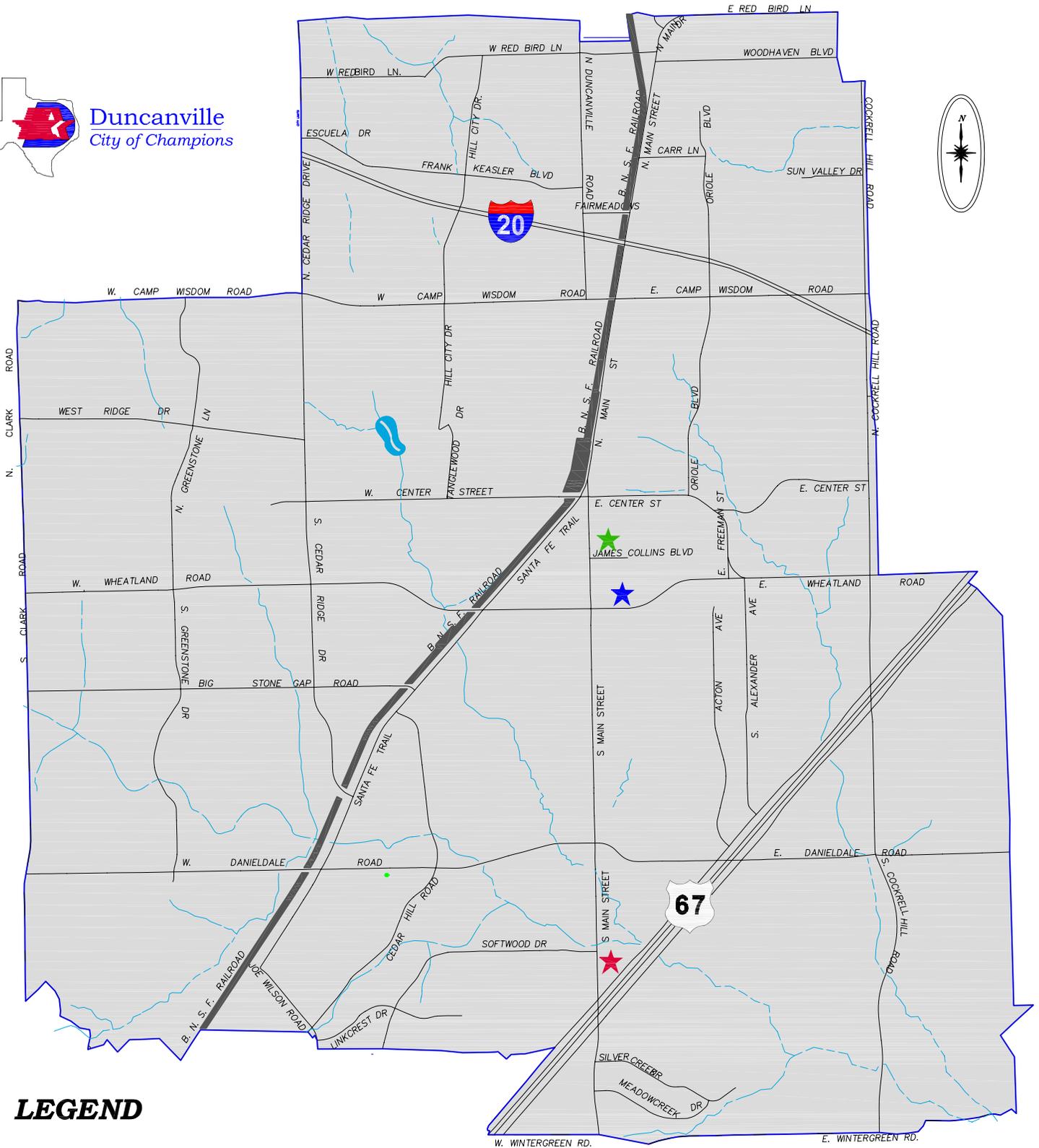
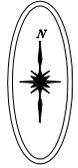
Philip Varghese, Assistant Finance Director

Jeanne Fralicks, Director of Administration/ City Secretary

Gregg Weaver, Personnel Administrator



Duncanville
City of Champions



LEGEND

-  **CITY HALL**
-  **LIBRARY/
COMMUNITY CENTER**
-  **STAR CENTER**
-  **INTERSTATE HIGHWAYS**
-  **UNITED STATE
HIGHWAYS**
-  **B.N.S.F. RAILROAD**

CITY OF DUNCANVILLE

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the City Council
City of Duncanville, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Duncanville as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Duncanville as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information on pages 3 through 9 and page 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Duncanville's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on them.

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

December 22, 2005

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

City of Duncanville, Texas

Management's Discussion and Analysis for the Fiscal Year Ended September 30, 2005

As management of the City of Duncanville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2005. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the financial statements which follow this section.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$61 million (net assets). Of this amount, \$9.1 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by over \$3 million this fiscal year with almost all of the increase attributable to activities which receive taxes and other nonexchange revenues (governmental activities).
- As of the close of the current fiscal year, the City of Duncanville's governmental funds reported combined ending fund balances of \$8.3 million, a decrease of \$2 million from the prior year. Of this amount, \$7.5 million is unreserved and available for spending subject to the City's self-imposed limitations by management for intended use.
- At year-end, the undesignated and unreserved fund balance for the General Fund was \$4.5 million. This represents over 21% of expenditures and transfers out which exceeds the 16.7% required by the City's adopted fund balance policy. On a current financial resources basis, total fund balance for the General Fund decreased by \$894,303 which was \$950,937 less than budgeted due to higher than anticipated revenues and expenditure savings.
- The City's net bonded debt decreased by over \$1.9 million during this current fiscal year. The key factor in this decrease was the repayment of bonded debt during FY04-05 and that there were no additional bonds issued in FY 04-05.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Duncanville's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. One of the most important questions asked about the City's finances is, "Is the City of Duncanville in a better financial position at the end of this fiscal year compared to last year?" The government-wide financial statements report information about the City as a whole and about its activities in a way that helps to answer this question. Other non-financial factors should be taken into consideration, such as changes in the City's property tax base and the condition of the City's streets to assess the overall health or financial condition of the City.

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

The statement of activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from the functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include most of the City's basic services such as police, fire, public works, code compliance, library, parks and recreation, and community services as well as general government activities. The business-type activities of the City include water and sewer, and solid waste services.

The government-wide financial statements include not only the City itself (known as the primary government), but also the Duncanville Community and Economic Development Corporation (DCEDC) as a component unit. The DCEDC is organized exclusively for the purposes of benefiting and accomplishing public purposes of and to act on behalf of, the City, and the specific purposes for which the Corporation is organized.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirteen governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service, and Street Construction funds, all of which are to be considered major funds. Data from the other ten funds are combined into a single, aggregated presentation. Individual fund data for these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General, Debt Service and Hotel Tax Special Revenue funds. A budgetary comparison statement has been provided for the General fund as part of the basic financial statements.

Proprietary funds. The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Utility (water and sewer), and solid waste operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its group health insurance, general liability insurance programs and fleet replacement activities. All of these programs are predominantly governmental activities; however as they benefit both governmental and business-like activities, current year results have been allocated by function in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility and Solid Waste funds since both are considered to be major funds of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Notes to the Basic 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 can be found immediately following the basic financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension

benefits to its employees. Required supplementary information immediately follows the notes to the basic financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Included as well are schedules of revenues and expenditures for the general fund. In addition, a schedule of operating revenues and expenses for the Utility and Solid Waste funds is included.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Duncanville, assets exceeded liabilities by \$61 million as of September 30, 2005.

	Governmental		Business-Type		Total	
	Activities		Activities			
	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004
Current and other assets	\$13,916,993	\$15,248,355	\$ 5,577,027	\$ 4,970,981	\$19,494,020	\$20,219,336
Capital assets	<u>42,306,086</u>	<u>35,586,943</u>	<u>26,475,103</u>	<u>25,626,492</u>	<u>68,781,189</u>	<u>61,213,435</u>
Total assets	<u>56,223,079</u>	<u>50,835,298</u>	<u>32,052,130</u>	<u>30,597,473</u>	<u>88,275,209</u>	<u>81,432,771</u>
Current liabilities	1,666,013	1,684,712	1,096,423	1,285,601	2,762,436	2,970,313
Noncurrent liabilities	<u>20,569,025</u>	<u>22,408,049</u>	<u>3,925,135</u>	<u>4,041,399</u>	<u>24,494,160</u>	<u>26,449,448</u>
Total liabilities	<u>22,235,038</u>	<u>24,092,761</u>	<u>5,021,558</u>	<u>5,327,000</u>	<u>27,256,596</u>	<u>29,419,761</u>
Invested in capital assets, net of related debt	27,722,646	15,722,124	23,903,050	23,352,304	51,625,696	39,074,428
Restricted net assets	240,324	451,812	-	-	240,324	451,812
Unrestricted net assets	<u>6,025,071</u>	<u>10,568,601</u>	<u>3,127,522</u>	<u>1,918,169</u>	<u>9,152,593</u>	<u>12,486,770</u>
Total net assets	<u>\$33,988,041</u>	<u>\$26,742,537</u>	<u>\$27,030,572</u>	<u>\$25,270,473</u>	<u>\$61,018,613</u>	<u>\$52,013,010</u>

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, infrastructure and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$9.2 million may be used to meet the government's ongoing obligation to citizens and creditors.

Analysis of the City's Operations—The following table provides a summary of the City's operations for the year ended September 30, 2005.

City of Duncanville's Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 3,060,042	\$ 3,708,453	\$ 12,576,478	\$ 11,583,332	\$ 15,636,520	\$ 15,291,785
Operating grants and contributions	245,357	233,729	-	-	245,357	233,729
Capital grants and contributions	1,559,812	1,066,945	999,429	514,984	2,559,241	1,581,929
General revenues:						
Ad valorem taxes	11,746,407	11,476,537	-	-	11,746,407	11,476,537
Gross receipts taxes	1,938,736	1,852,614	-	-	1,938,736	1,852,614
Sales taxes	4,868,004	4,866,493	-	-	4,868,004	4,866,493
Hotel taxes	252,500	252,608	-	-	252,500	252,608
Investment income	372,513	190,079	53,575	76,900	426,088	266,979
Miscellaneous	755,889	938,256	-	-	755,889	938,256
Total revenues	<u>24,799,260</u>	<u>24,585,714</u>	<u>13,629,482</u>	<u>12,175,216</u>	<u>38,428,742</u>	<u>36,760,930</u>
Expenses:						
General government	1,843,301	1,815,776	-	-	1,843,301	1,815,776
Finance	1,013,884	1,017,176	-	-	1,013,884	1,017,176
Community services	3,688,927	3,122,149	-	-	3,688,927	3,122,149
Police	6,646,338	6,958,226	-	-	6,646,338	6,958,226
Public works	4,748,203	3,749,228	-	-	4,748,203	3,749,228
Fire	4,801,545	4,501,238	-	-	4,801,545	4,501,238
Interest and fiscal charges	817,745	883,919	-	-	817,745	883,919
Water and sewer	-	-	9,392,200	8,911,621	9,392,200	8,911,621
Solid waste	-	-	1,802,136	1,793,330	1,802,136	1,793,330
Total expenses	<u>23,559,943</u>	<u>22,047,712</u>	<u>11,194,336</u>	<u>10,704,951</u>	<u>34,754,279</u>	<u>32,752,663</u>
Increase in net assets before transfers	1,239,317	2,538,002	2,435,146	1,470,265	3,674,463	4,008,267
Transfers	<u>892,061</u>	<u>1,105,768</u>	<u>(892,061)</u>	<u>(1,105,768)</u>	<u>-</u>	<u>-</u>
Increase/ (decrease) in net assets	2,131,378	3,643,770	1,543,085	364,497	3,674,463	4,008,267
Net assets—beginning	<u>31,856,663</u>	<u>23,098,767</u>	<u>25,487,487</u>	<u>25,019,336</u>	<u>57,344,150</u>	<u>48,118,103</u>
Prior period adjustments	<u>-</u>	<u>5,114,126</u>	<u>-</u>	<u>103,654</u>	<u>-</u>	<u>5,217,780</u>
Net assets—ending	<u>\$ 33,988,041</u>	<u>\$ 31,856,663</u>	<u>\$ 27,030,572</u>	<u>\$ 25,487,487</u>	<u>\$ 61,018,613</u>	<u>\$ 57,344,150</u>

Financial Analysis of the City's Funds

Governmental funds including General Fund budgetary highlights. The focus of the City of Duncanville's governmental funds is to provide information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8.3 million. Approximately 90.1% of this total amount constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available to pay for new spending because it has already been committed to pay for prepaid expenses of \$20,895, debt service of \$296,625 and loans receivable of \$500,000. The fund balance for all governmental funds decreased by \$2 million over the previous fiscal year.

In the General Fund, the original budget projected a \$1.886 million decrease in fund balance this fiscal year. This was changed to a decrease of \$1.845 with the final amended budget. Differences between the original and final amended budget were relatively minor. The environment in which this budget came together was one of declining local and national economic conditions but by having conservative increases in planned expenditures for providing City services, there was no increase in the property tax rate. Due to higher than projected actual revenue from sales taxes, fines and forfeitures and other revenue sources, as well as personnel service savings in nearly all expenditure functions, fund balance decreased in the General Fund by \$894,303, a positive variance with the final amended budget of \$950,397.

The Debt Service fund had a decrease in fund balance of \$220,835 for the fiscal year ended September 30, 2005, which was as planned in order to take advantage of the beginning fund balance of \$517,460. The Street Construction capital project fund had a decrease in fund balance of \$536,596, which was as a result of expending bond proceeds of prior years.

Proprietary funds. The City's proprietary fund statements provide detail on the City's individual business-like activities and additionally report the financial results of the internal service funds which have been consolidated in the government-wide statements.

The Utility enterprise fund recorded a \$1,691,549 increase in net assets and the Solid Waste fund net assets increased by \$7,246 during this fiscal year. The City introduced a new "inverted block" rate structure in FY 2002-03, which was meant to be revenue neutral based on same consumption. Capital contributions of \$999,429 because of donated water and wastewater lines accounted for a major portion of the increase in net assets in the Utility fund.

Capital Assets

Governmental Accounting Standards Board (GASB) Statement 34 allows governments to implement infrastructure reporting for major networks and subsystems in phases prior to the fiscal year ending after June 15, 2006. In the prior fiscal year, we had capitalized Parks and recreation infrastructure assets. In FY 04-05, Bridges and Signals infrastructure has been capitalized. All other infrastructure assets will be inventoried and reported in subsequent fiscal years.

At the end of fiscal year 2005, the City had over \$68 million invested in a broad range of capital assets, including police and fire equipment, buildings, park and recreation facilities, and water and sewer lines. This amount represents a net increase of \$2.45 million or 3.70 percent over the restated amounts for the prior fiscal year.

**City of Duncanville's Capital Assets
(Net of Depreciation, in Thousands)**

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004 As restated	2005	2004 As restated	2005	2004 As restated
Land	\$ 18,920	\$ 18,920	\$ 89	\$ 89	\$ 19,009	\$ 19,009
Construction in progress	375	1,408	328	501	703	1,909
Buildings	5,658	4,841	2,792	2,886	8,450	7,727
Infrastructure	13,061	11,612	18,985	17,708	32,046	29,320
Improvements	1,248	1,350	28	28	1,276	1,378
Equipment	3,044	2,570	315	380	3,359	2,950
Water rights	-	-	3,938	4,034	3,938	4,034
Totals	\$ 42,306	\$ 40,701	\$ 26,475	\$ 25,626	\$ 68,781	\$ 66,327

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

- Nearly \$1.081 million in streets and alley projects were completed including \$375,160 in Construction-in-progress.
- Improvements for the parks and recreation system were completed totaling \$1.396 million.
- Current year outlays for the water and sewer system were \$1.891million including \$328,373 of Construction-in-progress.
- Drainage projects were completed for \$360,889.
- Vehicle replacements during the year were \$566,293 including ten new trucks, box blade loader and a jet rodder.
- Our Senior Center renovations were completed at a cost of \$952,204.

More detailed information about the City's capital assets is found in Note 5 to the financial statements.

Debt Administration

At year-end, the City had \$21.7 million in bonded debt outstanding. The entire amount comprised of bonded debt backed by the full faith and credit of the City.

**City of Duncanville's Outstanding Debt
General Obligation Bonds and Certificates of obligation (in Thousands)**

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
GO & CO	\$ 17,792	\$ 19,748	\$ -	\$ -	\$ 17,792	\$ 19,748
Tax and Water/Wastewater Surplus Revenue bonds	-	-	3,865	3,985	3,865	3,985
Totals	\$ 17,792	\$ 19,748	\$ 3,865	\$ 3,985	\$ 21,657	\$ 23,733

The City's general obligation bonds have been assigned the rating of "A2" by Moody's Investors Service and "A+" by the Standard & Poor's Ratings Group for these most recent issues. Several of the City's bonds are insured thus holding a Triple A credit rating from both agencies.

Additional information on the City's long-term bonded debt can be found in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Providing quality government services funded by a tax base that is 75% residential is a daunting challenge and there are few short-term prospects available to improve the distribution of the tax base. However, City management maintains an optimistic outlook despite the recent economic slowdown being experienced nationally as well as locally.

In the 2005-06 budget, General Fund revenues and transfers in are budgeted to increase by \$841,676 or 4.21% from the FY 2004-05 actual revenues with general property taxes making up about 46% of the total. Ad valorem tax revenue is determined by two major factors: the total assessed property value established by the Dallas Central Appraisal District and the tax rate set by City Council. Certified assessed valuations increased 3.16% over the preceding year while the City tax rate was set at the same rate for the eighth year in a row, \$.7180 per \$100 of assessed valuation. Despite no increase in the tax rate for the twelfth year in a row, an additional \$363,298 in property tax revenue is estimated for FY 2004-05 due to the increase in assessed property values.

This budget maintains current service levels and adds back the street maintenance items that were cut last year. Pay plan adjustments include up to a three percent merit increase for non-civil service employees and a three percent across the board increase for the civil service step plans. TMRS rate only increased 1.5% and for the first time in many years there was no increase in the cost of health insurance. Despite these employee benefit related costs, we were still able to produce a budget that maintains the \$0.718 tax rate. This will be the thirteenth year in a row without a tax rate increase.

