

# DUNCANVILLE

The Perfect Blend of Family, Community and Business



**Comprehensive Annual Financial Report**  
For Year Ended September 30, 2011

**City of Duncanville, Texas**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF DUNCANVILLE, TEXAS**

**FOR  
FISCAL YEAR ENDED  
SEPTEMBER 30, 2011**

**PREPARED BY:  
CITY OF DUNCANVILLE  
FINANCE DEPARTMENT**



**CITY OF DUNCANVILLE, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**Duncanville**  
*City of Champions*

**DUNCANVILLE**

The Perfect Blend of Family, Community and Business.



# City of Duncanville

## **Jeanne Fralicks-Heard** **Interim City Manager**

April 26, 2012

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

The Finance Department and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Duncanville, Texas for the fiscal year ended September 30, 2011.

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 of Duncanville. 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 all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Weaver and Tidwell, L.L.P., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Duncanville's financial statements for the year ended September 30, 2011. The independent auditor's report is located at the beginning of the financial section of this CAFR.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **CITY PROFILE**

### **Location**

Located in the Best Southwest portion of Dallas County, the City of Duncanville is situated approximately 20 minutes from Fort Worth and just minutes from downtown Dallas. 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.), I-20, and Highway 67. The 2011 population for the City was 38,540 (<http://census.nctcog.org>).

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 terms of the remaining 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



The City Charter provides that 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 2010 official U.S. Census real counts have the Dallas/Fort Worth Metroplex (DFW) at a population of 6,371,773. The Dallas-Fort Worth-Arlington MSA is, by population, the largest metropolitan area in Texas, the largest in the South, and the fourth-largest in the United States. The area continues, as it has for several decades, to add approximately a million in population each decade. (Wikipedia)
- As of 2011, DFW is home to 20 Fortune 500 headquarters and nearly 50 headquarters among the Fortune 1000. (Dallas Regional Chamber, U.S. Census Bureau)
- The DFW Region is the 5<sup>th</sup> largest global exporter in the country with computer and electronics goods accounting for 16.4% of exports. (Dallas Regional Chamber, Brockings Export Nation, 2010; USA Trade Online)
- The North American Free Trade Agreement, or NAFTA, is a key driver for DFW, accounting for \$6.7 billion, or 30% of the area's merchandise exports. (Brockings Export Nation, 2010; USA Trade Online)
- Forbes Magazine ranked Dallas the #1 city to earn a living with a total civilian labor force of 3,238,180. DFW is ranked #3 in the list of largest "over-the-year percentage increases in employment" for U.S. metropolitan areas. Total non-farm employment in DFW's MSA stood at 2,943,800 in October 2011, up 48,800 or 1.7% from a year previous compared to a 1.1% national job increase over the same period. The largest increases were in Professional and Business services up 4.6% and Financial Activities up 4.5%. Other increases include Trade, Transportation and Utilities up 2.6% compared to 1.3% nationally; Leisure and hospitality up 2.3% compared with 1.6% nationally. (Forbes, Bureau of Labor Statistics)
- 97% of businesses in the DFW Region have less than 100 employees and 158 companies made the Inc. 5000 list, America's fastest growing private companies. (U.S. Census Bureau, Dallas Regional Chamber)
- DFW is home to an impressive group of foreign based subsidiaries with over 200 companies from 34 countries locating their U.S. headquarters or substantial operations within the Region. (Dallas Regional Chamber)
- In 2010 Site Selection ranked DFW 3<sup>rd</sup> for business expansions in major metropolitan areas. (Site Selection, Dallas Regional Chamber)
- On average, the DFW commercial office space vacancy rates in 2011 hovered around 20% and the average asking lease rate was \$18.22 per square foot. (www.Tradeaddresses.com)
- The DFW industrial space average price per square foot is \$49.96 which is below the state average of \$51.06. (www.Tradeaddresses.com)
- Dallas/Fort Worth offers the largest number of college and high school educated residents of any metro area in the state of Texas and among the highest in the nation. According to the Dallas Regional Chamber, approximately 81% of the total workforce over 25 years old in DFW holds a high school diploma and 29.7% have

completed at least four years of college. Business Week ranked Dallas #3 and Fort Worth #10 as “Best Cities for Grads.” (U.S. Census Bureau, Dallas Regional Chamber, Business Week)

- The Consumer Price Index for the DFW MSA as of November 2011 is 209.28 with an inflation rate of -0.4% compared to the U.S. City average of 224 and inflation rate of 1.1%. (Bureau of Labor Statistics)
- The DFW Region has 18 retail centers (malls) each with more than one million square feet and reported \$25.4 billion in retail sales as of the second quarter of 2011. (Dallas Business Journal, NCTCOG, CBRE Retail Market Report 2010, Texas Comptroller)
- The economic impact of the 75 DFWHC (Dallas Fort Worth Hospital Council) member hospitals is \$12.2 billion according to a recent Oklahoma State University study. (Dallas Regional Chamber – Dallas Economic Development Guide)
- Beyond the central cultural districts, DFW offers more than 175 museums and galleries, more than 50 professional and community theaters, and dozens of local symphony and chamber orchestras, ballet groups and opera associations. (Dallas Regional Chamber)
- Within 100 miles of DFW there are more than 400 public parks covering nearly 23,000 acres, and more than 60 lakes and reservoirs, covering 550,500 acres. (NCTCOG, Texas Parks and Wildlife Dept., DFW CVB)
- DFW is ranked tenth of the Top Sustainable U.S. Metros. Dallas has the largest alternatively fueled bus fleet in Texas and by 2038 DFW is expected to add over 70,000 green jobs. (Dallas Regional Chamber)

### **Duncanville’s Position in the Region**

Duncanville is known as a first-tier suburb, meaning it is one of the first suburban cities to have developed on the periphery of Dallas. The bulk of the development activity took place during the 1960’s and 1970’s, leaving only a few small vacant tracts available and the City essentially a bedroom community (67% residential).

In keeping with our targeted growth, the re-development of Main Street is now in process, along with other projects of rehabilitation in older shopping centers. A full study for the revitalization of Main Street has been completed utilizing the concept of New Urbanism, which involves higher density uses to help create a compatible live/work environment. Many changes to Main Street will come during the next few years. One of the first of such projects is Main Station Railroad Flats which will consist of thirty-one live/work town-homes on Center Street, just one block off Main Street. The City received grant funds from NCTCOG for paving and beautification, which was a tremendous aid in funding this project. The first units at Main Station Railroad Flats have been completed and are in the process of being sold and Phase One of the Main Street Project was completed in early December 2011.

Projects have been completed in older shopping centers including the complete redecoration of Tom Thumb and Kroger Supermarkets, as well as the addition of a Terry’s Supermarket and an ALDI grocery store. A full facelift is planned for the Cedar Park Shopping Center with plans for national tenants to be added.

Duncanville has limited land available for new residential development and any new development is expected to be of higher density than what took place previously. Limited land availability also restricts the amount of new industrial and manufacturing facilities that can be built. However, Duncanville is still home to a diversified group of manufacturing and distribution firms. Major manufacturing industries within the city produce corrugated storage and filing boxes, bakery products, fabricated sheet-metal products, cabinets, doors, and frozen foods. The Duncanville Industrial Corporation is a major industrial park in the city and two other large industrial parks, Redbird Industrial Park and Mountain Creek Business Park, are adjacent to the City.

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

- The area remains the distribution and financial center of the southwest with high tech industries, service industries, trade and corporate headquarters providing a stable and diverse local economy.
- Duncanville boasts a strong industrial community that includes subsidiaries of companies like **Masco Cabinetry**, the largest U.S. manufacturer of kitchen and bath cabinetry. They remain one of the City’s largest tax payers and have a total of 706 employees.