Despite the loss of two of our top sales taxpayers, sales taxes appear to be on the rebound. The vote to allow beer and wine sales in September of 2003 continues to show positive effects for the local economy as commercial property sales are occurring and new construction is at a ten year high. The addition of Pappadeaux's and Main Station coupled with the expansion of Texwood Industries and Deford's bode well for the future sales tax growth. The I-20 corridor should see new growth with the completion of the service roads and the Hilton Garden Inn. We can look forward to two to three years of residential construction throughout the city and commercial construction along Highway 67.

Contacting the City's Financial Management

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Assistant Director of Finance, at P. O. Box 380280, Duncanville, Texas 75138-0280, call (972)780-4997 or e-mail at pvarghese@ci.duncanville.tx.us.



Duncanville
City of Champions

BASIC FINANCIAL STATEMENTS

CITY OF DUNCANVILLE, TEXAS

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Cash and investments	\$ 8,446,567	\$ 1,386,502	\$ 9,833,069	\$ 1,386,520
Receivables (net of allowance for uncollectibles)	4,025,362	2,476,646	6,502,008	298,967
Accrued interest	91,933	11,580	103,513	8,115
Prepaid items	20,895	14,293	35,188	-
Restricted cash and investments	-	1,731,900	1,731,900	620,000
Internal balances	155,710	(155,710)	-	-
Loan receivable	500,000	-	500,000	-
Investment in joint ventures	580,991	-	580,991	199,466
Capital assets:				
Land, and construction in progress	19,295,502	417,567	19,713,069	2,868,495
Other capital assets (net of depreciation)	23,010,584	26,057,536	49,068,120	13,266,660
Bond issue costs & deferred charges	95,535	111,816	207,351	-
Total Assets	56,223,079	32,052,130	88,275,209	18,648,223
LIABILITIES:				
Accounts payable	719,726	489,498	1,209,224	19,318
Contracts payable	15,485	-	15,485	-
Accrued liabilities	574,611	37,328	611,939	96,770
Accrued interest payable	56,301	18,828	75,129	-
Deferred revenue	211,068	-	211,068	-
Customer performance and escrow deposits	88,822	550,769	639,591	620,000
Long-term liabilities:				
Due within one year:				
Bonds and certificates of obligation payable	2,320,000	125,000	2,445,000	575,000
Compensated absences	92,360	-	92,360	-
Due in more than one year:				
Loan payable	-	-	-	500,000
Bonds and certificates of obligation payable	15,472,163	3,740,000	19,212,163	10,505,000
Compensated absences	2,684,502	60,135	2,744,637	-
Total Liabilities	22,235,038	5,021,558	27,256,596	12,316,088
NET ASSETS:				
Invested in capital assets, net of related debt	24,133,362	23,903,050	48,036,412	4,555,155
Restricted for:				
Debt service	350,885	-	350,885	-
Economic development	-	-	-	1,776,980
Unrestricted	9,503,794	3,127,522	12,631,316	-
Total Net Assets	\$ 33,988,041	\$ 27,030,572	\$ 61,018,613	\$ 6,332,135

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

PROGRAM ACTIVITIES	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,843,301	\$ 103,689	\$ -	-
Finance	1,013,884	-	-	-
Community services	3,688,927	287,540	31,905	-
Police	6,646,338	1,350,176	57,659	-
Public works	4,748,203	769,849	121,575	1,559,812
Fire	4,801,545	548,788	34,218	-
Interest and fiscal charges	817,745	-	-	-
Total governmental activities	23,559,943	3,060,042	245,357	1,559,812
Business-type activities:				
Water	4,850,211	6,229,115	-	999,429
Sewer	4,541,989	4,400,626	-	-
Solid waste	1,802,136	1,946,737	-	-
Total business-type activities	11,194,336	12,576,478	-	999,429
Total government	\$ 34,754,279	\$ 15,636,520	\$ 245,357	\$ 2,559,241
Component unit:				
DCEDC	\$ 2,923,834	\$ -	\$ -	-

General revenues:
Taxes:
Ad valorem
Sales
Franchise
Hotel occupancy
Earnings on investments
Miscellaneous
Transfers
Total general revenues and transfers
Change in net assets
Net assets-beginning
Prior period adjustments
Net assets-beginning, as restated
Net assets-ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Governmental activities	Business-Type Activities	Total	Component Unit
\$ (1,739,612)	\$ -	\$ (1,739,612)	
(1,013,884)	-	(1,013,884)	
(3,369,482)	-	(3,369,482)	
(5,238,503)	-	(5,238,503)	
(2,296,967)	-	(2,296,967)	
(4,218,539)	-	(4,218,539)	
(817,745)	-	(817,745)	
<u>(18,694,732)</u>	<u>-</u>	<u>(18,694,732)</u>	
-	2,378,333	2,378,333	
-	(141,363)	(141,363)	
-	144,601	144,601	
<u>-</u>	<u>2,381,571</u>	<u>2,381,571</u>	
<u>(18,694,732)</u>	<u>2,381,571</u>	<u>(16,313,161)</u>	
-	-	-	\$ <u>(2,923,834)</u>
11,746,407	-	11,746,407	-
4,868,004	-	4,868,004	1,622,668
1,938,736	-	1,938,736	-
252,500	-	252,500	-
372,513	53,575	426,088	27,527
755,889	-	755,889	815,798
892,061	(892,061)	-	-
<u>20,826,110</u>	<u>(838,486)</u>	<u>19,987,624</u>	<u>2,465,993</u>
2,131,378	1,543,085	3,674,463	(457,841)
26,742,537	25,383,833	52,126,370	7,148,338
5,114,126	103,654	5,217,780	(358,362)
<u>31,856,663</u>	<u>25,487,487</u>	<u>57,344,150</u>	<u>6,789,976</u>
<u>\$ 33,988,041</u>	<u>\$ 27,030,572</u>	<u>\$ 61,018,613</u>	<u>\$ 6,332,135</u>

CITY OF DUNCANVILLE, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	General	Debt Service	Street Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and investments	\$ 3,137,424	\$ 276,939	\$ 1,963,133	\$ 831,209	\$ 6,208,705
Receivables -					
Property taxes (net of allowance of \$531,423)	261,209	122,414	-	-	383,623
Trade accounts (net of allowance of \$779,177)	2,002,341	-	-	142,555	2,144,896
Other taxes	1,283,462	-	-	60,136	1,343,598
Assessments	-	-	67,281	-	67,281
Intergovernmental	55,998	-	-	29,966	85,964
Accrued interest and other	45,372	7,833	10,913	-	64,118
Prepaid items	20,895	-	-	-	20,895
Loans receivable	500,000	-	-	-	500,000
Total assets	<u>\$ 7,306,701</u>	<u>\$ 407,186</u>	<u>\$ 2,041,327</u>	<u>\$ 1,063,866</u>	<u>\$ 10,819,080</u>
LIABILITIES, EQUITY & OTHER CREDITS					
LIABILITIES:					
Accounts payable	\$ 653,930	\$ -	\$ -	\$ 38,322	\$ 692,252
Customer performance and escrow deposits	88,822	-	-	-	88,822
Contracts payable	-	-	12,481	3,004	15,485
Accrued liabilities	324,715	-	-	4,037	328,752
Deferred revenue	<u>1,200,262</u>	<u>110,561</u>	<u>67,281</u>	<u>23,963</u>	<u>1,402,067</u>
Total liabilities	<u>2,267,729</u>	<u>110,561</u>	<u>79,762</u>	<u>69,326</u>	<u>2,527,378</u>
EQUITY & OTHER CREDITS:					
Fund balances-					
Reserved for prepaid items	20,895	-	-	-	20,895
Reserved for loans receivable	500,000	-	-	-	500,000
Reserved for debt service	-	296,625	-	-	296,625
Unreserved, reported in:					
General fund	4,518,077	-	-	-	4,518,077
Special revenue funds	-	-	-	594,502	594,502
Capital project funds	-	-	1,961,565	400,038	2,361,603
Total equity & other credits	<u>5,038,972</u>	<u>296,625</u>	<u>1,961,565</u>	<u>994,540</u>	<u>8,291,702</u>
Total liabilities, equity & other credits	<u>\$ 7,306,701</u>	<u>\$ 407,186</u>	<u>\$ 2,041,327</u>	<u>\$ 1,063,866</u>	<u>\$ 10,819,080</u>

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2005

Total fund balance- total governmental funds		\$ 8,291,702
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		41,586,081
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		1,190,999
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.		(56,301)
Internal service funds are used by management to charge the cost of certain activities, such as health, liability and workers comp insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets (net of amount allocated to business-type activities of \$155,710)		3,450,772
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		
General obligation bonds payable	(11,548,627)	
Certificates of obligation	(6,243,536)	
Less issuance costs (to be amortized as interest expense)	95,535	
Compensated absences	(2,776,862)	
Arbitrage rebate	(1,722)	
		<u>(20,475,212)</u>
Net assets of governmental activities		<u>\$ 33,988,041</u>

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	General	Debt Service	Street Construction	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes-					
Ad valorem	\$ 9,435,323	\$ 2,321,730	\$ -	\$ -	\$ 11,757,053
Sales	4,868,004	-	-	-	4,868,004
Franchise	1,938,736	-	-	-	1,938,736
Hotel	-	-	-	252,500	252,500
Licenses, permits and fees	1,244,966	-	-	411,479	1,656,445
Fines and forfeitures	702,995	-	-	41,990	744,985
Recreation fees	179,180	-	-	86,256	265,436
Intergovernmental	289,487	-	-	245,357	534,844
Investment income	215,657	29,250	52,497	26,263	323,667
Rental and other	463,072	-	6,092	764	469,928
Total revenues	<u>19,337,420</u>	<u>2,350,980</u>	<u>58,589</u>	<u>1,064,609</u>	<u>22,811,598</u>
EXPENDITURES:					
Current-					
General government	1,116,091	-	-	257,020	1,373,111
Finance	1,006,480	-	-	-	1,006,480
Community services	3,770,938	-	-	124,494	3,895,432
Police	6,758,239	-	-	38,389	6,796,628
Public works	3,640,205	-	-	369,634	4,009,839
Fire	4,536,541	-	-	36,720	4,573,261
Non-departmental	257,255	-	-	-	257,255
Special purposes - promotional	-	-	-	53,398	53,398
Debt service-					
Principal retirement	-	2,255,000	-	-	2,255,000
Interest and fiscal charges	-	524,833	-	-	524,833
Capital outlay	-	-	399,099	551,567	950,666
Total expenditures	<u>21,085,749</u>	<u>2,779,833</u>	<u>399,099</u>	<u>1,431,222</u>	<u>25,695,903</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,748,329)</u>	<u>(428,853)</u>	<u>(340,510)</u>	<u>(366,613)</u>	<u>(2,884,305)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	1,005,105	208,018	-	195,405	1,408,528
Transfers out	(151,079)	-	-	(365,388)	(516,467)
Total other financing sources (uses)	<u>854,026</u>	<u>208,018</u>	<u>-</u>	<u>(169,983)</u>	<u>892,061</u>
Net change in fund balances	(894,303)	(220,835)	(340,510)	(536,596)	(1,992,244)
FUND BALANCES, beginning of year	<u>5,933,275</u>	<u>517,460</u>	<u>2,302,075</u>	<u>1,531,136</u>	<u>10,283,946</u>
FUND BALANCES, end of year	<u>\$ 5,038,972</u>	<u>\$ 296,625</u>	<u>\$ 1,961,565</u>	<u>\$ 994,540</u>	<u>\$ 8,291,702</u>

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2005

Net change in fund balances- total governmental funds \$ (1,992,244)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 1,571,910

The net effect of various transactions involving capital assets (ie., sales, trade ins, and contributions) is to increase net assets. 1,555,811

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds. (1,372,714)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The details of this amount are as follows:

Debt issued:		
Principal repayments:		
General obligation and CO debt	2,255,000	
Other long-term debt transactions	(308,197)	1,946,803

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds 127,133

Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. (110,813)

Interest is accrued in the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period. 9,347

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported with governmental activities (net of amount allocated to business-type activities of \$155,710). 396,145

Change in net assets of governmental activities \$ 2,131,378

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes-				
Ad valorem	\$ 9,456,041	\$ 9,481,573	\$ 9,435,323	\$ (46,250)
Sales	4,951,438	4,736,775	4,868,004	131,229
Franchise	1,880,030	1,949,872	1,938,736	(11,136)
Licenses, Permits and fees	1,223,816	1,218,835	1,244,966	26,131
Fines and forfeitures	683,613	683,245	702,995	19,750
Recreation fees	198,920	198,920	179,180	(19,740)
Intergovernmental	258,057	285,000	289,487	4,487
Investment income	84,561	160,000	215,657	55,657
Rental and other	320,202	339,845	463,072	123,227
	<u>19,056,678</u>	<u>19,054,065</u>	<u>19,337,420</u>	<u>283,355</u>
EXPENDITURES:				
Current:				
General government	1,102,186	1,152,334	1,116,091	36,243
Finance	1,040,691	991,625	1,006,480	(14,855)
Community services	3,898,012	3,858,460	3,770,938	87,522
Police	6,810,924	6,745,673	6,758,239	(12,566)
Public works	3,716,943	3,763,995	3,640,205	123,790
Fire	4,383,647	4,437,630	4,536,541	(98,911)
Non-departmental	236,677	251,917	257,255	(5,338)
	<u>21,189,080</u>	<u>21,201,634</u>	<u>21,085,749</u>	<u>115,885</u>
(DEFICIENCY)/EXCESS OF REVENUES OVER EXPENDITURES	<u>(2,132,402)</u>	<u>(2,147,569)</u>	<u>(1,748,329)</u>	<u>399,240</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,012,212	952,329	1,005,105	52,776
Transfers out	<u>(766,634)</u>	<u>(650,000)</u>	<u>(151,079)</u>	<u>498,921</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>245,578</u>	<u>302,329</u>	<u>854,026</u>	<u>551,697</u>
NET CHANGE IN FUND BALANCES	<u>(1,886,824)</u>	<u>(1,845,240)</u>	<u>(894,303)</u>	<u>950,937</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>5,933,275</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 5,038,972</u>	

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2005

<u>ASSETS</u>	<u>Utility</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
Current assets:				
Cash and investments	\$ 1,386,502	\$ -	\$ 1,386,502	\$ 2,237,862
Receivables-				
Customers (net of allowance of \$439,675)	520,222	423,323	943,545	-
Unbilled	1,396,561	136,540	1,533,101	-
Due from other funds	106,724	-	106,724	-
Accrued interest and other	11,580	-	11,580	27,815
Prepaid items	14,293	-	14,293	-
Total current assets	<u>3,435,882</u>	<u>559,863</u>	<u>3,995,745</u>	<u>2,265,677</u>
Noncurrent assets:				
Restricted assets-				
Customer deposits	550,769	-	550,769	-
Cash and investments for construction	1,181,131	-	1,181,131	-
Capital assets-				
Land and construction-in-progress	417,567	-	417,567	-
Water rights, net	3,937,937	-	3,937,937	-
Buildings and improvements, net	2,819,746	-	2,819,746	-
Distribution lines and Equipment, net	19,298,850	1,003	19,299,853	1,300,996
Bond issue costs	111,816	-	111,816	-
Total noncurrent assets	<u>28,317,816</u>	<u>1,003</u>	<u>28,318,819</u>	<u>1,300,996</u>
Total assets	<u>31,753,698</u>	<u>560,866</u>	<u>32,314,564</u>	<u>3,566,673</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	363,309	126,189	489,498	27,474
Accrued liabilities	35,307	2,021	37,328	244,137
Due to other funds	-	106,724	106,724	-
Accrued interest payable	18,828	-	18,828	-
Total current liabilities	<u>417,444</u>	<u>234,934</u>	<u>652,378</u>	<u>271,611</u>
Noncurrent liabilities:				
Payable from restricted assets				
Customer deposits	550,769	-	550,769	-
Due within one year-				
Bonds payable	125,000	-	125,000	-
Due in more than one year-				
Accrued compensated absences	58,547	1,588	60,135	-
Bonds payable	3,740,000	-	3,740,000	-
Total noncurrent liabilities	<u>4,474,316</u>	<u>1,588</u>	<u>4,475,904</u>	<u>-</u>
Total Liabilities	<u>4,891,760</u>	<u>236,522</u>	<u>5,128,282</u>	<u>271,611</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	23,902,047	1,003	23,903,050	1,300,996
Unrestricted	2,959,891	323,341	3,283,232	1,994,066
Total net assets	<u>\$ 26,861,938</u>	<u>\$ 324,344</u>	<u>27,186,282</u>	<u>\$ 3,295,062</u>
Reconciliation to government-wide statement of net assets:				
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds			(155,710)	
Net assets of business-type activities			<u>\$ 27,030,572</u>	

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Utility	Solid Waste	Total	Governmental Activities- Internal Service Funds
OPERATING REVENUES				
Water	\$ 6,138,920	\$ -	\$ 6,138,920	\$ -
Sewer	4,336,906	-	4,336,906	-
Solid waste	-	1,946,737	1,946,737	-
Penalties	62,375	-	62,375	-
Premiums, charges for services and other	91,540	-	91,540	2,896,445
Total operating revenues	<u>10,629,741</u>	<u>1,946,737</u>	<u>12,576,478</u>	<u>2,896,445</u>
OPERATING EXPENSES				
Water services	3,759,118	-	3,759,118	-
Sewer	3,516,337	-	3,516,337	-
Solid waste	-	1,801,041	1,801,041	-
Claims and provision	-	-	-	1,460,087
Administrative and fiscal	935,245	-	935,245	687,787
Depreciation & amortization	863,295	1,095	864,390	462,455
Total operating expenses	<u>9,073,995</u>	<u>1,802,136</u>	<u>10,876,131</u>	<u>2,610,329</u>
OPERATING INCOME (LOSS)	<u>1,555,746</u>	<u>144,601</u>	<u>1,700,347</u>	<u>286,116</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	53,303	272	53,575	48,846
Interest and fiscal charges	(162,495)	-	(162,495)	-
Other	-	-	-	76,067
Total non-operating revenues (expenses)	<u>(109,192)</u>	<u>272</u>	<u>(108,920)</u>	<u>124,913</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS				
Capital contributions	1,446,554	144,873	1,591,427	411,029
Transfers in	999,429	-	999,429	-
Transfers out	87,606	-	87,606	-
	(842,040)	(137,627)	(979,667)	-
CHANGE IN NET ASSETS	<u>1,691,549</u>	<u>7,246</u>	<u>1,698,795</u>	<u>411,029</u>
TOTAL NET ASSETS -BEGINNING	25,066,735	317,098	-	2,884,033
PRIOR PERIOD ADJUSTMENTS	103,654	-	-	-
TOTAL NET ASSETS-BEGINNING AS RESTATED	<u>25,170,389</u>	<u>317,098</u>	<u>-</u>	<u>2,884,033</u>
TOTAL NET ASSETS-ENDING	\$ <u>26,861,938</u>	\$ <u>324,344</u>	\$ <u>-</u>	\$ <u>3,295,062</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds			(155,710)	
Change in net assets of business-type activities			\$ <u>1,543,085</u>	