- **The Bob Knight Fieldhouse** (a 95,000 sq. foot basketball/volleyball/multi-sport facility) opened in 2010 and will draw people near and far into the community. The facility which was built and owned by the Duncanville Community and Economic Development Corporation (DCEDC) was sold to the City of Duncanville in late 2010.
- **Pappadeaux Seafood**, which opened in 2003, continues in their success in providing fine dining for area residents. The final DCEDC incentive payment which encouraged them to build sooner than planned was made in 2010.
- In August 2007, **Best Western Inn and Suites** opened a flagship hotel on the southeast section of Highway 67 and Cockrell Hill. They continue to receive high performance ratings from the Best Western Corporate Offices.
- **The Hilton Garden Inn** opened September 1, 2005 offering a five-story, 142-room, 93,000 square foot hotel and conference center at the corner of Main Street and I-20. This facility provides businesses and guests with access to 14,000 square feet of conference rooms and meeting space.
- Two major highways cross through Duncanville's city limits allowing the City to enjoy the convenience of nearby **D/FW International Airport** (highest capacity commercial airport in the world) and **Love Field Airport** to meet commercial passenger air transportation needs. (DFW Airport)
- **Deford Lumber Co. Ltd.** is a manufacturing and distribution business that uses a high-speed assembly line to manufacture doors and currently employs 100 people.
- **Pioneer Foods**, located at 627 Big Stone Gap, is a subsidiary of C. H. Guenther & Son Inc., and manufactures frozen dough products. They currently have 169 employees.
- **Costco Wholesale Corporation** is the largest membership warehouse club chain in the world based on sales volume. The Duncanville location, which opened in August 2007, currently employs 145 people.
- **Shops at Waterview Park**, a \$30,000,000 mixed-use development, continues to prosper with tenants including L.A. Fitness, Genghis Grill, Subway, Duncanville Dialysis Center, Bayou Goulas Seafood & Market, Farmers Insurance, KK Beauty Supply, Serenity Dental Spa, and Townview Realtors. Bella Ruscello, offering 216 units of upscale apartment living adjacent to the Shops at Waterview Park, continues at a high occupancy rate. The final DCEDC and City incentive transactions took place in 2010.
- **Aldi**, a leader in the international grocery retailing industry, serving Europe, the USA and Australia, opened in Duncanville in 2010.
- **Main Station**, a mixed-use development located at the intersection of S. Main Street and E. Center Street completed a renovation that included outdoor dining areas, landscaping, water fountain enhancements, and signage.
- The total dollars reinvested (private and Type B) into the community through Duncanville Community and Economic Development Corporation (DCEDC) projects was \$6,041,617 for calendar year 2011 and the total dollars approved to be spent by DCEDC for new development projects was \$1,021,917 and will result in 110 new jobs for Duncanville.
- Through an investment of \$266,488 of DCEDC funds for Community Development projects, the City's Parks Department was able to continue the landscape color change throughout the City, mowing of Duncanville's I-20 corridor, and landscape maintenance of the City owned property at 1700 S. Main Street (Field House).
- W&B Service Company broke ground on a 38,000 square foot facility expected to employ 82 people to service refrigerated tractor trailers and expect to complete construction in 2012.
- DCEDC funds of \$330,000 were committed to improvements and renovation of the Cedar Park Shopping Center to be paid over a ten year period in the form of sales tax rebates.
- Phase I of the Main Street Initiative project was completed in 2011 and the City's Christmas Tree Lighting ceremony took place there to mark completion of this phase.
- The two completed units of the mixed-use retail and condominium project were sold and construction on the next units is expected soon.

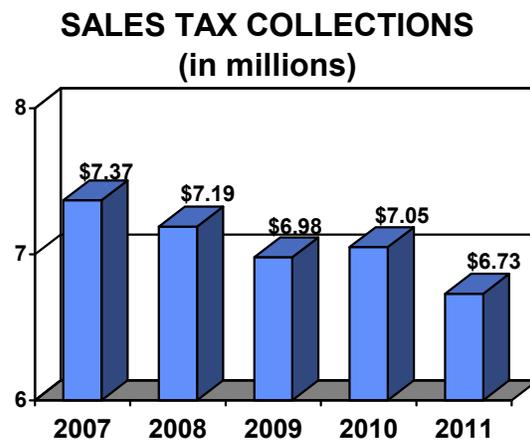
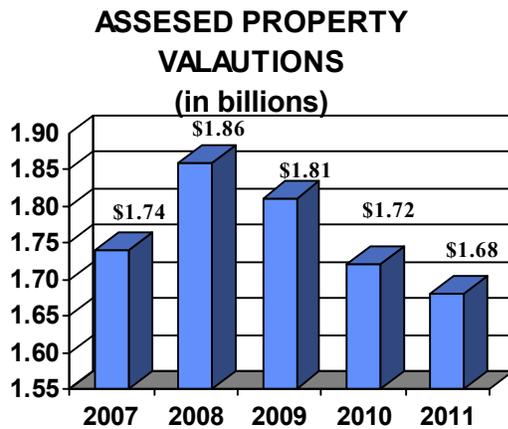
- Duncanville continues to house one of the state's top rated school districts helping support residential property values.

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 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:

- Continuing the design of the East bound service road along I-20 from Main Street to Camp Wisdom Road.
- Continuing aggressive Code Enforcement, resolving violations.
- Pushing a more aggressive program of delinquent tax foreclosures when necessary.
- Promoting another year of aggressive apartment code inspection (11<sup>th</sup> year).
- Maintaining an aggressive water and sewer line rehabilitation program.
- Improving access to Duncanville and access to surrounding cities via future expansion of Highway 67 (Southern Gateway Project).

## Economic Signs



## Future Economic Outlook

Duncanville has experienced difficult economic times with the housing market decline and a recessionary economy. Sales tax collections were down slightly this year compared to the previous year. Until the economy improves, we expect flat or lower sales tax revenues to continue. Property values decreased due to the debacle of the housing market and significant reappraisal by the Dallas Central Appraisal District, but not nearly as significantly as other parts of the country. Beer and wine sales continue to help soften the economic downturn. The acquisition of the Bob Knight Fieldhouse presents many immediate challenges and thankfully the DCEDC provides a safety net agreeing to fund any shortage in debt service on the building. In the year 2024, when the debt on the fieldhouse is retired, it will provide another resource for general fund revenues that will be most welcome. Overall, Duncanville remains an attractive, well maintained city with a solid infrastructure that is well deserving of its moniker "City of Champions".

## Relevant Financial Policies

The City implemented GASB 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" which resulted in a total liability of \$611,243 at 09/30/2010 and increased to \$793,016 at 09/30/2011. The City opted for the "pay-as-you-go" method and will adjust this liability recognition annually.

It is the City's policy that all interest bearing demand deposits and time deposits are secured by pledged collateral with a market value equal to no less than 100% of the deposits less the amount insured by the FDIC (currently \$250,000). 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. Non-interest bearing accounts such as our daily operating accounts are fully insured by the FDIC with no limits under the Frank Dodd Act.

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 City management, and the adequacy of financial disclosures to the public. The Audit Committee serves 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 control 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.

Quarterly and an Annual Summary Investment reports are given to the City Council for review. These reports summarize all investments of the City and compare returns to benchmarks such as the 90 day Treasury-Bill rates. The reports also describe the portfolio in terms of investment securities, maturities, and risk characteristics. All investments and reports comply with the Public Funds Investment Act.

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. In June, 1996, the City changed from Arthur Gallagher Co. to the Texas Municipal League Risk Pool for the self-insurance program. 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.

Risk management programs have 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 (CAFR) for the fiscal year ended September 30, 2010. 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. The 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 for review.

## Acknowledgments

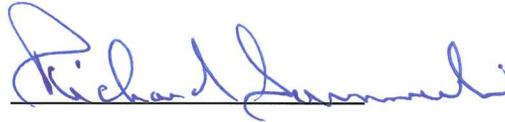
The preparation of this report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the staff has our sincere appreciation for the contributions made in the preparation of this report.

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

Sincerely,



Jeanne Fralicks-Heard  
Interim City Manager



Richard Summerlin, CPA, CGFO  
Finance Director

# 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, 2010

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



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director



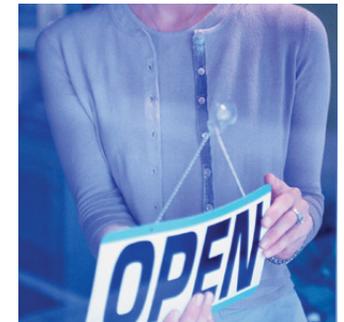
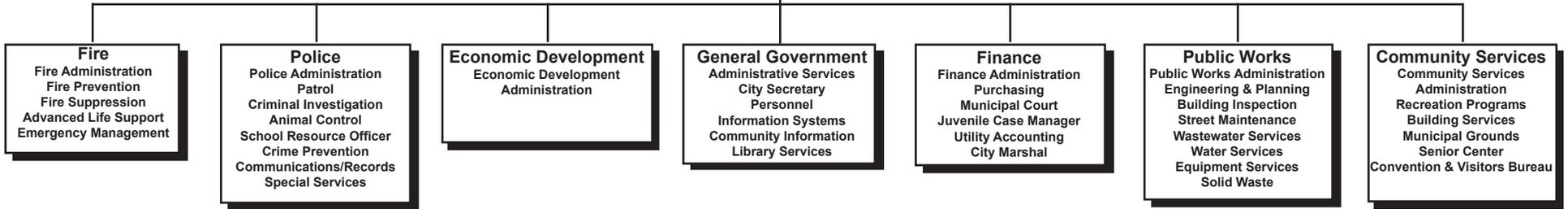
**Duncanville**  
*City of Champions*

**Citizens of Duncanville**

**Mayor & City Council  
(Elected)**

**Office of the City  
Manager**

**City of  
Duncanville  
Organizational Chart  
September 30, 2011**



**The Perfect Blend of Family, Community & Business**

## **CITY OF DUNCANVILLE**

### **CITY COUNCIL**

David Green, Mayor

Scott Cannon, Mayor Pro Tem

Don Freeman, Council Member

Grady Smithey, Council Member

Janet Harris, Council Member

Leslie Thomas, Council Member

Johnette Jameson, Council Member



### **ADMINISTRATIVE OFFICIALS**

Kent Cagle, City Manager

Jeanne Fralicks-Heard, Assistant City Manager

Richard Summerlin, Finance Director

Tia Pettis, Assistant Finance Director

Dara Crabtree, City Secretary





**Duncanville**  
*City of Champions*

**DUNCANVILLE**

The Perfect Blend of Family, Community and Business.



## 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, Texas (the City), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the Traffic Improvement and Safety Special Revenue Fund for the year ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, to the basic financial statements, the City implemented Government Accounting Standards Board Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

City of Duncanville

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The accompanying management's discussion and analysis (on pages 3 through 10) and the Texas Municipal Retirement System Analysis of Funding Progress, and other post employment benefits (on page 54) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board.

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 an opinion on the financial statements that collectively comprise the City of Duncanville's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining, individual non-major fund financial statements and the budgetary comparison 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 section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL L.L.P.

Dallas, Texas  
April 26, 2011

## City of Duncanville, Texas

### Management's Discussion and Analysis for the Fiscal Year Ended September 30, 2011

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, 2011. 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 \$89.2 million (net assets). This number must be viewed in the context of the vast majority of the City's net assets of \$79.4 million are invested in capital assets, net of related debt, and that most capital assets in government do not directly generate revenue nor can be sold to generate liquid capital. The remaining \$9.8 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's Governmental Activities total assets exceeded total liabilities by \$57.3 million (net assets). Governmental Activities net assets decreased \$0.8 million this fiscal year compared to the prior year. The City's total net assets increased by \$.3 million this fiscal year.
- As of the close of the current fiscal year, City of Duncanville governmental funds reported combined ending fund balances of \$5.95 million, an increase of \$0.6 million from the prior year. Of this amount, \$4.6 million is unassigned and available for spending subject to the City's self-imposed limitations by management for intended use.
- At year-end, the unassigned fund balance for the General Fund was \$4.6 million. On a current financial resources basis, total fund balance for the General Fund increased by \$0.8 million which was higher than the budgeted decrease of \$47 thousand.
- The City's net bonded debt increased by \$4.9 million during this current fiscal year. New bond issuance this fiscal year includes Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Taxable Series 2010 bonds for \$6.9 million.
- The City, like most governments, has been impacted by the current economic down turn. The City has seen certain revenues stagnate or decline and has aggressively reduced expenditures accordingly. The Economic Factors and Next Year's Budget section on the last page of this discussion provides additional information on this subject.

#### 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.

**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. The main goal is to ascertain whether the City of Duncanville is in a better financial position at the end of the current fiscal year compared to the previous year. The government-wide financial statements report information about the City as a whole and about its activities in a way that helps to

determine this relative position. Other non-financial factors should also be taken into consideration to assess the overall health or financial condition of the City. Examples include but are not limited to changes in the City's property tax base and the condition of the City's streets.

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 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, sewer, and solid waste services.

The government-wide financial statements include not only the City itself (the primary government), but also the Duncanville Community and Economic Development Corporation (DCEDC) (a component unit). The DCEDC is organized exclusively for benefiting and accomplishing public purposes of and to act on behalf of, the City, and the specific purposes for which the Corporation is organized. The government-wide financials can be found on pages 11-13 of this report.

***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 basic governmental fund financial statements can be found on pages 14-22 of this report.

The City maintains fourteen governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General, Debt Service, Street Construction, and Traffic and Safety Improvement funds, all of which are to be considered major funds. Data from seven non-major special revenue funds and three non-major capital project 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 on pages 62-72 of this report.

The City adopts an annual appropriated budget for its General, Debt Service, Hotel Tax, Drainage Fees, and Traffic Improvement and Safety 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), Solid Waste, and Sports Facility 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-type 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, Solid Waste and Sports Facility funds since all 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. The basic proprietary fund financial statements can be found on pages 23-25 of this report. Individual fund data for proprietary funds in the form of budget data and combining statements can be found on pages 73-80 of 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 on pages 28-53 of this report.

**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 and other postemployment benefits to its employees. Required supplementary information is presented immediately following the notes to the basic financial statements.

The combining and individual fund statements are presented immediately following the required supplementary information on pensions. Included are budgetary schedules of revenues and expenditures for the General fund, non-major governmental fund individual and combining statements, and a schedule of operating revenues and expenses for the Utility, Solid Waste and Sports Facility funds.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City of Duncanville's assets exceeded its liabilities by \$89.2 million as of September 30, 2011.

City of Duncanville's Net Assets

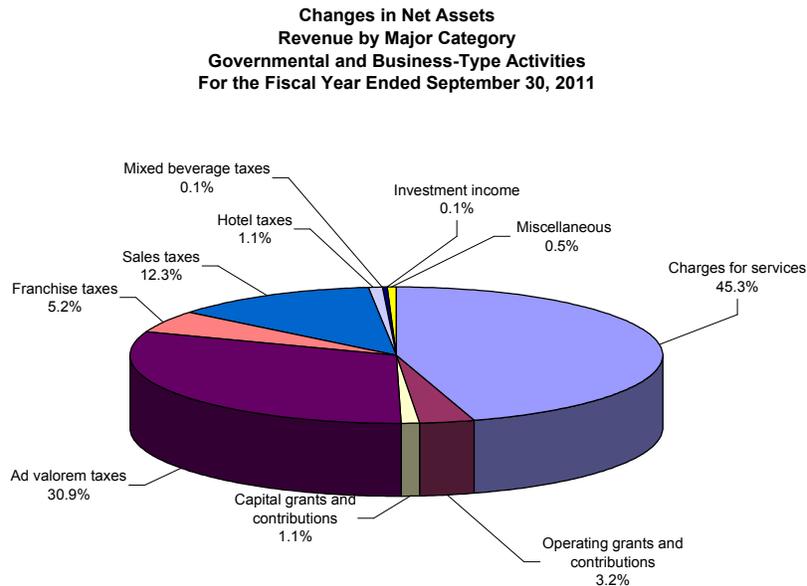
|  | Governmental<br>Activities |               | Business-Type<br>Activities |               | Total         |               |
|--|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
|  | FY 2011                    | FY 2010       | FY 2011                     | FY 2010       | FY 2011       | FY 2010       |
| Current and other assets                           | \$ 12,480,270              | \$ 13,090,425 | \$ 6,993,659                | \$ 5,794,840  | \$ 19,473,929 | \$ 18,885,265 |
| Capital assets, net                                | 56,185,175                 | 56,931,167    | 35,747,542                  | 29,158,743    | 91,932,717    | 86,089,910    |
| Total assets                                       | 68,665,445                 | 70,021,592    | 42,741,201                  | 34,953,583    | 111,406,646   | 104,975,175   |
| Current liabilities                                | 2,329,806                  | 1,853,866     | 1,561,990                   | 1,126,044     | 3,891,796     | 2,979,910     |
| Noncurrent liabilities                             | 9,032,874                  | 10,069,308    | 9,285,057                   | 3,020,410     | 18,317,931    | 13,089,718    |
| Total liabilities                                  | 11,362,680                 | 11,923,174    | 10,847,047                  | 4,146,454     | 22,209,727    | 16,069,628    |
| Invested in capital assets,<br>net of related debt | 52,495,944                 | 50,403,980    | 26,950,315                  | 27,076,019    | 79,446,259    | 77,479,999    |
| Restricted net assets                              | -                          | 41,456        | -                           | -             | -             | 41,456        |
| Unrestricted net assets                            | 4,806,821                  | 7,652,982     | 4,943,839                   | 3,731,110     | 9,750,660     | 11,384,092    |
| Total net assets                                   | \$ 57,302,765              | \$ 58,098,418 | \$ 31,894,154               | \$ 30,807,129 | \$ 89,196,919 | \$ 88,905,547 |