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2005

	Utility Fund	Solid Waste Fund	Total	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 9,999,079	\$ 1,785,698	\$ 11,784,777	\$ 524,312
Payments to suppliers	(6,784,040)	(1,725,948)	(8,509,988)	(2,293,225)
Payments to employees	(1,647,463)	(70,978)	(1,718,441)	-
Internal activity-receipts from other funds	-	-	-	2,171,977
Other receipts	91,540	-	91,540	188,176
Net cash provided by (used in) operating activities	<u>1,659,116</u>	<u>(11,228)</u>	<u>1,647,888</u>	<u>591,240</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in from other funds	87,606	-	87,606	-
Transfers to other funds	<u>(842,040)</u>	<u>(137,627)</u>	<u>(979,667)</u>	<u>-</u>
Net cash used in noncapital financing activities	<u>(754,434)</u>	<u>(137,627)</u>	<u>(892,061)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(609,917)	-	(609,917)	(424,889)
Sale of capital assets	-	-	-	(61,337)
Principal paid on bond maturities	(120,000)	-	(120,000)	-
Interest paid on bond obligations and fiscal charges	(156,195)	-	(156,195)	-
Bond issuance costs paid	7,988	-	7,988	-
Net cash used in capital and related financing activities	<u>(878,124)</u>	<u>-</u>	<u>(886,112)</u>	<u>(486,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	48,232	272	48,504	48,846
Net cash provided by investing activities	<u>48,232</u>	<u>272</u>	<u>48,504</u>	<u>48,846</u>
NET (DECREASE) IN CASH AND INVESTMENTS	74,790	(148,583)	(73,793)	153,860
CASH AND INVESTMENTS, beginning of year	<u>3,150,336</u>	<u>41,859</u>	<u>3,192,195</u>	<u>2,084,002</u>
CASH AND INVESTMENTS, end of year	<u>\$ 3,225,126</u>	<u>\$ (106,724)</u>	<u>\$ 3,118,402</u>	<u>\$ 2,237,862</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income	\$ 1,555,746	\$ 144,601	\$ 1,700,347	\$ 286,116
Adjustments to reconcile operating income to net cash provided by (used in) operating activities-				
Depreciation	767,248	1,095	768,343	462,455
Amortization of water rights	96,047	-	96,047	-
Change in assets and liabilities:				
Accounts receivable	(564,589)	(161,039)	(725,628)	(11,980)
Accrued compensated absences	3,281	455	3,736	-
Prepaid items	522	-	522	-
Accounts payable and accrued liabilities	(224,606)	3,660	(220,946)	(145,351)
Customer deposits	25,467	-	25,467	-
Total adjustments	<u>103,370</u>	<u>(155,829)</u>	<u>(52,459)</u>	<u>305,124</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 1,659,116</u>	<u>\$ (11,228)</u>	<u>\$ 1,647,888</u>	<u>\$ 591,240</u>
NONCASH CAPITAL ACTIVITIES:				
Contribution of capital assets from developers	\$ 999,429	\$ -	\$ 999,429	\$ -
Total noncash capital activities	<u>\$ 999,429</u>	<u>\$ -</u>	<u>\$ 999,429</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

City of Duncanville, Texas

Notes to Basic Financial Statements
September 30, 2005

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Duncanville, Texas (the "City") was incorporated on August 2, 1947. It has been a home rule charter city since May 5, 1962, pursuant to Article XI, Section 5 of the State Constitution. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: community services, police, fire and public works.

The financial statements of the City have been prepared to conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance. The more significant accounting and reporting policies and practices used by the City are described below:

Reporting Entity—The City is a municipal corporation governed by an elected mayor and six-member Council. Five Council Members are elected from single-member districts with the Mayor and one Council Member elected at large. As required by GAAP, these financial statements present the City (the primary government) and its component unit the Duncanville Community and Economic Development Corporation ("DCEDC"), entities for which the City is considered to be financially accountable.

The DCEDC was incorporated on April 28, 1995 as a nonprofit industrial development corporation under the Development Corporation Act of 1979 ("Act"). The DCEDC operates under a seven member Board of Directors appointed by the City Council. Each of the directors should be a resident of the City. No more than four members can be members of the City Council, officials of the City, or City employees. The Corporation is organized exclusively for the purposes of benefiting and accomplishing public purposes of and to act on behalf of, the City, and the specific purposes for which the Corporation is organized. This includes the construction, renovation and operation of municipal buildings, the acquisition and improvement of parks as well as for the promotion and expansion of manufacturing and industrial facilities, and other economic development purposes. The DCEDC also provides services directly to the citizens of Duncanville. As required by GAAP, those entities that do not either (1) provide services entirely or almost entirely for the City or (2) have the same or substantially the same board as the City, are required to be presented "discretely" or in a separate column as part of the City's reporting entity, but not part of the primary government. Based on the above criteria, the component unit (DCEDC) has been discretely presented in the accompanying financial statements. Separate financial statements are not issued for the DCEDC.

Government-Wide Financial Statements—The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the reporting entity. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The effect of interfund activity has been removed from these statements. Governmental activities, which are partially 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. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

The statement of activities presents information showing how the City's net assets changed during the fiscal year. This statement also demonstrates the degree to which the direct expenses of a given activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and

Notes to Basic Financial Statements
September 30, 2005

(2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements—Fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All non-major funds are aggregated and presented in a single column. 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 Duncanville, like other local governments, uses fund accounting to aid financial management and demonstrate legal compliance.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The City of Duncanville maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service, and Street Construction funds, which are considered to be major funds. A budgetary comparison statement has also been provided for the general fund, special revenue funds which are annually budgeted and the debt service fund which is budgeted annually. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds are maintained for enterprise and internal service operations of the City. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Utility and the Solid Waste funds are considered to be major enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its health claims, general liability operations and fleet and capital replacement. Because all of these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Measurement Focus and Basis of Accounting—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. With the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) are reported on the statement of net assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the fiscal year-end except investment income which is recorded as earned. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, accrued interest on long-term debt, as well as expenditures related to compensated absences are recorded only when the payment is due.

Those revenues susceptible to accrual in governmental funds are ad valorem taxes, franchise taxes, sales taxes, interest earned, certain charges for services and intergovernmental revenues, if such revenues are both measurable and available as previously defined. Licenses and permits and municipal court fines are recognized when payment is received. The deferred revenues

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account is utilized in governmental funds to record earned amounts which are unavailable to liquidate liabilities of the current period (i.e., not collectible within 60days).

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 City's water and sewer and other proprietary operations are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses.

The City of Duncanville reports the following major governmental funds:

- The General fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The Debt Service fund accounts for the accumulation of resources for, and the payment of general long-term debt principal and interest. The resources for this fund are generated by a tax levy based upon property values. Payments for principal and interest are made from this fund for the general obligation bonds, certificates of obligation bonds, and contractual obligation debt when due through-out the year.
- The Street Construction fund is a capital project fund that is used to account for the construction of major thoroughfares and petition paving projects.

The City of Duncanville reports the following major proprietary funds:

- The Utility enterprise fund is used to account for the rendering of water and sewer services to the residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operation, maintenance, debt service, and billing and collecting.
- The Solid Waste enterprise fund is used to account for the rendering of sanitation services to the residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operation, maintenance, debt service, and billing and collecting.

Encumbrances—An encumbrance system is maintained in governmental funds to account for commitments resulting from approved purchase orders, contracts, or other forms of legal commitments. Under the City's budgetary process, appropriations lapse at fiscal year-end. Encumbrances do not constitute expenditures or liabilities. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying financial statements.

Pooled Cash and Investments—Cash balances of all City funds are pooled into one bank account in order to maximize investment opportunities. Negative balances, if applicable, incurred in pooled cash at year-end are treated as interfund receivables of the General Fund and interfund payables of the deficit fund.

Investments purchased with pooled cash are classified as pooled cash and investments in the accompanying balance sheet and statement of net assets. Earnings from these investments are allocated monthly to each fund based on each fund's relative month-end cash and investment balance. Investments are recorded at cost, and at fiscal year-end investments with maturity greater than one year are reflected at fair value on the accompanying balance sheet and statement of net assets.

The relationship of an individual fund to the pooled cash and investments account is essentially that of a demand deposit account. Individual funds can withdraw cash from the account as needed, and therefore all equity which the fund has in the pooled cash and investments account is highly liquid. For the purpose of the accompanying statement of cash flows, the City has chosen to reconcile to "pooled cash and investments," as all investments of the funds are regarded as cash equivalents.

Notes to Basic Financial Statements
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Interfund Receivables and Payables—Short-term amounts owed between funds are classified as “Due to/from other funds” in the fund financial statements. On the government-wide statement of net assets, payables and receivables within governmental and business-type activities are eliminated and balances between these activities are reported on a single line entitled “internal balances”.

Prepaid Items—Payments made to vendors for services that will benefit periods beyond September 30, 2005, are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for on the consumption basis in governmental funds.

Capital Assets—Capital assets, which include land, buildings, infrastructure, improvements, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at their fair value on the date donated. Repairs and maintenance are recorded as expenses. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized for business-type activity assets during the construction period as such amounts are not material.

Assets capitalized have an original cost of \$5,000 or more and a useful life of at least two years. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	25 to 50 years
Infrastructure/improvements	15 to 50 years
Equipment	5 to 20 years
Water rights	50 years

Estimated Claims Payable—Property, general liability, and workers’ compensation insurance coverage is accounted for in the Comprehensive Self Insurance Fund, an internal service fund. At year-end, the estimated settlement value of claims reported and of claims incurred but not reported in excess of liability insurance limits is classified as estimated claims payable. Group health insurance is accounted for in the Medical Self-Insurance Fund, an internal service fund. At year-end, an estimate of unpaid claims that were incurred prior to September 30, 2005, is accrued based on past claims experience.

Accrued Compensated Absences—City employees earn vacation and sick leave based on length of service. Full-time employees earn vacation leave as outlined below:

Hire	6.66 hours per month	Maximum 160 hours balance
4 yrs of continuous employment	10.0 hours per month	Maximum 240 hours balance
9 yrs of continuous employment	13.32 hours per month	Maximum 320 hours balance

Employees reaching the maximum vacation hour balance shall cease to accrue time until the balance has been reduced below the maximum. Full-time employees receive 32 hours of Bonus Vacation if the employee uses no sick leave during his/her anniversary year. Full-time employees receive 16 hours of Bonus Vacation if the employee uses eight (8) or less hours of sick leave during his/her anniversary year. Full-time employees using more than eight (8) hours of sick leave during his/her anniversary year are not eligible to receive bonus vacation. Any employee leaving the City in good standing is paid for accumulated vacation leave at their current pay rate. Sick leave may be accumulated from year to year, but only civil service employees are eligible to receive payment (for up to 90 days accumulation) upon retirement or termination. Accordingly, no liability has been recorded for the accumulated sick leave of non-civil service employees. The measurement of the liability for compensated absences was determined by applying a vesting method approach to accumulated vacation and sick leave balances at fiscal year-end and includes additional salary related payments for Social Security, Medicare and retirement contributions, in accordance with GASB Statement No. 16, Accounting for Compensated Absences. No liability is recorded in the fund

City of Duncanville, Texas

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statements of governmental funds as payment of this liability will not be made with expendable available financial resources. In the government-wide financial statements and proprietary fund statements, the liability for employees with over 20 years of service is recorded as a current liability as these employees are eligible for retirement regardless of their age. The General fund has been the primary funding source for payment of compensated absences to retiring or terminated employees.

Long-Term Debt—In the government-wide financial statements, and the fund level proprietary financial statements, long-term debt are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds if material in amount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs as expenditures, during the current period. The face amount of debt issued is recorded as other financing sources. Issuance costs are reported as expenditures in the funds receiving the bond proceeds.

Implementation of New Accounting Principles—In fiscal year 2003, the City implemented GASB Statement No. 34 (“GASB 34”), *Basic Financial Statements—Management’s Discussion and Analysis—for State and Local Governments*. GASB 34 creates new basic financial statements for reporting the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements that present information for individual major funds rather than by fund type. Non-major funds are presented in one column.

As part of this Statement, there is a new reporting requirement regarding a local government’s infrastructure (streets, bridges, traffic signals, etc.) with required implementation for fiscal years ending after June 15, 2006. The City is in the process of implementing the infrastructure requirements. In FY 2002-03, the City completed an inventory and valuation of Parks and recreation department infrastructure assets which are recorded in the statement of net assets as of September 30, 2005. In FY 2005-05, the City completed an inventory and valuation of the Bridges and Signals which are recorded in the statement of net assets as of September 30, 2005. The City has opted to defer implementing the reporting requirements for the remainder of the infrastructure assets to the following fiscal years.

Infrastructure assets (mainly bridges and signals) and construction-in-progress were restated resulting in a prior period adjustment of \$5,114,126 to the beginning net assets at October 1, 2005.

Governmental activities net assets beginning as originally reported	\$26,742,537
Construction in progress	(258,701)
Infrastructure assets-net of depreciation	<u>5,372,827</u>
Governmental activities net assets as restated October 1, 2005	<u>\$31,856,663</u>

Construction in progress in the Utility fund was restated resulting in a prior period adjustment of \$103,654 to the beginning net assets at October 1, 2005.

Utility fund net assets beginning as originally reported	\$25,066,735
Construction in progress	<u>103,654</u>
Utility fund net assets as restated October 1, 2005	<u>\$25,170,389</u>

The value of the investment in the Main Station (joint venture) at September 30, 2005 was incorrectly reported resulting in a prior period adjustment of \$ (358,362) to the net assets of the component unit.

Notes to Basic Financial Statements
September 30, 2005

2. DEPOSITS AND INVESTMENTS

DEPOSITS: The City maintains a cash and investment pool that combines cash of the various funds in order to maximize investment opportunities. State statutes require that all deposits in financial institutions be insured by the FDIC or fully collateralized as per the Public funds Collateral Act. The City holds collateral limited to U.S. government obligations or obligations of the state of Texas and its agencies that have a market value of not less than 102% of the principal amount of the deposits. The City's and DCEDC's demand deposits were fully collateralized at September 30, 2005 in full compliance with state statute and City policy. At year-end, the reconciled balance of the City's deposits was (\$779,352) and that of DCEDC was \$1,146,266. The bank balances of City and DCEDC were \$596,343. Of the bank balance, \$100,000 was covered by Federal Depository Insurance and the remainder by collateral with a market value of \$1,939,876. The collateral is held by the Federal Reserve Bank of Dallas in the City's name under a joint safekeeping agreement with JPMorgan Chase Bank, N.A.

INVESTMENTS: The City's investments at September 30, 2005 are,

<u>Description</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 2 Years</u>	<u>2 - 3 Years</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Government Backed Securities	\$ 5,565,868	\$ 5,565,868	\$ -	\$ -	0.60
Local Government Investment Cooperative ("Logic") (AAA/MR1+, 2a-7 like pool)	4,151,662	4,151,662	-	-	0.11
Money Market Mutual Funds (Federated Investors)	296,520	296,520	-	-	0.08
Texpool (AAAm, 2a-7 like pool)	2,330,271	2,330,271	-	-	0.08
Total Investments	<u>\$ 12,344,321</u>	<u>\$ 12,344,321</u>	<u>\$ -</u>	<u>\$ -</u>	
Portfolio weighted average maturity					0.32

As of September 30, 2005, the DCEDC's investments are as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 2 Years</u>	<u>2 - 3 Years</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Government Backed Securities	\$ 300,000	\$ 300,000	\$ -	\$ -	0.02
Local Government Investment Cooperative ("Logic") (AAA/MR1+, 2a-7 like pool)	122,624	122,624	-	-	0.11
Money Market Mutual Funds (Federated Investors)	215,692	215,692	-	-	0.08
Texpool (AAAm, 2a-7 like pool)	221,938	221,938	-	-	0.08
Total Investments	<u>\$ 860,254</u>	<u>\$ 860,254</u>	<u>\$ -</u>	<u>\$ -</u>	
Portfolio weighted average maturity					0.06

All the City's investments at September 30, 2005 have maturities of less than one year and therefore there is no difference between the carrying amount and fair value.

INTEREST RATE RISK: The strategy of the City is to maintain sufficient liquidity in its portfolio so that it does not need to sell a security prior to maturity. Should it become necessary to sell a security prior to maturity, the prior written consent of the City Manager must be obtained. .

Notes to Basic Financial Statements
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CREDIT RISK: The Public Funds Investment Act governs items, such as investment strategies and policies, training for investment officers, reporting requirements and types of investments allowed. The City has adopted an investment policy in compliance with the Investment Act.

State statutes, city bond ordinances and city resolutions authorize the City's and DCEDC's investments. Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the state of Texas or its agencies, (3) other obligations, the principal on which are unconditionally guaranteed by the state of Texas or the United States or their respective agencies, (4) collateralized certificates of deposit, (5) eligible local government investment pools which are continuously rated no lower than "AAA" or an equivalent rating by at least one nationally recognized rating service and (6) repurchase agreements, reverse repurchase agreements, bankers acceptances, and commercial paper to the extent that they are contained in the portfolios of approved public funds investment pools in which the City invests.

CONCENTRATION OF CREDIT RISK: The city investment policy does not allow for an investment in any one issuer in excess of the following guidelines for each type of instrument:

	Percentage of Portfolio (Maximum)
U.S. Treasury Obligations	85%
U.S. Government Agency Securities and Instrumentalities	75%
Authorized Local Government Investment Pool (per Pool)	75%
Fully Collateralized Certificates of Deposit	50%
Fully Collateralized Repurchase Agreements	50%
SEC-Regulated No-Load Money Market Mutual Fund (per Fund)	50%

3. AD VALOREM 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 appraised value less applicable exemptions authorized by the City Council. Appraised values are established by the Dallas Central Appraisal District at 100% of estimated market value. The assessed value for the tax roll of January 1, 2003, upon which the 2005 fiscal year levy was based, was \$1,632,306,845.

Taxes are due on October 1, immediately following the January 1 lien date and are delinquent after the following January 31. Penalty and interest is charged at 7% on delinquent taxes beginning February 1, and increases each month to 18% on July 1, additional interest accrues at the rate of 1% each month. As of July 1, 20% collection costs may be added to all delinquent accounts. Current tax collections for the year ended September 30, 2005, were 97.3% of the tax levy and total tax collections were 99.2% of the current tax levy.

In Texas, countywide 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 appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding 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.

Notes to Basic Financial Statements
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The City Charter does not provide for a debt limit; therefore, no computation of legal debt margin can be made. However, at September 30, 2005, the City had a tax margin of \$1.782 for every \$100 of valuation based upon a maximum ad valorem tax rate of \$2.50 for every \$100 of valuation imposed by Texas Constitutional law.

4. RECEIVABLES

Receivables at September 30, 2005 for the government's individual major and non-major, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Street Construction	Nonmajor Governmental	Utility Fund	Solid Waste Fund	Total
Receivables:							
Accounts	\$ 1,843,255	\$ -	\$ -	\$ 142,555	\$ 2,356,458	\$ 559,863	\$ 4,902,131
Ad valorem taxes	685,747	229,299	-	-	-	-	915,046
Other taxes	2,221,725	-	-	60,136	-	-	2,281,861
Assessments	-	-	67,281	-	-	-	67,281
Intergovernmental	<u>55,998</u>	<u>-</u>	<u>-</u>	<u>29,966</u>	<u>-</u>	<u>-</u>	<u>85,964</u>
Gross receivables	4,806,725	229,299	67,281	232,657	2,356,458	559,863	8,252,283
Less allowance for uncollectibles	<u>(1,203,715)</u>	<u>(106,885)</u>	<u>-</u>	<u>-</u>	<u>(439,675)</u>	<u>-</u>	<u>(1,750,275)</u>
Net total receivables	<u>\$ 3,603,010</u>	<u>\$ 122,414</u>	<u>\$ 67,281</u>	<u>\$ 232,657</u>	<u>\$ 1,916,783</u>	<u>\$ 559,863</u>	<u>\$ 6,502,008</u>

City of Duncanville, Texas

Notes to Basic Financial Statements
September 30, 2005

5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2005:

	Beginning Balance, As Originally Reported	Restatement	Beginning Balance, as Restated	Increases	Decreases	Ending Balance
Governmental activities:						
Capital assets—not being depreciated:						
Land	\$ 18,920,343	\$ -	\$ 18,920,343	\$ -	\$ -	\$ 18,920,343
Construction in progress	<u>1,666,662</u>	<u>(258,701)</u>	<u>1,407,961</u>	<u>633,861</u>	<u>1,666,663</u>	<u>375,159</u>
Total capital assets— not being depreciated	<u>20,587,005</u>	<u>(258,701)</u>	<u>20,328,304</u>	<u>633,861</u>	<u>1,666,663</u>	<u>19,295,502</u>
Capital assets—being depreciated:						
Buildings	6,780,151		6,780,151	952,204	-	7,732,355
Infrastructure	7,291,997	10,043,681	17,335,678	1,980,277	-	19,315,955
Improvements	2,087,101	-	2,087,101	-	-	2,087,101
Equipment	<u>8,950,378</u>	<u>-</u>	<u>8,950,378</u>	<u>1,252,646</u>	<u>304,198</u>	<u>9,898,826</u>
Total capital assets— being depreciated	<u>25,109,627</u>	<u>10,043,681</u>	<u>35,153,308</u>	<u>4,185,127</u>	<u>304,198</u>	<u>39,034,237</u>
Less accumulated depreciation for:						
Buildings	1,939,357	-	1,939,357	135,603	-	2,074,960
Infrastructure	1,053,568	4,670,854	5,724,422	530,501	-	6,254,923
Improvements	736,831	-	736,831	102,274	-	839,105
Equipment	<u>6,379,933</u>	<u>-</u>	<u>6,379,933</u>	<u>774,929</u>	<u>300,197</u>	<u>6,854,665</u>
Total accumulated depreciation	<u>10,109,689</u>	<u>4,670,854</u>	<u>14,780,543</u>	<u>1,543,307</u>	<u>300,197</u>	<u>16,023,653</u>
Total capital assets—being depreciated—net	<u>14,999,938</u>	<u>5,372,827</u>	<u>20,372,765</u>	<u>2,641,820</u>	<u>4,001</u>	<u>23,010,584</u>
Governmental activities capital assets—net	<u>\$ 35,586,943</u>	<u>\$ 5,114,126</u>	<u>\$ 40,701,069</u>	<u>\$ 3,275,681</u>	<u>\$ 1,670,664</u>	<u>\$ 42,306,086</u>

City of Duncanville, Texas

Notes to Basic Financial Statements
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	Beginning Balance, As Originally Reported	Restatement	Beginning Balance, as Restated	Increases	Decreases	Ending Balance
Business-like activities:						
Capital assets—not being depreciated:						
Land	\$ 89,194	\$ -	\$ 89,194	\$ -	\$ -	\$ 89,194
Construction in progress	500,854	103,654	604,508	224,719	500,854	328,373
Total capital assets—not being depreciated	590,048	103,654	693,702	224,719	500,854	417,567
Capital assets—being depreciated:						
Buildings	4,640,971	-	4,640,971	-	-	4,640,971
Infrastructure	30,015,769	-	30,015,769	1,891,008	-	31,906,777
Water Rights	4,802,361	-	4,802,361	-	-	4,802,361
Improvements	29,130	-	29,130	-	-	29,130
Equipment	1,222,582	-	1,222,582	-	115,118	1,107,464
Total capital assets—being depreciated	40,710,813	-	40,710,813	1,891,008	115,118	42,486,703
Less accumulated depreciation for:						
Buildings	1,754,600	-	1,754,600	94,153	-	1,848,753
Infrastructure	12,308,087	-	12,308,087	613,575	-	12,921,662
Water Rights	768,377	-	768,377	96,047	-	864,424
Improvements	1,084	-	1,084	518	-	1,602
Equipment	842,221	-	842,221	60,092	109,587	792,726
Total accumulated depreciation	15,674,369	-	15,674,369	864,385	109,587	16,429,167
Total capital assets—being depreciated, net	25,036,444	-	25,036,444	1,026,623	5,531	26,057,536
Business-like activities capital assets—net	\$ 25,626,492	\$ 103,654	\$ 25,730,146	\$ 1,251,342	\$ 506,385	\$ 26,475,103

Notes to Basic Financial Statements
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Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 140,563
Finance	1,992
Community services	394,566
Police	20,814
Public works	428,824
Fire	<u>94,093</u>
Total governmental activities	\$ 1,080,852
Internal Service Activity:	
Fleet Rotation	\$ 462,455
Total governmental & Internal service activities	<u>\$ 1,543,307</u>
Business-like activities:	
Water and sewer	\$ 767,248
Solid waste	1,095
Water rights amortization	<u>96,047</u>
Total business-like activities	<u>\$ 864,390</u>

City of Duncanville, Texas

Notes to Basic Financial Statements
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Activity for the DCEDC year ended September 30, 2005, was as follows:

Discretely presented component unit

Activity for the DCEDC for the year ended September 30, 2005, was as follows:

	Beginning Balance,	Increases	Decreases	Ending Balance
Capital assets—not being depreciated:				
Land	\$ 2,868,495	\$ -	\$ -	\$ 2,868,495
Construction in progress	<u>649,960</u>	<u>-</u>	<u>649,960</u>	<u>-</u>
Total capital assets—not being depreciated	<u>3,518,455</u>	<u>-</u>	<u>649,960</u>	<u>2,868,495</u>
Capital assets—being depreciated:				
Buildings	14,028,365	-	-	14,028,365
Improvements	642,902	-	-	642,902
Equipment	<u>199,678</u>	<u>-</u>	<u>-</u>	<u>199,678</u>
Total capital assets—being depreciated	<u>14,870,945</u>	<u>-</u>	<u>-</u>	<u>14,870,945</u>
Less accumulated depreciation for:				
Buildings	1,201,994	280,567	-	1,482,561
Improvements	51,474	12,858	-	64,332
Equipment	<u>37,467</u>	<u>19,925</u>	<u>-</u>	<u>57,392</u>
Total accumulated depreciation	<u>1,290,935</u>	<u>313,350</u>	<u>-</u>	<u>1,604,285</u>
Total capital assets—being depreciated, net	<u>13,580,010</u>	<u>(313,350)</u>	<u>-</u>	<u>13,266,660</u>
Capital assets—net	<u>\$ 17,098,465</u>	<u>\$ (313,350)</u>	<u>\$ 649,960</u>	<u>\$ 16,135,155</u>

City of Duncanville, Texas

**Notes to Basic Financial Statements
September 30, 2005**

The City has active construction projects as of September 30, 2005. Total accumulated commitments for ongoing capital projects are composed of the following:

Governmental activities:

Drainage fees Fund	\$ 291,152
Street Construction Fund	1,796,901
Parks Construction Fund	53,185
Capital Improvements Fund	<u>82,927</u>

Total governmental activities \$ 2,224,165

Business-type activities:

Utility Fund	<u>\$ 914,410</u>
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Total business-type activities \$ 914,410

Notes to Basic Financial Statements
September 30, 2005

6. TRANSFERS

Transfers were as follows for the fiscal year ended September 30, 2005:

Fund	Transfers In	Transfers Out
General	\$ 1,005,105	\$ 151,079
Debt service	208,018	-
Non-major governmental funds	195,405	365,388
Utility	87,606	842,040
Solid Waste Fund	-	137,627
Total	<u>\$ 1,496,134</u>	<u>\$ 1,496,134</u>

The transfers were for the following purposes:

Transfer from Fund Purpose	Transfer to Fund	Amount
General fund:		
Matching funds for grant	Grant fund	\$ 1,079
Grant related overtime	Grant fund	52,782
Drainage projects	Drainage fee fund	150,000
Non-major governmental funds:		
Hotel Tax—indirect cost charge	General	16,982
Drainage Fee fund-General obligation debt allocation	Debt service	208,018
Grant Fund-Utility grants fund transfer	Utility Fund	87,606
Utility fund:		
Administrative and overhead charge-A	General	616,089
Payments in lieu of taxes	General	225,951
Solid waste fund:		
Alley repairs funds paid by citizens	Capital Improvements	44,326
Administrative and overhead charge-A	General	93,301
	Total	<u>\$ 1,496,134</u>

A-Estimate comes from study made by Economist.Com in FY 01-02

7. BUDGETARY COMPLIANCE

Budgets are legally adopted at the fund level of control for the General, Debt Service, and certain other non-major special revenue funds on a basis consistent with GAAP on the modified accrual basis of accounting. Budgetary comparison statements are presented for the General Fund, Debt Service Fund, Hotel Tax Special Revenue fund and Drainage fees Special Revenue Fund which presents actual expenditures on a basis consistent with the legally adopted budget as amended. Capital project funds are budgeted over the life of the projects and not on an annual basis. For the year ended September 30, 2005, expenditures exceeded appropriations in the Finance, Police and Non-departmental departments (the legal level of budgetary control) of the general fund by \$14,855, \$12,566 and \$5,338 respectively, in the general government department of the Hotel-Motel Tax special revenue fund by \$1,271 and by \$ 157,824 in the Public works department of the Drainage fees special revenue fund. These

City of Duncanville, Texas

**Notes to Basic Financial Statements
September 30, 2005**

overexpenditures were funded by greater than anticipated revenues in the case of the general and Hotel-Motel tax special revenue fund and by available fund balance in the Drainage fees special revenue fund.

8. LONG-TERM DEBT

Various types of long-term debt have been issued by the City for the acquisition and construction of major capital facilities and equipment as follows:

- General obligation bonds are issued pursuant to voter authorization for infrastructure and facility projects accounted for in a governmental capital project fund. General obligation bonds are also issued to refund prior debt issues. The City intends to retire this debt, plus interest, from ad valorem taxes.
- Certificate of obligation debt is similar to general obligation bonds in their usage and retirement but do not require voter authorization and are not used for refunding debt.

Long-term bonded debt at September 30, 2005, includes the following individual issues:

Governmental Activities	Interest Rate (%)	Maturity Date	Amount Outstanding	Due Within One Year
General Obligation Bonds:				
Series 1998 refunding and improvements	4.25-5.00	2/15/2013	\$ 7,495,000	\$ 625,000
Series 2001 refunding	4.40-4.70	8/15/2011	2,358,627	-
Series 2002 refunding	2.25-2.50	8/15/2006	<u>1,695,000</u>	<u>1,695,000</u>
			<u>11,548,627</u>	<u>2,320,000</u>
Certificate of Obligation Bonds:				
Series 1999 Tax and Waterworks and Sewer System Surplus Revenue	4.00-4.30	2/15/2008	1,450,000	-
Series 2002 Tax and Waterworks and Sewer System Surplus Revenue	4.55-5.00	2/15/2012	<u>4,793,536</u>	<u>-</u>
			<u>6,243,536</u>	<u>-</u>
Total governmental activities long-term bonded debt			<u>\$ 17,792,163</u>	<u>\$ 2,320,000</u>

City of Duncanville, Texas

**Notes to Basic Financial Statements
September 30, 2005**

Business-Like Activities	Interest Rate (%)	Maturity Date	Amount Outstanding	Due Within One Year
Water and Sewer Revenue Bonds:				
Series 2002 Tax and Waterworks and Sewer System Surplus Revenue refunding bonds	3.25-4.55	2/15/2020	\$ 3,865,000	\$ 125,000
Total business-like activities long-term debt			<u>3,865,000</u>	<u>125,000</u>
Net long-term bonded debt			<u>\$ 21,657,163</u>	<u>\$ 2,445,000</u>
DCEDC	Interest Rate (%)	Maturity Date	Amount Outstanding	Due Within One Year
Sales tax revenue bonds:				
Series 1998	4.10-5.00	2/15/2020	\$ 3,735,000	\$ 360,000
Series 2000 Taxable	7.50-8.20	8/15/2025	<u>7,345,000</u>	<u>215,000</u>
Total DCEDC			<u>\$ 11,080,000</u>	<u>\$ 575,000</u>

City of Duncanville, Texas

**Notes to Basic Financial Statements
September 30, 2005**

Annual debt service requirements to maturity for long-term bonded debt are as follows:

Year Ending September 30	Governmental Activities		Business-Type Activities		DCEDC	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	2,320,000	443,071	125,000	150,687	575,000	775,002
2007	2,455,000	342,313	130,000	146,543	610,000	742,678
2008	2,595,000	245,163	235,000	140,611	655,000	707,900
2009	2,311,273	530,315	240,000	132,892	680,000	673,915
2010	2,325,872	514,823	250,000	124,617	705,000	638,175
2011-2015	4,859,374	2,458,526	1,405,000	470,476	2,410,000	2,656,710
2016-2020	-	-	1,480,000	149,855	2,195,000	1,899,940
2021-2025	-	-	-	-	3,250,000	841,320
Total	\$ 16,866,519	\$ 4,534,211	\$ 3,865,000	\$ 1,315,681	\$ 11,080,000	\$ 8,935,640
Accreted Interest	925,644					
Total	\$ 17,792,163					

City of Duncanville, Texas

Notes to Basic Financial Statements
September 30, 2005

Long-term liability activity for the year ended September 30, 2005, was as follows:

	Beginning Balance as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 13,698,006	\$ 105,621	\$ 2,255,000	\$ 11,548,627	\$ 2,320,000
Certificates of obligation	<u>6,050,307</u>	<u>193,229</u>	<u>-</u>	<u>6,243,536</u>	<u>-</u>
Total bonds payable	19,748,313	298,851	2,255,000	17,792,163	2,320,000
Accrued compensated absences	2,659,903	116,959	-	2,776,862	92,360
Arbitrage rebate liability	<u>7,867</u>	<u>-</u>	<u>6,343</u>	<u>1,524</u>	<u>-</u>
Total governmental activities	<u>22,416,083</u>	<u>415,810</u>	<u>2,261,343</u>	<u>20,570,549</u>	<u>2,412,360</u>
Business-type activities:					
Bonds payable:					
Series 2002 Tax and Waterworks and Sewer system Surplus Revenue refunding bonds	<u>3,985,000</u>	<u>-</u>	<u>120,000</u>	<u>3,865,000</u>	<u>125,000</u>
Total bonds payable	<u>3,985,000</u>	<u>-</u>	<u>120,000</u>	<u>3,865,000</u>	<u>125,000</u>
Accrued compensated absences	<u>55,266</u>	<u>10,519</u>	<u>5,650</u>	<u>60,135</u>	<u>-</u>
Total business-like activities	<u>4,040,266</u>	<u>10,519</u>	<u>125,650</u>	<u>3,925,135</u>	<u>125,000</u>
Total long-term liabilities	<u>\$ 26,456,349</u>	<u>\$ 426,329</u>	<u>\$ 2,386,993</u>	<u>\$ 24,495,684</u>	<u>\$ 2,537,360</u>
DCEDC:					
Bonds payable:					
Revenue bonds-Sales tax	<u>11,625,000</u>	<u>-</u>	<u>545,000</u>	<u>11,080,000</u>	<u>575,000</u>
Total long-term liabilities	<u>\$ 11,625,000</u>	<u>\$ -</u>	<u>\$ 545,000</u>	<u>\$ 11,080,000</u>	<u>\$ 575,000</u>

9. RETIREMENT PLAN

Plan Description—The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (“TMRS”), one of 801 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing TMRS, P.O. Box 149153, Austin, Texas, 78714-9153 or by calling 800-924-8677.