The majority of the City's net assets \$79.4 million (89.1%) are capital assets (e.g., land, buildings, equipment, improvements, infrastructure and construction in progress). The City uses these capital assets to provide services to citizens and consequently, these assets are not available for spending. Although

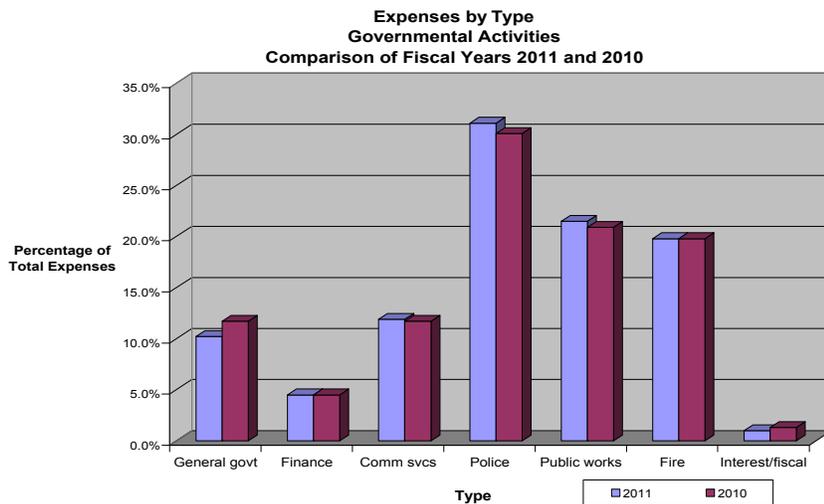
the City's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The City's balance of unrestricted net assets of \$9.8 million (10.9%) may be used to meet the government's ongoing obligations to citizens and creditors.

**Analysis of the City's Operations-** Overall, the City's total net assets increased \$0.3 million (less than 1%) from the prior year.



**Governmental Activities-** General revenue (excluding transfers) had a net increase of \$50,327. Ad valorem tax experienced a \$0.2 million increase despite declining property values due to an increase in the property tax rate from \$.696 to \$.737692. The City was able to recognize an increase in franchise tax of \$117 thousand as a result of a tax audit. In contrast, the charges for services category had an overall decrease of 3%. The City opted to write off old delinquent ambulance accounts deemed highly uncollectible in the amount of \$1.3 million. The ambulance write-off resulted in a debit balance of \$834,974 in the fire category on the governmental activities. Sales tax decreased by \$273 thousand (5%) due to effects of the economy.



**Business-type Activities-** Net assets from business-type activities increased by \$1.1 million. Program revenues increased by \$2.4 million (17.5%). Business-type expenses increased by \$637 thousand (5%). Both increases are partially attributed to the addition of Sports Facility operation in fiscal year 2011.

The following table provides a summary of the City's operations at fiscal year end 2011:

| <b>City of Duncanville's Changes in Net Assets</b>             |                             |                             |                             |                             |                             |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>For the Fiscal Years Ending September 30, 2011 and 2010</b> |                             |                             |                             |                             |                             |                             |
|  | <b>Governmental</b>         |                             | <b>Business-Type</b>        |                             | <b>Total</b>                |                             |
|  | <b>Activities</b>           |                             | <b>Activities</b>           |                             |                             |                             |
|  | <b>2011</b>                 | <b>2010</b>                 | <b>2011</b>                 | <b>2010</b>                 | <b>2011</b>                 | <b>2010</b>                 |
| Revenues:  |                             |                             |                             |                             |                             |                             |
| Program revenues:  |                             |                             |                             |                             |                             |                             |
| Charges for services   | \$ 3,501,446                | \$ 4,926,369                | \$ 15,111,562               | \$ 13,565,845               | \$ 18,613,008               | \$ 18,492,214               |
| Operating grants and contributions                             | 399,930                     | 754,463                     | 933,665                     | -                           | 1,333,595                   | 754,463                     |
| Capital grants and contributions                               | 404,913                     | 2,201,004                   | 33,500                      | 107,974                     | 438,413                     | 2,308,978                   |
| General revenues:  |                             |                             |                             |                             |                             |                             |
| Ad valorem taxes   | 12,699,136                  | 12,482,287                  | -                           | -                           | 12,699,136                  | 12,482,287                  |
| Franchise taxes  | 2,153,122                   | 2,036,308                   | -                           | -                           | 2,153,122                   | 2,036,308                   |
| Sales taxes  | 5,048,659                   | 5,321,558                   | -                           | -                           | 5,048,659                   | 5,321,558                   |
| Hotel taxes  | 445,385                     | 393,731                     | -                           | -                           | 445,385                     | 393,731                     |
| Mixed beverage taxes   | 59,671                      | 60,101                      | -                           | -                           | 59,671                      | 60,101                      |
| Investment income  | 39,971                      | 35,810                      | 6,821                       | 18,601                      | 46,792                      | 54,411                      |
| Miscellaneous  | 221,430                     | 287,252                     | -                           | -                           | 221,430                     | 287,252                     |
| <b>Total revenues</b>  | <b><u>24,973,663</u></b>    | <b><u>28,498,883</u></b>    | <b><u>16,085,548</u></b>    | <b><u>13,692,420</u></b>    | <b><u>41,059,211</u></b>    | <b><u>42,191,303</u></b>    |
| Expenses:  |                             |                             |                             |                             |                             |                             |
| General government   | 2,798,564                   | 3,169,503                   | -                           | -                           | 2,798,564                   | 3,169,503                   |
| Finance  | 1,241,303                   | 1,231,406                   | -                           | -                           | 1,241,303                   | 1,231,406                   |
| Community services   | 3,263,161                   | 3,165,163                   | -                           | -                           | 3,263,161                   | 3,165,163                   |
| Police   | 8,552,574                   | 8,168,671                   | -                           | -                           | 8,552,574                   | 8,168,671                   |
| Public works   | 5,893,424                   | 5,664,455                   | -                           | -                           | 5,893,424                   | 5,664,455                   |
| Fire   | 5,436,865                   | 5,385,776                   | -                           | -                           | 5,436,865                   | 5,385,776                   |
| Interest and fiscal charges                                    | 273,901                     | 354,584                     | -                           | -                           | 273,901                     | 354,584                     |
| Water and sewer  | -                           | -                           | 10,279,168                  | 10,540,201                  | 10,279,168                  | 10,540,201                  |
| Solid waste  | -                           | -                           | 2,024,938                   | 2,130,470                   | 2,024,938                   | 2,130,470                   |
| Sports facility  | -                           | -                           | 1,003,941                   | -                           | 1,003,941                   | -                           |
| <b>Total expenses</b>  | <b><u>27,459,792</u></b>    | <b><u>27,139,558</u></b>    | <b><u>13,308,047</u></b>    | <b><u>12,670,671</u></b>    | <b><u>40,767,839</u></b>    | <b><u>39,810,229</u></b>    |
| Increase in net assets before transfers                        | (2,486,129)                 | 1,359,325                   | 2,777,501                   | 1,021,749                   | 291,372                     | 2,381,074                   |
| Transfers  | 1,690,476                   | 1,390,769                   | (1,690,476)                 | (1,390,769)                 | -                           | -                           |
| <b>Increase/ (decrease) in net assets</b>                      | <b>(795,653)</b>            | <b>2,750,094</b>            | <b>1,087,025</b>            | <b>(369,020)</b>            | <b>291,372</b>              | <b>2,381,074</b>            |
| Net assets—beginning   | <u>58,098,418</u>           | <u>55,348,324</u>           | <u>30,807,129</u>           | <u>31,176,149</u>           | <u>88,905,547</u>           | <u>86,524,473</u>           |
| <b>Net assets—ending</b>                                       | <b><u>\$ 57,302,765</u></b> | <b><u>\$ 58,098,418</u></b> | <b><u>\$ 31,894,154</u></b> | <b><u>\$ 30,807,129</u></b> | <b><u>\$ 89,196,919</u></b> | <b><u>\$ 88,905,547</u></b> |

## 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, unassigned 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 \$5.95 million. Approximately 77% of this total amount constitutes unassigned fund balance which is available for any public purpose. Approximately 1% of fund balance of has been assigned by City management for community services. The restricted fund balance of \$1.2 million is 20% of the total fund balance and is constrained by creditors, grantors, contributors or laws or regulations. The remainder of the fund balance is considered non-spendable to indicate that it is not available for new spending because it has already been reserved for prepaid expenses of \$24,151 and loans receivable of \$86,486. Fund balance for all governmental funds increased by \$0.6 million over the previous fiscal year.