Benefits depend upon the sum of the employee’s contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee’s accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee’s accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee’s salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee’s accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Plan provisions for the City were as follows:

Deposit rate	7%
Matching ratio (city to employee)	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are: age 60 or higher with 5 or more years of service and at any age with 20 or more years of service.

Contributions—Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee’s retirement date, not at the time the employee’s contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan’s 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. 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 is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2004, valuation is effective for rates beginning January 2006).

Annual Pension Cost—For fiscal year 2005, the City’s annual pension cost of \$1,653,619 was equal to the City’s required and actual contributions. The required contribution was determined as part of the December 31, 2004, actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return (net of administrative expenses), (b) no projected salary increases, (c) no cost of living adjustment and (d) 3.5% inflation rate adjustment. The actuarial value of assets is amortized cost. The City’s unfunded actuarial accrued liability is being amortized over a 25-year open period as a level percentage of payroll.

Three-Year Trend Information for the City of Duncanville

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2005	\$ 1,653,619.00	100 %	\$ -
9/30/2004	\$ 1,490,639.00	100 %	\$ -
9/30/2003	1,472,371.00	100 %	-

Required supplementary information for the analysis of funding progress for the past three years is presented immediately following the Notes to the Basic Financial Statements.

10. REGIONAL SYSTEMS FOR WATER SUPPLY AND WASTEWATER TREATMENT

City of Dallas Water Purchase Agreement - In 1979, the City entered into a thirty-year agreement to purchase treated water from the City of Dallas. The rate during fiscal 2005 was \$0.3015 per 1,000 gallons plus an annual demand charge of \$148,434 for each million gallons per day as established by the rate of flow controller setting (currently 12.5 million gallons at \$1,855,425 annually).

Trinity River Authority Sewage Disposal Agreement - The City, along with the cities of Cedar Hill, DeSoto, Ferris and Lancaster, is a member of the Trinity River Authority of Texas Ten Mile Creek Regional Wastewater System ("the System"). Under the contract dated December 1, 1983, the System provides for and operates a regional wastewater treatment plant and conveyance facility for the benefit of the parties. The City is required to deliver all of its wastewater from within the Ten-Mile Creek basin to the System's conveyance system for treatment. The City is then charged monthly, based upon the percentage of its flow to the total flow received by the System and the System's cost of operation and maintenance, including debt service on bonds issued to construct the System. The contract will remain in force and effect until all bonds have been paid in full and thereafter for a period of fifty years from the date of the contract.

Additionally, the City is a member of the Trinity River Authority of Texas Regional Wastewater System (the "Regional System") through a contract with the Authority dated June 27, 1984. The contract will remain in force and effect until all bonds have been paid in full and thereafter for a period of fifty years from the date of the contract. The City's wastewater is treated by the Regional System at its Ten Mile Creek Regional Plant and its Central Regional Plant. The City of Dallas Central Plant treats the northeastern portion of the City's wastewater. The City's payments to the Regional System have been deemed to be an operation and maintenance expense of the City's waterworks and sewer system and are payable monthly. The City's payments are based upon its percentage of the total of all contracting parties in the Regional System applied to total operation and maintenance expenses of the Regional System, including debt service. The Regional System is obligated to treat all of the City's sewage flow.

Lakeview Regional Water Supply Contract - The City and the Cities of Grand Prairie and Cedar Hill entered into a contract with TRA, dated February 27, 1985 and in effect for the useful life of the project, whereby TRA would sell its revenue bonds and construct and operate a water treatment plant, transmission and storage facilities necessary to supply treated water to the cities from Joe Pool Lake. Water intake facilities were financed and constructed in 1986 but the treatment plant and transportation facilities have not been constructed. There are no current plans to construct the treatment plant and transportation facilities for the City necessary to use the raw water from Joe Pool Lake. Under the contract, the City is required to pay its proportionate share (based on a percentage of water usage) of maintenance and operation costs. The City's current payments under the contract, which include debt service on bonds issued by TRA to construct the intake facilities and other costs associated with the facility, are approximately \$95,000 per year.

Notes to Basic Financial Statements
September 30, 2005

Summit Regional Water Storage Project - The City and the City of Cedar Hill entered into a contract with TRA, dated February 26, 1986 and in effect for the useful life of the project, whereby TRA would sell its revenue bonds and construct and operate an 8 million gallon water storage reservoir, delivery facilities and pump stations. Under the contract, the City is required to pay its proportionate share (58.77%) of the debt service on bonds issued by TRA for the project and maintenance and operation costs, and is obligated to pay its proportionate share regardless of whether the City actually makes use of the system. The City's current payments under the contract, which include debt service on bonds issued by TRA to construct the facilities and maintenance and operation costs associated with the facility, are approximately \$285,000 per year.

Dallas Wastewater Treatment Contract - The City entered into a contract with the City of Dallas, dated July 27, 1984, with a term of 30 years, for the City of Dallas to transport and treat wastewater from an area in the northeastern part of the City. Under the contract, the City is required to pay a transportation charge (based on cost of service) and a treatment charge (at the same rate as Dallas is charged by TRA for treatment of the wastewater). The City's current payments under the contract are approximately \$200,234 per year.

11. SELF-INSURANCE

The City has established a medical self-insurance plan for City employees and their covered dependents. The City self-insures its employees and their dependents for illness, injury, and hospitalization up to \$60,000 per plan year. A third-party insurance company coinsures with the City for individual claims in excess of \$60,000 up to a lifetime maximum of \$1,000,000. Aggregate claims in excess of \$1,069,219 are also coinsured up to a maximum of \$1,000,000 per claim. All claims and maximums are calculated for a plan year ending each May 31. Settled claims have not exceeded the aggregate coverage in any of the past three fiscal years. Insurance coverage has not been reduced for this year from the prior year. The City purchases dental insurance coverage for employees and their covered dependents from a third-party insurance company.

The City established a comprehensive self-insurance plan for workers' compensation, property and casualty, and general liability coverages. The self-insurance plan encompasses workers' compensation benefits, fire, law enforcement, auto fleet, computer hardware and software, other property, public officials' liability and general liability coverages. A third-party insurance company coinsures with the City for individual claim retention levels and corresponding policy limits as follows: \$75,000/\$10,000,000 for workers' compensation; \$25,000/\$30,871,912 for real and personal property; and \$50,000/\$1,000,000 for liability claims. All claims and maximums are calculated for a plan year ending each June 30. Settled claims have not exceeded the aggregate policy limits in any of the past three fiscal years. Insurance coverage for this year is the same as that for the prior year.

The claims liabilities of \$139,999 and \$104,138 reported in the medical self-insurance fund and comprehensive self-insurance fund, respectively, are based on the requirements of GASB 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the funds' claims liability amount in fiscal years 2004 and 2005 were:

City of Duncanville, Texas

Notes to Basic Financial Statements
September 30, 2005

		Beginning of Fiscal Year Liability		Current Year Claims and Changes in Estimates		Claim Payments		Balance at Fiscal Year-End
Medical Self-Insurance Fund								
	2004	\$ 152,400	\$	1,821,893	\$	(1,825,152)	\$	149,141
	2005	149,141		1,440,809		(1,449,951)		139,999
Comprehensive Self-Insurance Fund								
	2004	\$ 116,449	\$	310,957	\$	(171,732)	\$	255,674
	2005	255,674		19,278		(170,814)		104,138

Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount, which will ultimately be paid each claimant. The provision for claims incurred but not yet reported is estimated based on City experience since the inception of the program.

Premium payments are reported as quasi-external interfund transactions; accordingly, they are treated as operating revenues of the Self-Insurance Internal Service Funds and operating expenditures/expenses of the participating funds.

12. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the City makes postretirement health care benefits available to all employees who retire from the City and their dependents. These benefits are provided to the retired employee under the same plan as active employees in accordance with State law. The retiree pays premiums for the retiree and dependents monthly. During fiscal year ended 2005, \$185,112 in claims were paid on retirees covered under the plan.

13. CONTINGENT LIABILITIES

Pending Litigation—In the opinion of the City’s management, there are no pending litigations at September 30, 2005.

Arbitrage Rebate Requirement—The Tax Reform Act of 1986 imposes a rebate requirement with respect to certain bonds issued by the City. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds and (b) any income earned on the excess described in (a) is required to be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from federal taxation. Regulations implementing the rebate requirement were released by the Internal Revenue Service on May 12, 1989.

Grant Audit—The City receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of City management, such disallowances, if any, will not be significant to the City’s financial statements.

14. REGIONAL DISPATCH CENTER

The City entered into an annually renewable Interlocal Cooperation agreement with the Cities of DeSoto and Cedar Hill (“participating cities”) on August 10, 1999 to establish a Regional Public Safety Dispatch and Alarm Monitoring Facility (“center”). The Center provides police, fire and emergency medical service communications to participating cities. The Center’s Management Committee is comprised of each of the participating cities’ City Manager or their designee. The City has a one-third (1/3) share in the equity of the Center, which qualifies as a joint venture and is accounted for in the government-wide statement of net assets. The value of the City’s share in the equity of the facility as of September 30, 2005 is \$382,928. The financial statements of the Center can be obtained by contacting: City of DeSoto Finance Department, 211 E. Pleasant Run Rd., DeSoto, TX 75115.

15. REGIONAL ANIMAL CONTROL SHELTER

The City entered into an annually renewable Interlocal Cooperation agreement with the Cities of DeSoto and Cedar Hill on September 3, 1991 to establish a Regional Animal Control Shelter facility (“facility”). The facility’s Management Committee is comprised of each of the participating cities’ City Manager or their designee. The City has a one-third (1/3) share in the equity of the facility, which qualifies as a joint venture and is accounted for in the government-wide statement of net assets. The value of the City’s share in the equity of the facility as of September 30, 2005 is \$198,063. The financial statements of the facility can be obtained by contacting: City of Cedar Hill Finance Department, P.O. Box 96, Cedar Hill, TX 75106-0096.

16. DUNCANVILLE INDEPENDENT SCHOOL DISTRICT TECHNOLOGY CENTER

The City entered into a seven year operating lease as lessor with the Duncanville Independent School District (D.I.S.D) on April 22, 2002 for a City building to be used by the D.I.S.D. as a Technology Center. The monthly rent amount is \$7,000, but the D.I.S.D. would receive rent credit for any permanent improvements and fixtures costing over \$500. As at September 30, 2005, the D.I.S.D. has expended \$492,496 on improvements and fixtures, which is recorded in the government-wide statement of net assets. The net outstanding rent credit as of September 30, 2005 of \$211,068 is recorded as deferred revenue in the statement of net assets.

17. STAR CENTER

The DCEDC entered into a twenty five year operating lease as lessor with the Dallas Stars Ltd. on January 31, 2000 for a DCEDC constructed two story community-style recreational ice skating facility consisting of two ice surfaces, locker room facilities, concession area, meeting rooms and retail store, comprising approximately 96,000 square feet. The base annual rental amount is seven hundred and ninety two thousand dollars (\$792,000), which will increase by twelve thousand dollars annually every other year.

18. LOAN TO DCEDC

The City and DCEDC entered into a loan agreement on January 18, 2005 whereby the City would loan the DCEDC \$500,000. This loan would be at 3% annual interest rate and will be repaid on an annual basis payment of the Economic Development Sales Tax over the next five years. The first payment will be October 1, 2007 and the remaining payments are due October 1 of the succeeding years. Proceeds from the loan would be used for infrastructure improvements for a planned development at the southeast corner of S. Main Street and E. Highway 67 by Paramount Investment Corporation.

City of Duncanville, Texas

**Required Supplementary Information
Texas Municipal Retirement System (TMRS) -
Analysis of Funding Progress
Last Three Fiscal Years**

As of 12/31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percent of Covered Payroll
2002	\$ 40,096,818	\$ 47,065,054	\$ 6,968,236	85.2 %	\$ 10,989,239	63.4 %
2003	44,012,917	52,574,878	8,561,961	83.7 %	11,492,597	74.5 %
2004	44,456,019	53,317,211	8,861,192	83.4 %	11,225,031	78.9 %

Source: Texas Municipal Retirement System Comprehensive Annual Financial Reports.

NOTES:

Trend data presented is based on the fiscal year of the Texas Municipal Retirement System, which ends December 31.

COMBINING &
INDIVIDUAL FUND
STATEMENTS &
SCHEDULES

CITY OF DUNCANVILLE, TEXAS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE-REVENUES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
PROPERTY TAXES:				
Current taxes	\$ 9,231,041	\$ 9,231,041	\$ 9,140,455	\$ (90,586)
Prior rolls	135,000	145,000	181,721	36,721
Penalties and interest	90,000	105,532	113,147	7,615
Total	<u>9,456,041</u>	<u>9,481,573</u>	<u>9,435,323</u>	<u>(46,250)</u>
SALES TAXES:				
General	3,300,959	3,157,850	3,245,336	87,486
Property tax relief	1,650,479	1,578,925	1,622,668	43,743
Total	<u>4,951,438</u>	<u>4,736,775</u>	<u>4,868,004</u>	<u>131,229</u>
FRANCHISE TAXES:				
TXU Electric	1,150,000	1,150,000	1,139,936	(10,064)
Atmos Energy	203,741	234,000	256,962	22,962
Telephone	355,513	355,513	331,780	(23,733)
Charter Cable Television	170,776	137,025	136,724	(301)
Utility Court Settlement	-	73,334	73,334	-
Total	<u>1,880,030</u>	<u>1,949,872</u>	<u>1,938,736</u>	<u>(11,136)</u>
Total taxes	<u>16,287,509</u>	<u>16,168,220</u>	<u>16,242,063</u>	<u>73,843</u>
LICENSES, PERMITS AND FEES:				
Building permits	362,770	332,770	244,280	(88,490)
Zoning and special use permits	10,000	10,000	7,692	(2,308)
Electrical permits	9,500	9,500	9,888	388
Plumbing permits	8,500	10,000	22,202	12,202
Alarm permits	82,000	78,000	56,248	(21,752)
Solicitor licenses	50	350	400	50
9-1-1 service fee	275,000	275,000	277,322	2,322
Emergency medical service	406,254	428,533	548,788	120,255
Sign permits	12,000	12,000	19,215	7,215
Health food inspection fees	54,242	58,482	55,093	(3,389)
False alarm fees	3,500	4,200	3,838	(362)
Total	<u>1,223,816</u>	<u>1,218,835</u>	<u>1,244,966</u>	<u>26,131</u>
MUNICIPAL COURT AND LIBRARY:				
Municipal court	663,023	662,655	680,891	18,236
Library	20,590	20,590	22,104	1,514
Total	<u>683,613</u>	<u>683,245</u>	<u>702,995</u>	<u>19,750</u>
INTERGOVERNMENTAL	<u>258,057</u>	<u>285,000</u>	<u>289,487</u>	<u>4,487</u>
INTEREST	<u>84,561</u>	<u>160,000</u>	<u>215,657</u>	<u>55,657</u>
RECREATION:				
Recreation fees	198,920	198,920	179,180	(19,740)
Total	<u>198,920</u>	<u>198,920</u>	<u>179,180</u>	<u>(19,740)</u>
OTHER SALES AND SERVICES:				
Sale of fixed assets/ auction proceeds	26,627	29,611	49,815	20,204
DCEDC Cost allocation	70,414	69,768	69,768	-
Miscellaneous	131,973	174,042	269,677	95,635
Rentals	91,188	66,424	73,812	7,388
Total	<u>320,202</u>	<u>339,845</u>	<u>463,072</u>	<u>123,227</u>
Total revenues	<u>\$ 19,056,678</u>	<u>\$ 19,054,065</u>	<u>\$ 19,337,420</u>	<u>\$ 283,355</u>

CITY OF DUNCANVILLE, TEXAS

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE-EXPENDITURES
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

(Continued on following page)

	Salaries and Benefits	Supplies	Other Services	Maintenance
DEPARTMENTS:				
General government-				
Mayor and council	\$ -	\$ 4,086	\$ 189,382	\$ -
City manager	246,731	35	10,605	-
City secretary	117,265	4,921	17,015	-
Personnel services	175,524	1,325	37,361	-
Information systems	94,704	40,771	85,825	-
Community information office	79,918	7,738	2,885	-
Total	714,142	58,876	343,073	-
Finance-				
Administration	390,562	6,392	83,850	-
Municipal court	216,810	5,816	165,665	-
Purchasing	85,031	821	368	-
Teen court	47,594	1,888	1,683	-
Total	739,997	14,917	251,566	-
Community services -				
Administration	151,549	(178)	50,806	-
Recreation programming	274,200	10,200	21,698	-
Athletic programming	97,180	30,808	69,247	-
Park grounds maintenance	276,461	47,973	506,381	32,451
Library services	509,648	33,515	27,410	-
Building services	211,724	20,565	311,552	23,604
Senior center	81,378	2,296	21,352	-
Horticulture	101,939	7,019	23,542	21,313
Total	1,704,079	152,198	1,031,988	77,368
Police-				
Administration	314,249	82,478	99,117	-
Patrol	3,222,608	44,590	178,278	1,685
Criminal investigation	750,693	5,155	37,505	-
Animal control	90,254	1,855	141,299	-
Crime prevention	95,763	4,369	5,387	-
Communication/ Records	142,920	2,763	755,506	-
School Resource officers	404,875	1,659	2,607	15
Special services	291,200	31,882	40,365	832
Total	5,312,562	174,751	1,260,064	2,532

Capital	Total Expenditures	Original Budget	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ 193,468	\$ 173,417	\$ 206,985	\$ 13,517
-	257,371	247,184	269,421	12,050
-	139,201	148,640	144,152	4,951
-	214,210	212,179	215,345	1,135
-	221,300	237,058	224,837	3,537
-	90,541	83,708	91,594	1,053
-	<u>1,116,091</u>	<u>1,102,186</u>	<u>1,152,334</u>	<u>36,243</u>
-	480,804	492,295	470,501	(10,303)
-	388,291	407,018	380,973	(7,318)
-	86,220	87,555	86,966	746
-	51,165	53,823	53,185	2,020
-	<u>1,006,480</u>	<u>1,040,691</u>	<u>991,625</u>	<u>(14,855)</u>
-	202,177	204,667	206,845	4,668
-	306,098	320,934	322,430	16,332
-	197,235	214,351	211,565	14,330
706,515	1,569,781	1,679,157	1,596,013	26,232
72,929	643,502	651,358	664,492	20,990
25,861	593,306	552,624	583,902	(9,404)
-	105,026	104,323	106,070	1,044
-	153,813	170,598	167,143	13,330
<u>805,305</u>	<u>3,770,938</u>	<u>3,898,012</u>	<u>3,858,460</u>	<u>87,522</u>
-	495,844	434,609	512,472	16,628
8,330	3,455,491	3,551,410	3,456,537	1,046
-	793,353	828,813	777,812	(15,541)
-	233,408	246,370	234,407	999
-	105,519	98,295	104,056	(1,463)
-	901,189	930,540	901,938	749
-	409,156	360,827	390,505	(18,651)
-	364,279	360,060	367,946	3,667
<u>8,330</u>	<u>6,758,239</u>	<u>6,810,924</u>	<u>6,745,673</u>	<u>(12,566)</u>

CITY OF DUNCANVILLE, TEXAS

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE-EXPENDITURES
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

(Continued on following page)

	Salaries and Benefits	Supplies	Other Services	Maintenance
DEPARTMENTS (Continued):				
Public works-				
Engineering/ Planning	\$ 224,618	\$ 11,605	\$ 36,914	\$ -
Building inspection	384,819	12,094	125,502	-
Streets	725,282	140,029	716,810	-
Signs and signals	145,177	196,713	206,033	2,700
Equipment services	224,947	194,943	26,766	211,826
Total	<u>1,704,843</u>	<u>555,384</u>	<u>1,112,025</u>	<u>214,526</u>
Fire-				
Administration	273,954	10,229	107,452	7,369
Prevention	88,752	5,618	21,766	-
Suppression	2,883,503	45,461	91,045	9,738
Advanced life support	797,546	57,222	134,242	1,560
Total	<u>4,043,755</u>	<u>118,530</u>	<u>354,505</u>	<u>18,667</u>
NON-DEPARTMENTAL	<u>13,306</u>	<u>45,850</u>	<u>195,688</u>	<u>2,411</u>
 Total expenditures	 <u>\$ 14,232,684</u>	 <u>\$ 1,120,506</u>	 <u>\$ 4,548,909</u>	 <u>\$ 315,504</u>

Capital	Total Expenditures	Original Budget	Final Budget	Variance with Final Budget Positive (Negative)
\$ -	\$ 273,137	\$ 260,705	\$ 292,253	\$ 19,116
1,872	524,287	621,933	555,881	31,594
-	1,582,121	1,681,611	1,674,546	92,425
42,632	593,255	452,656	569,514	(23,741)
8,923	667,405	700,038	671,801	4,396
<u>53,427</u>	<u>3,640,205</u>	<u>3,716,943</u>	<u>3,763,995</u>	<u>123,790</u>
1,084	400,088	378,772	401,178	1,090
-	116,136	105,090	115,086	(1,050)
-	3,029,747	2,905,384	2,946,193	(83,554)
-	990,570	994,401	975,173	(15,397)
<u>1,084</u>	<u>4,536,541</u>	<u>4,383,647</u>	<u>4,437,630</u>	<u>(98,911)</u>
-	257,255	236,677	251,917	(5,338)
<u>\$ 868,146</u>	<u>\$ 21,085,749</u>	<u>\$ 21,189,080</u>	<u>\$ 21,201,634</u>	<u>\$ 115,885</u>



Duncanville
City of Champions

CITY OF DUNCANVILLE, TEXAS

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Special Revenue Funds account for the proceeds of special revenue sources that are legally or administratively restricted to expenditures for specified purposes. Individual Special Revenue Funds maintained are as follows:

Hotel/Motel Tax Fund-to account for moneys received from a tax upon the cost of occupancy in hotels and motels, the revenues of which may be expended to promote tourism and the convention and hotel industry.

Drainage fees Fund-to account for funds received from user fees for major storm water drainage improvement projects throughout the City. The Drainage fees fund was created to reduce flooding, reduce creek erosion, and comply with EPA mandates regarding storm water management.

Community Services Fund-to account for service fees received from users for providing special community education, athletic, library and park services.

Grants Fund – to account for funds granted the City by state and federal government to be used for public safety, and cultural and recreational purposes.

Court Technology Fund- to account for funds received from Municipal court fines to be used for upgrading technology.

Court Security Fund- to account for funds received from Municipal court fines to be used for providing security to Municipal Court.

Asset Forfeiture fund-to account for awards of moneys by the courts to the Police Department.

CAPITAL PROJECT FUNDS:

Capital Projects Funds account for resources used for the acquisition and/or construction of capital facilities and improvements, except those financed by the Proprietary Fund Types. Resources are derived primarily from sales of general obligation bonds and certificates of obligation. Individual funds maintained are as follows:

Drainage Construction Fund - This fund is used to account for improvements to the City's storm sewers and drainage system.

Park Construction Fund - This fund is used to account for various improvements made in the City's parks and recreational facilities.

Capital Improvements Fund – To account for the expenditures of various one-time capital improvements.

Library Construction General Obligation bonds – To account for the construction of a new library and community center financed by general obligation bonds.

Senior Center Building Improvements Fund – To account for various improvements to the Senior Center Building.

CITY OF DUNCANVILLE, TEXAS

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2005

	Special Revenue	Capital Projects	Total Nonmajor Funds
<u>ASSETS</u>			
Cash and investments	\$ 428,167	\$ 403,042	\$ 831,209
Receivables -			
Taxes	60,136	-	60,136
Trade accounts	142,555	-	142,555
Intergovernmental	29,966	-	29,966
Total assets	<u>\$ 660,824</u>	<u>\$ 403,042</u>	<u>\$ 1,063,866</u>
 <u>LIABILITIES AND EQUITY</u>			
LIABILITIES:			
Accounts payable	\$ 38,322	\$ -	\$ 38,322
Contracts payable	-	3,004	3,004
Accrued liabilities	4,037	-	4,037
Deferred revenue	<u>23,963</u>	<u>-</u>	<u>23,963</u>
Total liabilities	<u>66,322</u>	<u>3,004</u>	<u>69,326</u>
EQUITY:			
Fund balances-			
Unreserved, reported in:			
Special revenue funds	594,502	-	594,502
Capital project funds	<u>-</u>	<u>400,038</u>	<u>400,038</u>
Total Fund balances	<u>594,502</u>	<u>400,038</u>	<u>994,540</u>
Total liabilities & Fund balances	<u>\$ 660,824</u>	<u>\$ 403,042</u>	<u>\$ 1,063,866</u>

CITY OF DUNCANVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue	Capital Projects	Total Nonmajor Funds
REVENUES:			
Hotel taxes	\$ 252,500	\$ -	\$ 252,500
Licenses, permits and fees	411,479	-	411,479
Fines and forfeitures	41,990	-	41,990
Recreation fees	86,256	-	86,256
Intergovernmental	245,357	-	245,357
Investment income	11,193	15,070	26,263
Rental and other	744	20	764
Total revenues	<u>1,049,519</u>	<u>15,090</u>	<u>1,064,609</u>
EXPENDITURES:			
Current-			
General government	257,020	-	257,020
Community services	124,494	-	124,494
Police	38,389	-	38,389
Public works	369,634	-	369,634
Fire	36,720	-	36,720
Special purposes - promotional	53,398	-	53,398
Capital outlay	119,658	431,909	551,567
Total expenditures	<u>999,313</u>	<u>431,909</u>	<u>1,431,222</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>50,206</u>	<u>(416,819)</u>	<u>(366,613)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	151,079	44,326	195,405
Transfers out	<u>(365,388)</u>	<u>-</u>	<u>(365,388)</u>
Total other financing sources (uses)	<u>(214,309)</u>	<u>44,326</u>	<u>(169,983)</u>
NET CHANGE IN FUND BALANCES	(164,103)	(372,493)	(536,596)
FUND BALANCES, restated	<u>758,605</u>	<u>772,531</u>	<u>1,531,136</u>
FUND BALANCES, end of year	<u>\$ 594,502</u>	<u>\$ 400,038</u>	<u>\$ 994,540</u>

CITY OF DUNCANVILLE, TEXAS

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 SEPTEMBER 30, 2005

	<u>Hotel Motel Tax</u>	<u>Drainage Fees</u>	<u>Community Services</u>	<u>Grants</u>	<u>Court Technology</u>
<u>ASSETS:</u>					
Cash and investments	\$ 174,982	\$ 84,324	\$ 74,334	\$ 7,384	\$ 6,447
Receivables:					
Taxes	60,136	-	-	-	-
Trade accounts	-	142,522	33	-	-
Intergovernmental	-	-	-	29,966	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 235,118</u>	<u>\$ 226,846</u>	<u>\$ 74,367</u>	<u>\$ 37,350</u>	<u>\$ 6,447</u>
 <u>LIABILITIES AND FUND BALANCES:</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ 18,872	\$ 1,078	\$ 6,020	\$ 12,352	\$ -
Accrued payroll	1,795	1,178	-	1,064	-
Deferred revenue	-	-	-	9,714	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>20,667</u>	<u>2,256</u>	<u>6,020</u>	<u>23,130</u>	<u>-</u>
 <u>FUND BALANCES:</u>					
Unreserved	<u>214,451</u>	<u>224,590</u>	<u>68,347</u>	<u>14,220</u>	<u>6,447</u>
Total fund balances	<u>214,451</u>	<u>224,590</u>	<u>68,347</u>	<u>14,220</u>	<u>6,447</u>
Total liabilities and fund balances	<u>\$ 235,118</u>	<u>\$ 226,846</u>	<u>\$ 74,367</u>	<u>\$ 37,350</u>	<u>\$ 6,447</u>

Court Security	Asset Forfeiture	Total
\$ 61,468	\$ 19,228	\$ 428,167
-	-	60,136
-	-	142,555
-	-	29,966
<u>\$ 61,468</u>	<u>\$ 19,228</u>	<u>\$ 660,824</u>

\$ -	\$ -	\$ 38,322
-	-	4,037
-	14,249	23,963
-	14,249	66,322
61,468	4,979	594,502
61,468	4,979	594,502
<u>\$ 61,468</u>	<u>\$ 19,228</u>	<u>\$ 660,824</u>

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Hotel Motel Tax	Drainage Fees	Community Services	Grants
REVENUES:				
Hotel taxes	\$ 252,500	\$ -	\$ -	\$ -
Licenses, permits and fees	-	411,479	-	-
Investment income	2,629	2,455	1,374	1,879
Intergovernmental	-	-	-	245,357
Recreation fees	-	-	86,256	-
Fines and forfeitures	-	-	-	-
Rental and other	625	-	-	-
	<u>255,754</u>	<u>413,934</u>	<u>87,630</u>	<u>247,236</u>
Total revenues				
EXPENDITURES:				
General government	155,250	-	-	17,820
Community services	-	-	92,589	31,905
Police	-	-	-	23,854
Public works	-	320,164	-	49,470
Fire	-	-	-	36,720
Special purposes-promotional	53,398	-	-	-
Capital outlay	-	119,658	-	-
	<u>208,648</u>	<u>439,822</u>	<u>92,589</u>	<u>159,769</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	47,106	(25,888)	(4,959)	87,467
OTHER FINANANCING SOURCES (USES)				
Transfers in	-	150,000	-	1,079
Transfers out	(16,982)	(208,018)	-	(140,388)
	<u>(16,982)</u>	<u>(58,018)</u>	<u>-</u>	<u>(139,309)</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCES	30,124	(83,906)	(4,959)	(51,842)
FUND BALANCES, beginning	<u>184,327</u>	<u>308,496</u>	<u>73,306</u>	<u>66,062</u>
FUND BALANCES, end	<u>\$ 214,451</u>	<u>\$ 224,590</u>	<u>\$ 68,347</u>	<u>\$ 14,220</u>

<u>Court Technology</u>	<u>Court Security</u>	<u>Asset Forfeiture</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 252,500
-	-	-	411,479
675	1,906	275	11,193
-	-	-	245,357
-	-	-	86,256
17,335	13,084	11,571	41,990
<u>-</u>	<u>-</u>	<u>119</u>	<u>744</u>
<u>18,010</u>	<u>14,990</u>	<u>11,965</u>	<u>1,049,519</u>
59,887	24,063	-	257,020
-	-	-	124,494
-	-	14,535	38,389
-	-	-	369,634
-	-	-	36,720
-	-	-	53,398
<u>-</u>	<u>-</u>	<u>-</u>	<u>119,658</u>
<u>59,887</u>	<u>24,063</u>	<u>14,535</u>	<u>999,313</u>
(41,877)	(9,073)	(2,570)	50,206
-	-	-	151,079
<u>-</u>	<u>-</u>	<u>-</u>	<u>(365,388)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(214,309)</u>
(41,877)	(9,073)	(2,570)	(164,103)
<u>48,324</u>	<u>70,541</u>	<u>7,549</u>	<u>758,605</u>
<u>\$ 6,447</u>	<u>\$ 61,468</u>	<u>\$ 4,979</u>	<u>\$ 594,502</u>

CITY OF DUNCANVILLE, TEXAS

HOTEL-MOTEL TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Hotel, motel taxes	\$ 283,242	\$ 227,492	\$ 252,500	\$ 25,008
Interest on investments	600	600	2,629	2,029
Other	-	-	625	625
Total revenues	<u>283,842</u>	<u>228,092</u>	<u>255,754</u>	<u>27,662</u>
EXPENDITURES:				
General government	175,506	153,979	155,250	(1,271)
Special purposes-promotional	<u>88,320</u>	<u>57,827</u>	<u>53,398</u>	<u>4,429</u>
Total expenditures	<u>263,826</u>	<u>211,806</u>	<u>208,648</u>	<u>3,158</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	20,016	16,286	47,106	30,820
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	<u>(16,369)</u>	<u>(15,994)</u>	<u>(16,982)</u>	<u>(988)</u>
Total other financing sources (uses)	<u>(16,369)</u>	<u>(15,994)</u>	<u>(16,982)</u>	<u>(988)</u>
NET CHANGE IN FUND BALANCE	3,647	292	30,124	29,832
FUND BALANCES, beginning of year	<u>75,686</u>	<u>75,686</u>	<u>184,327</u>	<u>108,641</u>
FUND BALANCES, end of year	<u>\$ 79,333</u>	<u>\$ 75,978</u>	<u>\$ 214,451</u>	<u>\$ 138,473</u>

CITY OF DUNCANVILLE, TEXAS

DRAINAGE FEES FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Drainage fees	\$ 418,000	\$ 407,145	\$ 411,479	\$ 4,334
Interest on investments	1,000	1,659	2,455	796
Other	32,000	-	-	-
Total revenues	<u>451,000</u>	<u>408,804</u>	<u>413,934</u>	<u>5,130</u>
EXPENDITURES:				
Public works	68,911	162,340	320,164	(157,824)
Capital outlay	666,634	420,630	119,658	300,972
Total expenditures	<u>735,545</u>	<u>582,970</u>	<u>439,822</u>	<u>143,148</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(284,545)	(174,166)	(25,888)	148,278
OTHER FINANCING SOURCES (USES)				
Transfers in	266,634	150,000	150,000	-
Transfers out	(208,018)	(208,018)	(208,018)	-
Total other financing sources (uses)	<u>58,616</u>	<u>(58,018)</u>	<u>(58,018)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(225,929)	(232,184)	(83,906)	148,278
FUND BALANCES, beginning of year	<u>226,953</u>	<u>308,496</u>	<u>308,496</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 1,024</u>	<u>\$ 76,312</u>	<u>\$ 224,590</u>	<u>\$ 148,278</u>

CITY OF DUNCANVILLE, TEXAS

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2005

	<u>Drainage Construction</u>	<u>Park Construction</u>	<u>Capital Improvements</u>
<u>ASSETS:</u>			
Cash and investments	\$ <u>75</u>	\$ <u>198,075</u>	\$ <u>169,393</u>
Total assets	\$ <u><u>75</u></u>	\$ <u><u>198,075</u></u>	\$ <u><u>169,393</u></u>
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>LIABILITIES:</u>			
Contracts payable	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,004</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>3,004</u>
<u>FUND BALANCES:</u>			
Unreserved	<u>75</u>	<u>198,075</u>	<u>166,389</u>
Total fund balances	<u>75</u>	<u>198,075</u>	<u>166,389</u>
Total liabilities and fund balances	\$ <u><u>75</u></u>	\$ <u><u>198,075</u></u>	\$ <u><u>169,393</u></u>

Library Construction G O Bonds	Senior Center Building Improvements	Total
\$ <u>176</u>	\$ <u>35,323</u>	\$ <u>403,042</u>
\$ <u><u>176</u></u>	\$ <u><u>35,323</u></u>	\$ <u><u>403,042</u></u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,004</u>
<u>-</u>	<u>-</u>	<u>3,004</u>
<u>176</u>	<u>35,323</u>	<u>400,038</u>
<u>176</u>	<u>35,323</u>	<u>400,038</u>
\$ <u><u>176</u></u>	\$ <u><u>35,323</u></u>	\$ <u><u>403,042</u></u>

CITY OF DUNCANVILLE, TEXAS

NONMAJOR CAPITAL PROJECTS FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Drainage Construction	Park Construction	Capital Improvements
REVENUES:			
Investment income	\$ 27	\$ 5,573	\$ 8,265
Other	-	-	-
Total revenues	<u>27</u>	<u>5,573</u>	<u>8,265</u>
EXPENDITURES:			
Capital outlay	-	177,759	216,095
Total expenditures	<u>-</u>	<u>177,759</u>	<u>216,095</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>27</u>	<u>(172,186)</u>	<u>(207,830)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	44,326
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>44,326</u>
NET CHANGE IN FUND BALANCES	27	(172,186)	(163,504)
FUND BALANCES, beginning	<u>48</u>	<u>370,261</u>	<u>329,893</u>
FUND BALANCES, end	<u>\$ 75</u>	<u>\$ 198,075</u>	<u>\$ 166,389</u>

Library Construction G O Bonds	Senior Center Building Improvements	Total
\$ 9	\$ 1,196	\$ 15,070
<u>-</u>	<u>20</u>	<u>20</u>
<u>9</u>	<u>1,216</u>	<u>15,090</u>
<u>-</u>	<u>38,055</u>	<u>431,909</u>
<u>-</u>	<u>38,055</u>	<u>431,909</u>
<u>9</u>	<u>(36,839)</u>	<u>(416,819)</u>
<u>-</u>	<u>-</u>	<u>44,326</u>
<u>-</u>	<u>-</u>	<u>44,326</u>
<u>9</u>	<u>(36,839)</u>	<u>(372,493)</u>
<u>167</u>	<u>72,162</u>	<u>772,531</u>
<u>\$ 176</u>	<u>\$ 35,323</u>	<u>\$ 400,038</u>