In the General Fund, the original budget projected a \$0.1 million increase in fund balance this fiscal year. This was changed to a decrease of \$47 thousand with the final amended budget. It is one of the City's financial policies to maintain fund balance in General Fund to equal 60 days of expenditures. Due to declining local and national economic conditions, there was an increase in the property tax rate from \$0.696 to \$0.737692 effective fiscal year 2011. The increase in franchise tax receipts due to a financial audit coupled with increase in the collections of fines and forfeitures with a now fully staffed police department and the City's emphasis on expenditure control, the fund balance of the General Fund increased by \$762,919, bringing total fund balance to \$4.7 million at fiscal year end.

The Debt Service fund had an increase in fund balance of \$72 thousand for the fiscal year ended September 30, 2011, also in relation to the increase in the property tax rate. The Street Construction capital project fund had a decrease in fund balance of \$0.2 million attributed to expenditures for the Main Street downtown revitalization project. Capital grants for Main Street are in place to offset related street expenditures. The Traffic Improvement and Safety fund balance decreased by \$45 thousand due to continued decline in red light ticket revenue, while the related traffic safety fixed expenditures remained the same.

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

The City has an "inverted block" rate structure, which was meant to be revenue neutral based on same consumption. The Utility proprietary fund net assets increased \$0.7 million. The Solid Waste fund net assets increased \$0.2 million during this fiscal year. Capital contributions of \$34,000 were recorded due to donated water lines. The addition of the Fieldhouse Sports Facility has also presented some challenges as a new operation for the City. The increase in net assets of \$0.3 million for the Sports Facility is a result of contributions from the Duncanville Community Economic Development Corporation totaling \$0.9 million to cover debt payments and operating losses.

### Capital Assets

Governmental Accounting Standards Board (GASB) Statement No. 34 requires governments to report all capital assets in the Government-Wide Statement of Net Assets. All infrastructure assets have been inventoried and reported in previous fiscal years.

At the end of fiscal year 2011, the City had \$91.9 million invested in a broad range of capital assets, including streets and public infrastructure, water and sewer lines, buildings, park and recreation facilities, and police and fire equipment. This amount represents a net increase of \$5.8 million which is 6.8 percent greater than the capital assets for the prior fiscal year.

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

|                          | <b>Governmental<br/>Activities</b> |                  | <b>Business-Type<br/>Activities</b> |                  | <b>Totals</b>    |                  |
|--------------------------|------------------------------------|------------------|-------------------------------------|------------------|------------------|------------------|
|                          | <b>2011</b>                        | <b>2010</b>      | <b>2011</b>                         | <b>2010</b>      | <b>2011</b>      | <b>2010</b>      |
| Land                     | \$ 19,781                          | \$ 19,781        | \$ 568                              | \$ 89            | \$ 20,349        | \$ 19,870        |
| Construction in progress | 1,942                              | 1,524            | 440                                 | 155              | 2,382            | 1,679            |
| Buildings                | 4,568                              | 4,718            | 8,877                               | 2,768            | 13,445           | 7,486            |
| Infrastructure           | 25,164                             | 26,197           | 22,373                              | 22,522           | 47,537           | 48,719           |
| Improvements             | 2,154                              | 2,188            | 22                                  | 22               | 2,176            | 2,210            |
| Equipment                | 2,576                              | 2,523            | 106                                 | 145              | 2,682            | 2,668            |
| Water rights             | -                                  | -                | 3,362                               | 3,458            | 3,362            | 3,458            |
| <b>Totals</b>            | <b>\$ 56,185</b>                   | <b>\$ 56,931</b> | <b>\$ 35,748</b>                    | <b>\$ 29,159</b> | <b>\$ 91,933</b> | <b>\$ 86,090</b> |

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

- Water and wastewater main projects were completed for \$0.6 million including a contribution of a water main valued at \$34 thousand.
- Main Street downtown revitalization project current year expenditures of \$1 million are included in construction in progress this fiscal year. This project is primarily being funded by a capital grant.
- Vehicle replacements of \$0.6 million included two new vehicles and a fire pumper. The City deferred the replacement of well-maintained vehicles in light of the budget constraints.

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

**Debt Administration**

At year-end, the City had \$14.3 million in bonded debt outstanding. The entire amount is comprised of bonded debt backed by the full faith and credit of the City. During the year ended September 30, 2011, business-type activities outstanding debt increase is due to the issuance of Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Taxable Series 2010 bonds for \$6.9 million.

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

|  | <b>Governmental<br/>Activities</b> |                 | <b>Business-Type<br/>Activities</b> |                 | <b>Totals</b>    |                 |
|--|------------------------------------|-----------------|-------------------------------------|-----------------|------------------|-----------------|
|  | <b>2011</b>                        | <b>2010</b>     | <b>2011</b>                         | <b>2010</b>     | <b>2011</b>      | <b>2010</b>     |
| General Obligation and Certificate of Obligation bonds | \$ 5,191                           | \$ 6,527        | \$ -                                | \$ -            | \$ 5,191         | \$ 6,527        |
| Tax and Water/Wastewater Surplus Revenue bonds         | -                                  | -               | 9,130                               | 2,885           | 9,130            | 2,885           |
| <b>Totals</b>  | <b>\$ 5,191</b>                    | <b>\$ 6,527</b> | <b>\$ 9,130</b>                     | <b>\$ 2,885</b> | <b>\$ 14,321</b> | <b>\$ 9,412</b> |

The City's general obligation bonds have been assigned the rating of "AA-" 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 this agency. 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**

In the 2011-12 Budget, General Fund revenues are conservatively projected to decrease by less than 1%. Property values decreased on the total tax roll for 2011-12 from 2010-11. Ad valorem tax revenue is determined by two major factors. The first factor is total assessed property value established by the Dallas Central Appraisal District. The second factor is the tax rate set by City Council. For 2011-12 Budget, the City tax rate remained at \$.737692 per \$100 of assessed valuation, the same as the previous fiscal year.

Sales tax revenue as of September 30, 2011 was slightly lower than the previous year and continues to be most volatile and subject to the regional and national economy. With this in mind, we expect lower or flat sales tax revenues in the new fiscal year. Property values have decreased nearly 5% due to reappraisal. Interest earnings were flat in fiscal year 2011 and are expected to remain flat for fiscal year 2012. Conservative estimated increases in franchise fees and the collection of fines may help to offset other reduced revenues due to the economic downturn.

City management is and will continue to look for ways to offset those reduced revenues from the economic slowdown.

## **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, at:

City of Duncanville  
Attn: Richard Summerlin, Finance Director  
P.O. Box 380280  
Duncanville, TX 75138-0280  
Phone: 972-780-5005  
Email: [rsummerlin@ci.duncanville.tx.us](mailto:rsummerlin@ci.duncanville.tx.us)

City of Duncanville  
Attn: Tia Pettis, Assistant Finance Director  
P.O. Box 380280  
Duncanville, TX 75138-0280  
Phone: 972-780-5007  
Email: [tpettis@ci.duncanville.tx.us](mailto:tpettis@ci.duncanville.tx.us)