CITY OF DUNCANVILLE, TEXAS

DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Ad Valorem taxes	\$ 2,266,243	\$ 2,266,243	\$ 2,244,008	\$ (22,235)
Delinquent taxes	65,000	65,000	48,139	(16,861)
Penalties and interest	35,000	35,000	29,583	(5,417)
Interest on investments	20,000	20,000	29,250	9,250
Total revenues	2,386,243	2,386,243	2,350,980	(35,263)
EXPENDITURES:				
Principal retirement	2,375,000	2,255,000	2,255,000	-
Interest on debt	663,928	509,261	509,260	1
Paying agent fees	5,000	5,000	15,573	(10,573)
Total expenditures	3,043,928	2,769,261	2,779,833	(10,572)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(657,685)	(383,018)	(428,853)	(45,835)
OTHER FINANCING SOURCES (USES)				
Transfers in	482,685	208,018	208,018	-
Total other financing sources (uses)	482,685	208,018	208,018	-
NET CHANGE IN FUND BALANCE	(175,000)	(175,000)	(220,835)	(45,835)
FUND BALANCES, beginning of year	535,775	517,460	517,460	-
FUND BALANCES, end of year	\$ 360,775	\$ 342,460	\$ 296,625	\$ (45,835)

CITY OF DUNCANVILLE, TEXAS

ENTERPRISE FUNDS
 SCHEDULE OF DETAILED REVENUES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>UTILITY FUND</u>			
WATER:			
Sale of water	\$ 5,352,048	\$ 6,111,622	\$ 759,574
Water taps	20,000	27,298	7,298
Total	<u>5,372,048</u>	<u>6,138,920</u>	<u>766,872</u>
SEWER:			
Sewer charges	4,292,417	4,316,964	24,547
Sewer taps	13,000	19,942	6,942
Total	<u>4,305,417</u>	<u>4,336,906</u>	<u>31,489</u>
PENALTIES	<u>58,750</u>	<u>62,375</u>	<u>3,625</u>
OTHER:			
Refund from Trinity River Authority	-	14,546	14,546
Service charges	48,000	60,160	12,160
Collection of bad debts	1,000	23	(977)
Miscellaneous	14,931	16,811	1,880
Total	<u>63,931</u>	<u>91,540</u>	<u>27,609</u>
INTEREST INCOME	<u>23,850</u>	<u>53,303</u>	<u>29,453</u>
Total revenues Utility Fund	<u>\$ 9,823,996</u>	<u>\$ 10,683,044</u>	<u>\$ 859,048</u>
 <u>SOLID WASTE FUND</u>			
SOLID WASTE CHARGES	\$ 1,822,212	\$ 1,946,737	\$ 124,525
INTEREST INCOME	<u>500</u>	<u>272</u>	<u>(228)</u>
Total revenues Solid Waste Fund	<u>\$ 1,822,712</u>	<u>\$ 1,947,009</u>	<u>\$ 124,297</u>
Total revenues Enterprise Funds	<u>\$ 11,646,708</u>	<u>\$ 12,630,053</u>	<u>\$ 983,345</u>

CITY OF DUNCANVILLE, TEXAS

ENTERPRISE FUNDS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Salaries and Benefits</u>	<u>Supplies</u>	<u>Other Services</u>
<u>UTILITY FUND</u>			
WATER SERVICES	\$ 504,054	\$ 94,677	\$ 3,084,867
WASTEWATER TREATMENT	447,227	54,457	2,967,827
ADMINISTRATION AND FISCAL			
Utility administration	205,492	9,398	40,747
Utility accounting	500,363	62,496	69,260
Non-departmental	-	-	22,870
INTEREST AND FISCAL CHARGES	-	-	162,496
TRANSFERS OUT	<u>-</u>	<u>-</u>	<u>842,040</u>
Total Utility Fund expenditures	<u>\$ 1,657,136</u>	<u>\$ 221,028</u>	<u>\$ 7,190,107</u>
<u>SOLID WASTE FUND</u>			
SOLID WASTE	\$ 71,678	\$ 149	\$ 1,729,153
TRANSFERS OUT	<u>-</u>	<u>-</u>	<u>137,627</u>
Total Solid Waste Fund expenditures	<u>\$ 71,678</u>	<u>\$ 149</u>	<u>\$ 1,866,780</u>
Total Enterprise Fund expenditures	<u>\$ 1,728,814</u>	<u>\$ 221,177</u>	<u>\$ 9,056,887</u>

<u>Maintenance</u>	<u>Capital</u>	<u>Total</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
\$ 50,157	\$ 633,472	\$ 4,367,227	\$ 3,617,201	\$ (750,026)
18,926	88,611	3,577,048	3,648,463	71,415
-	-	255,637	256,147	510
4,234	40,770	677,123	685,796	8,673
-	-	22,870	6,922	(15,948)
-	-	162,496	155,268	(7,228)
<u>-</u>	<u>-</u>	<u>842,040</u>	<u>967,040</u>	<u>125,000</u>
\$ <u>73,317</u>	\$ <u>762,853</u>	\$ <u>9,904,441</u>	\$ <u>9,336,837</u>	\$ <u>(567,604)</u>
\$ 61	\$ -	\$ 1,801,041	\$ 1,801,702	\$ 661
<u>-</u>	<u>-</u>	<u>137,627</u>	<u>137,975</u>	<u>348</u>
\$ <u>61</u>	\$ <u>-</u>	\$ <u>1,938,668</u>	\$ <u>1,939,677</u>	\$ <u>1,009</u>
\$ <u>73,378</u>	\$ <u>762,853</u>	\$ <u>11,843,109</u>	\$ <u>11,276,514</u>	\$ <u>(566,595)</u>



Duncanville
City of Champions

CITY OF DUNCANVILLE, TEXAS

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for financing of services provided by one department to other departments of the City on a cost-reimbursement basis. The Internal Service Funds are members of the proprietary fund category, and as such, are accounted for on the accrual basis of accounting. There are three funds within the Internal Service Funds:

Fleet Replacement Fund – To account for the financing and expenditures related to the purchase of fleet and equipment.

Medical Self-Insurance Fund - This fund is used to account for the costs associated with the medical, dental, and life insurance program established for City employees and their covered dependents.

Comprehensive Self-Insurance Fund - This fund is used to account for the costs associated with the general liability, property and casualty, and workers' compensation self-insurance program established by the City.

CITY OF DUNCANVILLE, TEXAS

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2005

<u>ASSETS</u>	<u>Fleet Replacement</u>	<u>Medical Self-Insurance</u>	<u>Comprehensive Self-Insurance</u>	<u>Total</u>
Cash and investments	\$ 1,458,885	\$ 487,419	\$ 291,558	\$ 2,237,862
Accrued interest and other	21,640	6,175	-	27,815
Total current assets	<u>1,480,525</u>	<u>493,594</u>	<u>291,558</u>	<u>2,265,677</u>
Capital assets-Equipment net of depreciation	473,957	-	-	473,957
Capital assets-Vehicles net of depreciation	827,039	-	-	827,039
Total non-current assets	<u>1,300,996</u>	<u>-</u>	<u>-</u>	<u>1,300,996</u>
Total assets	<u>\$ 2,781,521</u>	<u>\$ 493,594</u>	<u>\$ 291,558</u>	<u>\$ 3,566,673</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ 27,474	\$ 27,474
Accrued liabilities	-	139,999	104,138	244,137
Total liabilities	<u>-</u>	<u>139,999</u>	<u>131,612</u>	<u>271,611</u>
<u>NET ASSETS</u>				
Invested in capital assets	1,300,996	-	-	1,300,996
Unrestricted	<u>1,480,525</u>	<u>353,595</u>	<u>159,946</u>	<u>1,994,066</u>
Total net assets	<u>\$ 2,781,521</u>	<u>\$ 353,595</u>	<u>\$ 159,946</u>	<u>\$ 3,295,062</u>

CITY OF DUNCANVILLE, TEXAS

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Fleet Replacement</u>	<u>Medical Self-Insurance</u>	<u>Comprehensive Self-Insurance</u>	<u>Total</u>
OPERATING REVENUES:				
Premiums and charges for services	\$ 478,769	\$ 1,872,991	\$ 364,880	\$ 2,716,640
Other	<u>-</u>	<u>179,805</u>	<u>-</u>	<u>179,805</u>
Total operating revenues	<u>478,769</u>	<u>2,052,796</u>	<u>364,880</u>	<u>2,896,445</u>
OPERATING EXPENSES:				
Claims and provision	-	1,440,809	19,278	1,460,087
Administrative and fiscal	-	454,219	233,568	687,787
Depreciation	<u>462,455</u>	<u>-</u>	<u>-</u>	<u>462,455</u>
Total operating expenses	<u>462,455</u>	<u>1,895,028</u>	<u>252,846</u>	<u>2,610,329</u>
OPERATING INCOME (LOSS)	<u>16,314</u>	<u>157,768</u>	<u>112,034</u>	<u>286,116</u>
NON-OPERATING REVENUES:				
Gain/Loss on sale of fixed assets	76,067	-	-	76,067
Interest income	<u>35,538</u>	<u>11,262</u>	<u>2,046</u>	<u>48,846</u>
Total non-operating revenue	<u>111,605</u>	<u>11,262</u>	<u>2,046</u>	<u>124,913</u>
INCOME (LOSS)	<u>127,919</u>	<u>169,030</u>	<u>114,080</u>	<u>411,029</u>
CHANGE IN NET ASSETS	127,919	169,030	114,080	411,029
TOTAL NET ASSETS BEGINNING	<u>2,653,602</u>	<u>184,565</u>	<u>45,866</u>	<u>2,884,033</u>
TOTAL NET ASSETS-ENDING	<u>\$ 2,781,521</u>	<u>\$ 353,595</u>	<u>\$ 159,946</u>	<u>\$ 3,295,062</u>

CITY OF DUNCANVILLE, TEXAS

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Fleet Replacement	Medical Self-Insurance	Comprehensive Self-Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from insured	\$ (11,931)	\$ 536,243	\$ -	\$ 524,312
Internal activity-receipts from other funds	478,769	1,336,699	356,509	2,171,977
Payments to suppliers	-	(1,910,716)	(382,509)	(2,293,225)
Other receipts	-	179,805	8,371	188,176
Net cash provided by (used in) operating activities	<u>466,838</u>	<u>142,031</u>	<u>(17,629)</u>	<u>591,240</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of fixed assets	(424,889)	-	-	(424,889)
Sale of fixed assets	(61,337)	-	-	(61,337)
Net cash provided by investing activities	<u>(486,226)</u>	<u>-</u>	<u>-</u>	<u>(486,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	35,538	11,262	2,046	48,846
Net cash provided by investing activities	<u>35,538</u>	<u>11,262</u>	<u>2,046</u>	<u>48,846</u>
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	16,150	153,293	(15,583)	153,860
CASH AND INVESTMENTS, beginning of year	<u>1,442,735</u>	<u>334,126</u>	<u>307,141</u>	<u>2,084,002</u>
CASH AND INVESTMENTS, end of year	<u>\$ 1,458,885</u>	<u>\$ 487,419</u>	<u>\$ 291,558</u>	<u>\$ 2,237,862</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 16,314	\$ 157,768	\$ 112,034	\$ 286,116
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities-				
Depreciation	462,455	-	-	462,455
Change in assets and liabilities-				
Accounts and other receivables	(11,931)	(49)	-	(11,980)
Accounts and other payables	-	(15,688)	(129,663)	(145,351)
Total adjustments	<u>450,524</u>	<u>(15,737)</u>	<u>(129,663)</u>	<u>305,124</u>
Net cash provided by (used in) operating activities	<u>\$ 466,838</u>	<u>\$ 142,031</u>	<u>\$ (17,629)</u>	<u>\$ 591,240</u>

CITY OF DUNCANVILLE, TEXAS

COMPONENT UNIT COMBINING FINANCIAL STATEMENTS

Component unit of the City consists of the Duncanville Community and Economic Development Corporation (DCEDC). On January 21, 1995, a special election was held and voters approved two separate sales tax provisions, one of which was the adoption of an additional sales and use tax at the rate of ½% to be used for the construction, renovation and operation of municipal buildings, the acquisition and improvement of parks as well as for the promotion and expansion of manufacturing and industrial facilities, and other economic development purposes. As a result, the City created the DCEDC to administer these funds. The DCEDC was incorporated on April 28, 1995 as a nonprofit industrial development corporation under the Development Corporation Act of 1979 ("Act"). The DCEDC operates under a seven member Board of Directors appointed by the City Council. Each of the directors should be a resident of the City. No more than four members can be members of the City Council, officials of the City, or City employees. The Corporation is organized exclusively for the purposes of benefiting and accomplishing public purposes of and to act on behalf of, the City, and the specific purposes for which the Corporation is organized.

CITY OF DUNCANVILLE, TEXAS

DUNCANVILLE COMMUNITY ECONOMIC DEVELOPMENT CORPORATION
COMBINING BALANCE SHEET- FUND LEVEL
SEPTEMBER 30, 2005

<u>ASSETS</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Cash and investments	\$ 1,386,492	\$ 28	\$ 1,386,520
Trade accounts	298,967	-	298,967
Accrued interest and other receivable	8,115	-	8,115
Restricted cash and investments	-	620,000	620,000
Total assets	<u>\$ 1,693,574</u>	<u>\$ 620,028</u>	<u>\$ 2,313,602</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 19,318	\$ -	\$ 19,318
Accrued liabilities	1,222	-	1,222
Customer performance and escrow deposits	-	620,000	620,000
Total liabilities	<u>20,540</u>	<u>620,000</u>	<u>640,540</u>
<u>FUND BALANCE</u>			
Reserved for economic development	<u>1,673,034</u>	<u>28</u>	<u>1,673,062</u>
Total fund balance	<u>1,673,034</u>	<u>28</u>	<u>1,673,062</u>
Total liabilities and fund balance	<u>\$ 1,693,574</u>	<u>\$ 620,028</u>	<u>\$ 2,313,602</u>

CITY OF DUNCANVILLE, TEXAS

DUNCANVILLE COMMUNITY ECONOMIC DEVELOPMENT CORPORATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES:			
Sales taxes	\$ 1,622,668	\$ -	\$ 1,622,668
Interest	27,509	18	27,527
Rental and other	<u>815,798</u>	<u>-</u>	<u>815,798</u>
Total revenues	<u>2,465,975</u>	<u>18</u>	<u>2,465,993</u>
EXPENDITURES:			
General government	589,083	-	589,083
Special purposes - promotional	445,037	-	445,037
Debt service-			
Principal retirement	545,000	-	545,000
Interest and fiscal charges	809,254	-	809,254
Capital outlay	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total expenditures	<u>2,488,374</u>	<u>-</u>	<u>2,488,374</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(22,399)</u>	<u>18</u>	<u>(22,381)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total other financing sources (uses)	<u>500,000</u>	<u>-</u>	<u>500,000</u>
NET CHANGE IN FUND BALANCE	477,601	18	477,619
FUND BALANCE, beginning of year	<u>1,195,433</u>	<u>10</u>	<u>1,195,443</u>
FUND BALANCE, end of year	<u>\$ 1,673,034</u>	<u>\$ 28</u>	<u>\$ 1,673,062</u>



Duncanville
City of Champions

STATISTICAL
SECTION

(UNAUDITED)

STATISTICAL SECTION

(Unaudited)

The Statistical Section presents comparative data for expenditures, revenues, property tax levies and collections, assessed value and estimated actual value of taxable property, property tax rates for direct and overlapping governments, principal taxpayers, special assessment billings and collections, legal debt margin, ratios of net bonded debt, ratio of debt service to general expenditures, overlapping debt, revenue bond coverage, demographic statistics, property value/construction and miscellaneous statistics.

Beginning in FY 2003-04, the Statistical Section included for the first time statistical tables which present government-wide expenses by function and government-wide revenues.

CITY OF DUNCANVILLE, TEXAS

GOVERNMENT-WIDE REVENUES BY FUNCTION
LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUE	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Investment Earnings
2003	\$ 14,934,694	\$ 234,511	\$ 441,462	\$ 18,022,967	\$ 213,641
2004	\$ 15,291,785	\$ 233,729	\$ 1,581,929	\$ 18,448,252	\$ 266,979
2005	\$ 15,636,520	\$ 245,357	\$ 2,559,241	\$ 18,805,647	\$ 426,088

Source: Current year government-wide financials

Note: The City of Duncanville first applied GASB Statement No. 34 in the fiscal year 2003: therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	General Government	Finance	Community Services	Police	Public Works
2003	\$ 1,852,710	\$ 974,191	\$ 3,236,439	\$ 6,113,841	\$ 3,595,016
2004	\$ 1,815,776	\$ 1,017,176	\$ 3,122,149	\$ 6,958,226	\$ 3,749,228
2005	\$ 1,843,301	\$ 1,013,884	\$ 3,688,927	\$ 6,646,338	\$ 4,748,203

Source: Current year government-wide financials

Note: The City of Duncanville first applied GASB Statement No. 34 in the fiscal year 2003: therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

Table 1

<u>Miscellaneous</u>	<u>Total</u>
\$ 787,772	\$ 34,635,047
\$ 938,256	\$ 36,760,930
\$ 755,889	\$ 38,428,742

Table 2

<u>Fire</u>	<u>Interest & Fiscal Charges</u>	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
\$ 4,664,195	\$ 1,086,274	\$ 4,993,910	\$ 4,321,343	\$ 1,725,261	\$ 32,563,177
\$ 4,501,238	\$ 883,919	\$ 4,656,225	\$ 4,255,396	\$ 1,793,330	\$ 32,752,663
\$ 4,801,545	\$ 817,745	\$ 4,850,211	\$ 4,541,989	\$ 1,802,136	\$ 34,754,279

CITY OF DUNCANVILLE, TEXAS

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (UNAUDITED)
LAST TEN FISCAL YEARS (1)

Fiscal Year	General Government	Finance	Community Services	Police
1996	\$ 839,596	\$ 660,381	\$ 2,036,043	\$ 4,604,029
1997	\$ 907,853	\$ 790,226	\$ 2,146,059	\$ 4,580,110
1998	\$ 1,048,400	\$ 780,063	\$ 2,112,707	\$ 4,850,125
1999	\$ 1,076,137	\$ 809,628	\$ 2,073,888	\$ 4,977,843
2000	\$ 998,589	\$ 842,310	\$ 2,490,805	\$ 5,265,896
2001	\$ 1,121,121	\$ 914,211	\$ 2,781,033	\$ 5,686,658
2002	\$ 993,769	\$ 940,979	\$ 2,708,741	\$ 5,860,654
2003	\$ 1,139,841	\$ 947,288	\$ 2,776,118	\$ 6,216,588
2004	\$ 1,073,770	\$ 980,758	\$ 2,560,514	\$ 6,391,615
2005	\$ 1,116,091	\$ 1,006,480	\$ 3,770,938	\$ 6,758,239

(1) Expenditures have been reclassified to correspond with reorganizations in 1996-1997.

(2) Allocated expenditures have been shown as transfers.

Table includes General Fund only.

Table 3

Public Works	Fire	Non-Departmental	Allocation Expenditures	Total
\$ 2,034,518	\$ 3,730,380	\$ 860,413	\$ (658,785)	\$ 14,106,575
\$ 1,914,442	\$ 3,646,134	\$ 776,789	\$ (738,170)	\$ 14,023,443
\$ 2,011,470	\$ 3,793,859	\$ 487,577	\$ (793,765)	\$ 14,290,436
\$ 2,901,481	\$ 3,402,879	\$ 155,504	\$ (860,380)	\$ 14,536,980
\$ 2,969,607	\$ 3,784,295	\$ 151,837	\$ (817,346)	\$ 15,685,993
\$ 3,197,037	\$ 3,897,142	\$ 234,152	\$ (791,804)	\$ 17,039,550
\$ 3,176,456	\$ 4,252,786	\$ 608,136	\$ (857,300)	\$ 17,684,221
\$ 3,307,461	\$ 4,161,790	\$ 444,438	(2)	\$ 18,993,524
\$ 3,288,540	\$ 4,222,834	\$ 323,031	(2)	\$ 18,841,062
\$ 3,640,205	\$ 4,536,541	\$ 257,255	(2)	\$ 21,085,749

CITY OF DUNCANVILLE, TEXAS

**GENERAL GOVERNMENTAL REVENUES BY SELECTED SOURCE (UNAUDITED)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses, Permits and Fees</u>	<u>Fines</u>	<u>Investment Income</u>
1996	\$ 11,298,393	\$ 430,774	\$ 401,836	\$ 286,953
1997	\$ 11,752,373	\$ 615,415	\$ 648,177	\$ 305,221
1998	\$ 12,235,746	\$ 709,132	\$ 600,649	\$ 251,071
1999	\$ 12,682,010	\$ 769,740	\$ 583,833	\$ 198,593
2000	\$ 13,621,388	\$ 856,888	\$ 693,111	\$ 249,378
2001	\$ 14,371,644	\$ 896,729	\$ 800,906	\$ 240,948
2002	\$ 15,184,743	\$ 887,082	\$ 602,230	\$ 120,012
2003	\$ 15,602,328	\$ 1,069,501	\$ 698,657	\$ 95,350
2004	\$ 15,928,812	\$ 1,306,737	\$ 1,090,081	\$ 100,691
2005	\$ 16,242,063	\$ 1,244,966	\$ 702,995	\$ 215,657

Table includes General Fund only.

Table 4

<u>Intergovernmental</u>	<u>Miscellaneous Sales and Services</u>	<u>Total</u>
\$ 139,033	\$ 280,441	\$ 12,837,430
\$ 224,658	\$ 274,438	\$ 13,820,282
\$ 168,331	\$ 326,980	\$ 14,291,909
\$ 169,871	\$ 369,504	\$ 14,773,551
\$ 214,408	\$ 698,082	\$ 16,333,255
\$ 321,601	\$ 583,564	\$ 17,215,392
\$ 807,313	\$ 706,988	\$ 18,308,368
\$ 308,467	\$ 703,989	\$ 18,478,292
\$ 298,342	\$ 536,626	\$ 19,261,289
\$ 289,487	\$ 642,252	\$ 19,337,420

CITY OF DUNCANVILLE, TEXAS

**AD VALOREM TAX LEVIES AND COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percentage of Levy Collected</u>	<u>Delinquent Tax Collection</u>
1996	\$ 8,257,872	\$ 8,122,741	98.4%	\$ 113,976
1997	\$ 8,346,620	\$ 8,229,146	98.6%	\$ 104,133
1998	\$ 8,617,473	\$ 8,451,254	98.1%	\$ 95,319
1999	\$ 8,852,329	\$ 8,682,941	98.1%	\$ 110,582
2000	\$ 9,326,022	\$ 9,122,351	97.8%	\$ 85,350
2001	\$ 9,702,634	\$ 9,464,232	97.5%	\$ 174,261
2002	\$ 10,240,569	\$ 10,109,103	98.7%	\$ 236,328
2003	\$ 10,968,827	\$ 10,698,211	97.5%	\$ 219,914
2004	\$ 11,352,972	\$ 11,109,031	97.9%	\$ 272,597
2005	\$ 11,717,214	\$ 11,399,901	97.3%	\$ 217,846

(1) Outstanding delinquent tax amount before deduction of allowance for doubtful accounts.

Table 5

Total Tax Collection	Percentage of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percentage of Delinquents Taxes to Tax Levy
\$ 8,236,717	99.7%	\$ 548,034 (1)	6.6%
\$ 8,333,279	99.8%	\$ 533,217 (1)	6.4%
\$ 8,546,573	99.2%	\$ 592,326 (1)	6.9%
\$ 8,793,522	99.3%	\$ 692,223 (1)	7.8%
\$ 9,207,701	98.7%	\$ 751,813 (1)	8.1%
\$ 9,638,493	99.3%	\$ 836,994 (1)	8.6%
\$ 10,345,431	101.0%	\$ 826,807 (1)	8.1%
\$ 10,918,125	99.5%	\$ 889,991 (1)	8.1%
\$ 11,381,628	100.3%	\$ 841,793 (1)	7.4%
\$ 11,617,747	99.2%	\$ 915,046 (1)	7.8%

CITY OF DUNCANVILLE, TEXAS

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

Fiscal Year	Assessed Value			Total Estimated Actual Value
	Land and Improvements	Personal Property	Total	
1996	\$ 1,004,712,922	\$ 139,195,190	\$ 1,143,908,112	\$ 1,143,908,112
1997	\$ 1,016,467,551	\$ 142,785,180	\$ 1,159,252,731	\$ 1,159,252,731
1998	\$ 1,051,052,300	\$ 149,152,610	\$ 1,200,204,910	\$ 1,200,204,910
1999	\$ 1,086,027,034	\$ 146,887,810	\$ 1,232,914,844	\$ 1,232,914,844
2000	\$ 1,147,248,992	\$ 151,648,270	\$ 1,298,897,262	\$ 1,298,897,262
2001	\$ 1,191,482,969	\$ 159,864,695	\$ 1,351,347,664	\$ 1,351,347,664
2002	\$ 1,270,616,157	\$ 155,646,700	\$ 1,426,262,857	\$ 1,426,262,857
2003	\$ 1,430,533,899	\$ 138,014,389	\$ 1,568,548,288	\$ 1,568,548,288
2004	\$ 1,476,429,334	\$ 155,447,364	\$ 1,631,876,698	\$ 1,631,876,698
2005	\$ 1,525,383,128	\$ 157,008,378	\$ 1,682,391,506	\$ 1,682,391,506

Ad Valorem Tax Limitations

The City of Duncanville, Texas, has the power to levy taxes to the extent of the \$2.50 per \$100 valuation constitutional limit permitted by the State of Texas.

Due Date of Current Taxes

The full amount of taxes is due on or before January 31.

Penalties for Delinquency

A penalty shall be attached to the payment of taxes at the rate of 2% per month after January 31 and for each month thereafter until such penalty shall be 10% of the taxes due. All delinquent taxes shall bear interest at the rate of 1% per month or portion of a month the tax remains unpaid.

Table 6

Ratio of Total Assessed to Total Estimated Actual Value	Tax Levy	Tax Rate
100	\$ 8,257,872	0.7219
100	\$ 8,346,620	0.7200
100	\$ 8,617,473	0.7180
100	\$ 8,852,329	0.7180
100	\$ 9,326,022	0.7180
100	\$ 9,702,634	0.7180
100	\$ 10,240,569	0.7180
100	\$ 10,968,827	0.7180
100	\$ 11,352,972	0.7180
100	\$ 11,717,214	0.7180

CITY OF DUNCANVILLE, TEXAS

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA (UNAUDITED)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Assessed value</u>	<u>Gross General Bonded Debt (1)</u>	<u>Less Interest and Sinking Funds</u>
1996	35,100	\$ 1,159,252,731	\$ 23,460,914	\$ 902,908
1997	36,000	\$ 1,159,252,731	\$ 21,425,914	\$ 919,579
1998	36,000	\$ 1,200,204,910	\$ 24,950,914	\$ 1,158,711
1999	36,000	\$ 1,232,914,844	\$ 22,585,914	\$ 985,538
2000	36,081	\$ 1,298,897,262	\$ 20,802,779	\$ 1,698,607
2001	36,206	\$ 1,351,347,664	\$ 18,973,270	\$ 1,394,428
2002	36,255	\$ 1,426,262,857	\$ 17,644,605	\$ 1,029,627
2003	36,402	\$ 1,568,548,288	\$ 25,719,222	\$ 755,775
2004	36,050	\$ 1,631,876,698	\$ 23,106,519	\$ 517,460
2005	36,289	\$ 1,682,391,506	\$ 20,731,519	\$ 296,625

(1) Includes Enterprise Fund debt since it is also payable from ad valorem tax levy

Table 7

Net Bonded Debt	Percentage Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
\$ 22,558,006	1.95%	\$ 643
\$ 20,506,335	1.77%	\$ 570
\$ 23,792,203	1.98%	\$ 661
\$ 21,600,376	1.75%	\$ 600
\$ 19,104,172	1.47%	\$ 529
\$ 17,578,842	1.30%	\$ 486
\$ 16,614,978	1.16%	\$ 458
\$ 24,963,447	1.59%	\$ 686
\$ 22,589,059	1.38%	\$ 627
\$ 20,434,894	1.21%	\$ 563

PROPERTY TAX RATES-
ALL DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)
LAST TEN FISCAL YEARS (1)

<u>Fiscal Year</u>	<u>City of Duncanville</u>	<u>Duncanville I.S.D.</u>	<u>Dallas County</u>	<u>Dallas County Hospital</u>	<u>Dallas County Community College</u>
1996	0.722	1.6068	0.222500	0.199590	0.052060
1997	0.720	1.6068	0.210000	0.194092	0.052060
1998	0.718	1.6400	0.201000	0.192070	0.052060
1999	0.718	1.6800	0.203174	0.179900	0.050000
2000	0.718	1.6400	0.201699	0.196000	0.050000
2001	0.718	1.6800	0.201667	0.254000	0.050000
2002	0.718	1.6700	0.201525	0.254000	0.050000
2003	0.718	1.7500	0.201500	0.254000	0.060000
2004	0.718	1.8550	0.209360	0.254000	0.077800
2005	0.718	1.8360	0.209360	0.254000	0.080300

(1) Rates are based per \$100 valuation.

(2) Combined rates \$0.58 - ISD and \$0.8624 - CED.

COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)
September 30, 2005

Article XI, Section 5 of the State of Texas Constitution, applicable to cities of more than 5,000 population \$2.50 per \$100 assessed valuation. City operates under a Home Rule Charter which adopts constitutional provisions. The City tax rate of \$0.718 .

COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED)
September 30, 2005

	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to City of Duncanville</u>	<u>Amount Applicable to City of Duncanville</u>
City of Duncanville (1)	\$ 20,731,519	100.00%	\$ 20,731,519
Other Entities:			
Duncanville ISD (2)	196,207,283	56.92%	111,681,185
Dallas County (2)	283,008,073	1.23%	3,480,999
Total Other Entities	<u>479,215,356</u>		<u>115,162,185</u>
Total net direct and overlapping debt	<u>\$ 499,946,875</u>		<u>\$ 135,893,704</u>

(1) Includes Enterprise Fund debt since it is also payable from an ad valorem tax levy.

(2) Source: First Southwest Company

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
 GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES (UNAUDITED)
 LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures	Percentage of Debt Service to General Fund Expenditures
1996	\$ 1,920,000	\$ 1,522,905	\$ 3,442,905	\$ 14,106,575	24.4%
1997	\$ 2,035,000	\$ 1,290,216	\$ 3,325,216	\$ 14,023,443	23.7%
1998	\$ 2,110,000	\$ 1,133,504	\$ 3,243,504	\$ 14,290,436	22.7%
1999	\$ 2,365,000	\$ 1,188,847	\$ 3,553,847	\$ 14,536,980	24.4%
2000	\$ 1,783,135	\$ 1,767,225	\$ 3,550,360	\$ 15,685,993	22.6%
2001	\$ 1,829,509	\$ 1,587,130	\$ 3,416,639	\$ 17,039,550	20.1%
2002	\$ 1,433,270	\$ 1,412,598	\$ 2,845,868	\$ 17,684,221	16.1%
2003	\$ 2,135,000	\$ 684,555	\$ 2,819,555	\$ 18,993,524	14.8%
2004	\$ 2,185,000	\$ 585,460	\$ 2,770,460	\$ 18,841,062	14.7%
2005	\$ 2,255,000	\$ 524,833	\$ 2,779,833	\$ 21,085,749	13.2%

REVENUE BOND COVERAGE (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	Water and Sewer Gross Revenue	Water and Sewer Direct Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 9,174,531	\$ 8,023,777	\$ 1,150,754	\$ 505,000	\$ 139,463	\$ 644,463	1.79
1996	\$ 10,453,095	\$ 8,446,932	\$ 2,006,163	\$ 550,000	\$ 144,538	\$ 694,538	2.89
1997	\$ 9,889,411	\$ 8,434,448	\$ 1,454,963	\$ 600,000	\$ 78,630	\$ 678,630	2.14
1998	\$ 10,852,905	\$ 9,198,872	\$ 1,654,033	\$ 455,000	\$ 29,563	\$ 484,563	3.41
1999	\$ 10,396,388	\$ 8,375,627	\$ 2,020,761	\$ 305,000	\$ 13,070	\$ 318,070	6.35
2000	\$ 10,642,575	\$ 7,894,058	\$ 2,748,517	\$ 170,000	\$ 13,070	\$ 183,070	15.01
2001	\$ 10,446,486	\$ 7,970,441	\$ 2,476,045	\$ 170,000	\$ 18,807	\$ 188,807	13.11
2002	\$ 9,804,430	\$ 8,526,757	\$ 1,277,673	\$ -	\$ -	\$ -	-
2003	\$ 9,959,492	\$ 8,426,529	\$ 1,532,963	\$ 115,000	\$ 158,486	\$ 273,486	5.61
2004	\$ 9,936,624	\$ 7,947,841	\$ 1,988,783	\$ 120,000	\$ 158,486	\$ 278,486	7.14
2005	\$ 10,629,741	\$ 7,275,455	\$ 3,354,286	\$ 125,000	\$ 154,668	\$ 279,668	11.99

Note: Revenues and expenses for Solid Waste Operations and Drainage are not included.

(1) Represents total operating expenses less depreciation and allocated administration expense.

PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS (UNAUDITED)
 LAST TEN FISCAL YEARS

Fiscal Year	Commercial Construction (1)		Residential Construction(1)	
	Number of Permits	Value	Number of Permits	Value
1996	49	\$ 2,610,008	186	\$ 7,103,129
1997	69	\$ 3,973,168	136	\$ 5,145,354
1998	47	\$ 6,482,787	276	\$ 6,584,360
1999	68	\$ 9,984,350	487	\$ 7,704,781
2000	87	\$ 18,384,303	478	\$ 6,844,702
2001	43	\$ 10,240,479	236	\$ 6,150,574
2002	39	\$ 11,139,945	223	\$ 4,368,285
2003	69	\$ 50,189,529	220	\$ 4,119,221
2004	97	\$ 64,092,174	252	\$ 10,108,573
2005	93	\$ 10,313,988	344	\$ 16,657,157

(1) Source: City of Duncanville Building Inspection Department.

PRINCIPAL TAXPAYERS (UNAUDITED)
September 30, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004-2005 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Texwood Industries	Wholesale Cabinetry	\$ 34,512,320	2.05 %
CH Guenther & Sons	Wholesale Food Products	19,349,660	1.15 %
Southwestern Bell Telephone	Telephone Utility	14,144,370	0.84 %
Frankel Family Trust	Retail Estate	13,380,000	0.80 %
Texas Utilities Electric Company	Utility	12,545,240	0.75 %
Wal-Mart Corp.	Retail	9,898,600	0.59 %
Deford Lumber LTD	Retail	8,991,680	0.53 %
Apple Reit LTD PS	Apartments	8,111,610	0.48 %
TT Duncanville LTD	Retail	6,374,880	0.38 %
Texas Custom Bakers Inc	Wholesale Food Products	4,799,950	0.29 %
Total		<u>\$ 132,108,310</u>	<u>7.85 %</u>

MISCELLANEOUS STATISTICAL FACTS (UNAUDITED)
September 30, 2005

Date of Incorporation	August 2, 1947
Date of Adoption of City Charter	May 5, 1962
Form of Government	Council-Manager
City Area, Square Miles	11.2
Miles of Streets and Alleys:	
Streets, paved	156.0
Sidewalks	113.0
Alleys, paved	40.3
Miles of Sanitary Sewers	152.7
Miles of Water Mains	187.0
Number of Fire Hydrants	1,293
Number of Manholes	1,685
Building Permits:	
Permits Issued FY 04-05	437
Estimated Cost FY 04-05	\$ 26,971,145
Fire Protection:	
Number of Stations	2
Number of Employees	52
Police Protection:	
Number of Stations	1
Number of Employees	75
Parks:	
Number of Acres	231
Number of Playgrounds	12



Duncanville
City of Champions