CITY OF DUNCANVILLE, TEXAS

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011

|   | Primary Government      |                          |                      | Component Unit      |
|---|-------------------------|--------------------------|----------------------|---------------------|
|   | Governmental Activities | Business-type Activities | Total                |                     |
| <b>ASSETS</b>                                     |                         |                          |                      |                     |
| Cash and cash equivalents                         | \$ 2,399,802            | \$ 2,176,954             | \$ 4,576,756         | 318                 |
| Investments                                       | 4,100,000               | 800,000                  | 4,900,000            | 100,000             |
| Receivables (net of allowance for uncollectibles) | 3,391,011               | 2,865,953                | 6,256,964            | 994,734             |
| Accrued interest                                  | 537,991                 | 15,460                   | 553,451              | 1,924               |
| Prepaid items                                     | 31,382                  | -                        | 31,382               | -                   |
| Restricted cash and investments                   | -                       | 1,111,254                | 1,111,254            | -                   |
| Internal balances                                 | 200,418                 | (200,418)                | -                    | -                   |
| Due from component unit                           | 82,000                  | -                        | 82,000               | -                   |
| Loans receivable                                  | 86,486                  | -                        | 86,486               | -                   |
| Bond issue costs                                  | 38,216                  | 224,456                  | 262,672              | 78,693              |
| Investment in joint ventures                      | 1,612,964               | -                        | 1,612,964            | 96,503              |
| Capital assets:                                   |                         |                          |                      |                     |
| Nondepreciable                                    | 21,723,122              | 1,007,613                | 22,730,735           | 2,194,452           |
| Depreciable- net of accumulated depreciation      | 34,462,053              | 34,739,929               | 69,201,982           | 9,070,684           |
| <b>Total Assets</b>                               | <b>68,665,445</b>       | <b>42,741,201</b>        | <b>111,406,646</b>   | <b>12,537,308</b>   |
| <b>LIABILITIES</b>                                |                         |                          |                      |                     |
| Accounts payable                                  | 1,092,993               | 800,471                  | 1,893,464            | 52,731              |
| Contracts payable                                 | 59,194                  | -                        | 59,194               | -                   |
| Accrued liabilities                               | 986,728                 | 55,394                   | 1,042,122            | 593                 |
| Accrued interest payable                          | 49,508                  | 45,927                   | 95,435               | 24,285              |
| Due to primary government                         | -                       | -                        | -                    | 82,000              |
| Unearned revenue                                  | 124,132                 | 24,125                   | 148,257              | -                   |
| Customer performance and escrow deposits          | 17,251                  | 634,263                  | 651,514              | -                   |
| Maintenance bond and meter deposits               | -                       | 1,810                    | 1,810                | 150                 |
| Noncurrent liabilities                            |                         |                          |                      |                     |
| Due within one year:                              |                         |                          |                      |                     |
| Bonds and certificates of obligation payable      | 1,085,622               | 655,000                  | 1,740,622            | 900,000             |
| Compensated absences                              | 218,236                 | 6,022                    | 224,258              | -                   |
| Due in more than one year:                        |                         |                          |                      |                     |
| Bonds and certificates of obligation payable      | 4,105,604               | 8,475,000                | 12,580,604           | 3,870,000           |
| Compensated absences                              | 2,899,431               | 80,000                   | 2,979,431            | -                   |
| Other postemployment benefits                     | 723,981                 | 69,035                   | 793,016              | -                   |
| <b>Total Liabilities</b>                          | <b>11,362,680</b>       | <b>10,847,047</b>        | <b>22,209,727</b>    | <b>4,929,759</b>    |
| <b>NET ASSETS</b>                                 |                         |                          |                      |                     |
| Invested in capital assets, net of related debt   | 52,495,944              | 26,950,315               | 79,446,259           | 6,895,824           |
| Restricted for:                                   |                         |                          |                      |                     |
| Economic development                              | -                       | -                        | -                    | 711,725             |
| Unrestricted                                      | 4,806,821               | 4,943,839                | 9,750,660            | -                   |
| <b>Total Net Assets</b>                           | <b>\$ 57,302,765</b>    | <b>\$ 31,894,154</b>     | <b>\$ 89,196,919</b> | <b>\$ 7,607,549</b> |

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, 2011

| PROGRAM ACTIVITIES                    | Expenses             | Program Revenues                     |                                    |                                  |
|---------------------------------------|----------------------|--------------------------------------|------------------------------------|----------------------------------|
|                                       |                      | Fees, Fines and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Governmental activities:</b>       |                      |                                      |                                    |                                  |
| General government                    | \$ 2,798,564         | \$ 459,084                           | \$ 93,480                          | \$ -                             |
| Finance                               | 1,241,303            | -                                    | -                                  | -                                |
| Community Services                    | 3,263,161            | 293,952                              | 104,475                            | -                                |
| Police                                | 8,552,574            | 1,799,592                            | 89,821                             | -                                |
| Public works                          | 5,893,424            | 1,783,792                            | 57,174                             | 404,913                          |
| Fire                                  | 5,436,865            | (834,974)                            | 54,980                             | -                                |
| Interest and fiscal charges           | 273,901              | -                                    | -                                  | -                                |
| <b>Total governmental activities</b>  | <b>27,459,792</b>    | <b>3,501,446</b>                     | <b>399,930</b>                     | <b>404,913</b>                   |
| <b>Business-type activities:</b>      |                      |                                      |                                    |                                  |
| Water                                 | 5,416,191            | 7,559,917                            | -                                  | 33,500                           |
| Sewer                                 | 4,862,977            | 4,756,780                            | -                                  | -                                |
| Solid waste                           | 2,024,938            | 2,418,321                            | -                                  | -                                |
| Sports facility                       | 1,003,941            | 376,544                              | 933,665                            | -                                |
| <b>Total business-type activities</b> | <b>13,308,047</b>    | <b>15,111,562</b>                    | <b>933,665</b>                     | <b>33,500</b>                    |
| <b>Total government</b>               | <b>\$ 40,767,839</b> | <b>\$ 18,613,008</b>                 | <b>\$ 1,333,595</b>                | <b>\$ 438,413</b>                |
| <b>Component unit:</b>                |                      |                                      |                                    |                                  |
| DCEDC                                 | 3,571,165            | 814,399                              | -                                  | -                                |

General revenues:

Taxes:

Ad valorem

Sales

Franchise

Mixed beverage

Hotel occupancy

Earnings on investments

Miscellaneous

Transfers

**Total general revenues and transfers**

Change in net assets

Net assets - beginning

Net assets - ending

The accompanying notes are an integral part of this statement.

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

| <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>         | <b>Component<br/>Unit</b> |
|------------------------------------|-------------------------------------|----------------------|---------------------------|
| \$ (2,246,000)                     | \$ -                                | \$ (2,246,000)       |                           |
| (1,241,303)                        | -                                   | (1,241,303)          |                           |
| (2,864,734)                        | -                                   | (2,864,734)          |                           |
| (6,663,161)                        | -                                   | (6,663,161)          |                           |
| (3,647,545)                        | -                                   | (3,647,545)          |                           |
| (6,216,859)                        | -                                   | (6,216,859)          |                           |
| (273,901)                          | -                                   | (273,901)            |                           |
| <u>(23,153,503)</u>                | <u>-</u>                            | <u>(23,153,503)</u>  |                           |
| -                                  | 2,177,226                           | 2,177,226            |                           |
| -                                  | (106,197)                           | (106,197)            |                           |
| -                                  | 393,383                             | 393,383              |                           |
| -                                  | 306,268                             | 306,268              |                           |
| -                                  | <u>2,770,680</u>                    | <u>2,770,680</u>     |                           |
| <u>(23,153,503)</u>                | <u>2,770,680</u>                    | <u>(20,382,823)</u>  |                           |
|                                    |                                     |                      | <u>\$ (2,756,766)</u>     |
| 12,699,136                         | -                                   | 12,699,136           | -                         |
| 5,048,659                          | -                                   | 5,048,659            | 1,682,886                 |
| 2,153,122                          | -                                   | 2,153,122            | -                         |
| 59,671                             | -                                   | 59,671               | -                         |
| 445,385                            | -                                   | 445,385              | -                         |
| 39,971                             | 6,821                               | 46,792               | -                         |
| 221,430                            | -                                   | 221,430              | 4,642                     |
| <u>1,690,476</u>                   | <u>(1,690,476)</u>                  | <u>-</u>             | <u>-</u>                  |
| <u>22,357,850</u>                  | <u>(1,683,655)</u>                  | <u>20,674,195</u>    | <u>1,687,528</u>          |
| (795,653)                          | 1,087,025                           | 291,372              | (1,069,238)               |
| <u>58,098,418</u>                  | <u>30,807,129</u>                   | <u>88,905,547</u>    | <u>8,676,787</u>          |
| <u>\$ 57,302,765</u>               | <u>\$ 31,894,154</u>                | <u>\$ 89,196,919</u> | <u>\$ 7,607,549</u>       |

CITY OF DUNCANVILLE, TEXAS

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011**

|  | <u>General</u>      | <u>Debt Service</u> | <u>Street<br/>Construction<br/>Fund</u> |
|--|---------------------|---------------------|---|
| <b>ASSETS</b>  |                     |                     |   |
| Cash and cash equivalents                              | 36,305              | 52,230              | 1,950                                   |
| Investments  | 2,800,000           | 700,000             | 100,000                                 |
| Receivables -  |                     |                     |   |
| Property taxes (net of allowance)                      | 346,541             | 37,083              | -                                       |
| Trade accounts (net of allowance)                      | 791,501             | -                   | -                                       |
| Other taxes  | 1,850,401           | -                   | -                                       |
| Assessments  | -                   | -                   | 53,409                                  |
| Intergovernmental                                      | -                   | -                   | -                                       |
| Accrued interest and other                             | 18,112              | 6,716               | 405,429                                 |
| Prepaid items  | 24,151              | -                   | -                                       |
| Due from other funds                                   | 600,000             | -                   | -                                       |
| Due from component unit                                | 82,000              | -                   | -                                       |
| Loans receivable                                       | 86,486              | -                   | -                                       |
| <b>Total assets</b>                                    | <u>\$ 6,635,497</u> | <u>\$ 796,029</u>   | <u>\$ 560,788</u>                       |
| <b>LIABILITIES AND FUND BALANCES</b>                   |                     |                     |   |
| <b>LIABILITIES:</b>                                    |                     |                     |   |
| Accounts payable                                       | \$ 627,373          | \$ -                | \$ 190,795                              |
| Customer performance and escrow deposits               | 17,251              | -                   | -                                       |
| Contracts payable                                      | -                   | -                   | 49,422                                  |
| Accrued liabilities                                    | 265,654             | -                   | -                                       |
| Due to other funds                                     | -                   | 685,000             | 65,000                                  |
| Deferred revenue                                       | 976,205             | 34,666              | 53,409                                  |
| <b>Total liabilities</b>                               | <u>1,886,483</u>    | <u>719,666</u>      | <u>358,626</u>                          |
| <b>FUND BALANCES:</b>                                  |                     |                     |   |
| <b>Nonspendable:</b>                                   |                     |                     |   |
| Loans receivable                                       | 86,486              | -                   | -                                       |
| Prepaid items  | 24,151              | -                   | -                                       |
| <b>Restricted for:</b>                                 |                     |                     |   |
| Debt service   | -                   | 76,363              | -                                       |
| Street construction                                    | -                   | -                   | 202,162                                 |
| Traffic improvement and safety                         | -                   | -                   | -                                       |
| Promotion of tourism and convention and hotel industry | -                   | -                   | -                                       |
| Maintenance and construction of drainage projects      | -                   | -                   | -                                       |
| Public safety, cultural and recreational services      | -                   | -                   | -                                       |
| Court technology                                       | -                   | -                   | -                                       |
| Court security   | -                   | -                   | -                                       |
| Juvenile case management                               | -                   | -                   | -                                       |
| Public safety and criminal investigations              | -                   | -                   | -                                       |
| Park construction                                      | -                   | -                   | -                                       |
| Capital improvements                                   | -                   | -                   | -                                       |
| <b>Assigned:</b>                                       |                     |                     |   |
| Community services                                     | 70,459              | -                   | -                                       |
| <b>Unassigned:</b>                                     | <u>4,567,918</u>    | <u>-</u>            | <u>-</u>                                |
| <b>Total fund balances</b>                             | <u>4,749,014</u>    | <u>76,363</u>       | <u>202,162</u>                          |
| <b>Total liabilities and fund balances</b>             | <u>\$ 6,635,497</u> | <u>\$ 796,029</u>   | <u>\$ 560,788</u>                       |

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

| <u>Traffic I&amp;S</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|------------------------|---|---|
| 16,783                 | 585,896                                 | \$ 693,164                              |
| 100,000                | 100,000                                 | 3,800,000                               |
| -                      | -                                       | 383,624                                 |
| 64,384                 | 123,321                                 | 979,206                                 |
| -                      | 111,152                                 | 1,961,553                               |
| -                      | -                                       | 53,409                                  |
| -                      | 13,219                                  | 13,219                                  |
| 516                    | -                                       | 430,773                                 |
| -                      | -                                       | 24,151                                  |
| 65,000                 | 288,000                                 | 953,000                                 |
| -                      | -                                       | 82,000                                  |
| -                      | -                                       | 86,486                                  |
| <u>\$ 246,683</u>      | <u>\$ 1,221,588</u>                     | <u>\$ 9,460,585</u>                     |
| <br>                   |   |   |
| \$ 172,388             | \$ 92,143                               | \$ 1,082,699                            |
| -                      | -                                       | 17,251                                  |
| -                      | 9,772                                   | 59,194                                  |
| 602                    | 3,860                                   | 270,116                                 |
| -                      | 203,000                                 | 953,000                                 |
| -                      | 60,416                                  | 1,124,696                               |
| <u>172,990</u>         | <u>369,191</u>                          | <u>3,506,956</u>                        |
| <br>                   |   |   |
| -                      | -                                       | 86,486                                  |
| -                      | -                                       | 24,151                                  |
| -                      | -                                       | 76,363                                  |
| -                      | -                                       | 202,162                                 |
| 73,693                 | -                                       | 73,693                                  |
| -                      | 53,174                                  | 53,174                                  |
| -                      | 45,783                                  | 45,783                                  |
| -                      | 135,734                                 | 135,734                                 |
| -                      | 8,868                                   | 8,868                                   |
| -                      | 55,117                                  | 55,117                                  |
| -                      | 50,286                                  | 50,286                                  |
| -                      | 249,647                                 | 249,647                                 |
| -                      | 41,527                                  | 41,527                                  |
| -                      | 212,261                                 | 212,261                                 |
| -                      | -                                       | 70,459                                  |
| -                      | -                                       | 4,567,918                               |
| <u>73,693</u>          | <u>852,397</u>                          | <u>5,953,629</u>                        |
| <u>\$ 246,683</u>      | <u>\$ 1,221,588</u>                     | <u>\$ 9,460,585</u>                     |

CITY OF DUNCANVILLE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011

---

**TOTAL FUND BALANCE- GOVERNMENTAL FUNDS** \$ 5,953,629

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 not reported in the governmental funds balance sheet, (excluding internal service funds assets of \$1,245,692). 54,939,483

Revenue earned but not available within sixty days of the year end are not recognized as revenue in the fund financial statements. 1,000,564

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet. (49,508)

Internal service funds are used by management to charge the cost of certain activities, such as health, liability and workers compensation insurance to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the government-wide statement of net assets including an internal balance of \$200,418. 2,840,291

Investments in joint ventures represent a financial asset not reported in governmental funds. 1,612,964

Long term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

|   |    |             |             |
|---|----|-------------|-------------|
| General obligation bonds payable                          | \$ | (385,000)   |             |
| Certificates of obligation                                |    | (4,806,226) |             |
| Less issuance costs (to be amortized as interest expense) |    | 38,216      |             |
| Compensated absences                                      |    | (3,117,667) |             |
| Other post employment benefits                            |    | (723,981)   |             |
|   |    | (8,994,658) | (8,994,658) |

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 57,302,765

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



**Duncanville**  
*City of Champions*

**DUNCANVILLE**

The Perfect Blend of Family, Community and Business.

CITY OF DUNCANVILLE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED SEPTEMBER 30, 2011

|  | <u>General</u>      | <u>Debt Service</u> | <u>Street<br/>Construction</u> |
|--|---------------------|---------------------|--------------------------------|
| <b>REVENUES</b>  |                     |                     |                                |
| Taxes:   |                     |                     |                                |
| Ad valorem   | \$ 11,201,280       | \$ 1,464,194        | \$ -                           |
| Sales  | 5,048,659           | -                   | -                              |
| Franchise  | 2,153,122           | -                   | -                              |
| Mixed beverage   | 59,671              | -                   | -                              |
| Hotel  | -                   | -                   | -                              |
| Licenses, permits and fees                                   | 1,288,167           | -                   | -                              |
| Fines and forfeitures  | 814,965             | -                   | -                              |
| Recreational fees  | 293,872             | -                   | -                              |
| Intergovernmental  | 381,987             | -                   | 404,913                        |
| Investment income  | 19,695              | 10,906              | 680                            |
| Rental and other   | 795,049             | -                   | -                              |
| Gifts and contributions                                      | 19,622              | -                   | -                              |
| <b>Total revenues</b>  | <u>22,076,089</u>   | <u>1,475,100</u>    | <u>405,593</u>                 |
| <b>EXPENDITURES</b>  |                     |                     |                                |
| Current:   |                     |                     |                                |
| General government   | 1,867,922           | -                   | -                              |
| Finance  | 1,126,310           | -                   | -                              |
| Community services   | 2,767,743           | -                   | -                              |
| Police   | 7,646,744           | -                   | -                              |
| Public works   | 3,579,125           | -                   | 41,948                         |
| Fire   | 5,166,561           | -                   | -                              |
| Non-departmental   | 248,902             | -                   | -                              |
| Special purposes - promotional                               | -                   | -                   | -                              |
| Debt Service:  |                     |                     |                                |
| Principal retirement   | -                   | 1,122,685           | -                              |
| Interest and fiscal charges                                  | -                   | 482,073             | -                              |
| Capital outlay:  |                     |                     |                                |
| General government   | 36,137              | -                   | -                              |
| Community services   | 229,667             | -                   | -                              |
| Public works   | 30,182              | -                   | 1,095,201                      |
| Special purposes - promotional                               | -                   | -                   | -                              |
| <b>Total expenditures</b>                                    | <u>22,699,293</u>   | <u>1,604,758</u>    | <u>1,137,149</u>               |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>(623,204)</u>    | <u>(129,658)</u>    | <u>(731,556)</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                                |
| Transfers in   | 1,412,951           | 201,838             | 486,200                        |
| Transfers out  | (26,828)            | -                   | -                              |
| <b>Total other financing sources (uses)</b>                  | <u>1,386,123</u>    | <u>201,838</u>      | <u>486,200</u>                 |
| Net change in fund balances                                  | 762,919             | 72,180              | (245,356)                      |
| Fund balances, beginning of year                             | 3,915,634           | 4,183               | 447,518                        |
| Change in accounting principle                               | 70,461              | -                   | -                              |
| Fund balances, end of year                                   | <u>\$ 4,749,014</u> | <u>\$ 76,363</u>    | <u>\$ 202,162</u>              |

The accompanying notes are an integral part of this statement.

| <u>Traffic<br/>I &amp; S</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|------------------------------|---|---|
| \$ -                         | \$ -                                    | \$ 12,665,474                           |
| -                            | -                                       | 5,048,659                               |
| -                            | -                                       | 2,153,122                               |
| -                            | -                                       | 59,671                                  |
| -                            | 445,385                                 | 445,385                                 |
| 871,445                      | 618,100                                 | 2,777,712                               |
| -                            | 345,374                                 | 1,160,339                               |
| -                            | -                                       | 293,872                                 |
| -                            | 144,200                                 | 931,100                                 |
| 1,381                        | 1,397                                   | 34,059                                  |
| -                            | 101                                     | 795,150                                 |
| -                            | -                                       | 19,622                                  |
| <u>872,826</u>               | <u>1,554,557</u>                        | <u>26,384,165</u>                       |
| 143,262                      | 142,936                                 | 2,154,120                               |
| 52,718                       | -                                       | 1,179,028                               |
| -                            | -                                       | 2,767,743                               |
| 486,882                      | 202,463                                 | 8,336,089                               |
| 88,016                       | 424,496                                 | 4,133,585                               |
| -                            | 11,748                                  | 5,178,309                               |
| -                            | -                                       | 248,902                                 |
| -                            | 290,107                                 | 290,107                                 |
| -                            | -                                       | 1,122,685                               |
| -                            | -                                       | 482,073                                 |
| -                            | -                                       | 36,137                                  |
| -                            | 24,146                                  | 253,813                                 |
| 36,361                       | -                                       | 1,161,744                               |
| -                            | 124,029                                 | 124,029                                 |
| <u>807,239</u>               | <u>1,219,925</u>                        | <u>27,468,364</u>                       |
| <u>65,587</u>                | <u>334,632</u>                          | <u>(1,084,199)</u>                      |
| -                            | 105,560                                 | 2,206,549                               |
| <u>(110,359)</u>             | <u>(378,886)</u>                        | <u>(516,073)</u>                        |
| <u>(110,359)</u>             | <u>(273,326)</u>                        | <u>1,690,476</u>                        |
| (44,772)                     | 61,306                                  | 606,277                                 |
| 118,465                      | 861,552                                 | 5,347,352                               |
| -                            | (70,461)                                | -                                       |
| <u>\$ 73,693</u>             | <u>\$ 852,397</u>                       | <u>\$ 5,953,629</u>                     |

**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, 2011**

|   |                            |
|---|----------------------------|
| <b>NET CHANGE IN FUND BALANCES- TOTAL GOVERNMENTAL FUNDS</b>  | <b>\$ 606,277</b>          |
| 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 the cost of those assets is allocated over their estimated useful lives as depreciation expense.   | 1,575,723                  |
| Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the fair value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.  | 6,801                      |
| The net increase in equity of the joint venture is not reported at the fund level; however, it is reported at the government-wide level.  | 18,448                     |
| Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but it does require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.  | (2,288,795)                |
| Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.   | 1,122,685                  |
| Bond issuance costs are expenditures in the fund financial statements when debt is issued, but is amortized over the term of the bond in the government-wide financial statements.  | (9,554)                    |
| Current year changes in the long term liability for compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.  | (139,966)                  |
| Current year changes in accrued interest payable do not require the use of current financial resources, therefore, they are not reported as expenditures in governmental funds.   | 4,450                      |
| Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  | (1,423,117)                |
| Current year changes in the accreted interest do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.   | 213,276                    |
| Current year changes in the long term liability for OPEB does not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.  | (159,561)                  |
| 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, (including adjustment of \$68,690 allocated to business type activities). | <u>(322,320)</u>           |
| <b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>  | <b><u>\$ (795,653)</u></b> |

*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, 2011**

|  | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual</u>       | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|---------------------|---------------------|---|
| <b>REVENUES</b>  |                            |                     |                     |   |
| Taxes:   |                            |                     |                     |   |
| Ad valorem   | \$ 11,277,563              | \$ 11,260,000       | \$ 11,201,280       | \$ (58,720)   |
| Sales  | 5,229,090                  | 4,972,356           | 5,048,659           | 76,303  |
| Franchise  | 1,987,870                  | 1,980,639           | 2,153,122           | 172,483   |
| Other  | 57,134                     | 58,000              | 59,671              | 1,671   |
| Licenses, permits and fees                                   | 1,308,900                  | 1,219,600           | 1,288,167           | 68,567  |
| Fines and forfeitures  | 910,399                    | 731,017             | 814,965             | 83,948  |
| Recreation fees  | 195,060                    | 195,060             | 293,872             | 98,812  |
| Intergovernmental  | 215,400                    | 242,000             | 381,987             | 139,987   |
| Investment income  | 19,000                     | 16,400              | 19,695              | 3,295   |
| Rental and other   | 689,414                    | 660,916             | 795,049             | 134,133   |
| Gifts and contributions                                      | -                          | -                   | 19,622              | 19,622  |
| <b>Total revenues</b>  | <u>21,889,830</u>          | <u>21,335,988</u>   | <u>22,076,089</u>   | <u>740,101</u>  |
| <b>EXPENDITURES</b>  |                            |                     |                     |   |
| Current:   |                            |                     |                     |   |
| General government   | 1,964,796                  | 1,908,705           | 1,867,922           | 40,783  |
| Finance  | 1,154,528                  | 1,144,350           | 1,126,310           | 18,040  |
| Community services   | 2,810,088                  | 2,687,649           | 2,767,743           | (80,094)  |
| Police   | 7,695,410                  | 7,649,947           | 7,646,744           | 3,203   |
| Public works   | 3,864,113                  | 3,669,755           | 3,579,125           | 90,630  |
| Fire   | 5,383,622                  | 5,267,847           | 5,166,561           | 101,286   |
| Non-departmental   | 195,120                    | 229,113             | 248,902             | (19,789)  |
| Capital outlay:  |                            |                     |                     |   |
| General government   | 40,472                     | 40,472              | 36,137              | 4,335   |
| Community services   | -                          | 224,000             | 229,667             | (5,667)   |
| Public works   | -                          | 30,182              | 30,182              | -   |
| Fire   | 48,800                     | -                   | -                   | -   |
| Non-departmental   | -                          | 17,396              | -                   | 17,396  |
| <b>Total expenditures</b>                                    | <u>23,156,949</u>          | <u>22,869,416</u>   | <u>22,699,293</u>   | <u>170,123</u>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>(1,267,119)</u>         | <u>(1,533,428)</u>  | <u>(623,204)</u>    | <u>910,224</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                            |                     |                     |   |
| Transfers in   | 1,407,954                  | 1,486,873           | 1,412,951           | (73,922)  |
| Transfers out  | -                          | -                   | (26,828)            | (26,828)  |
| <b>Total other financing sources (uses)</b>                  | <u>1,407,954</u>           | <u>1,486,873</u>    | <u>1,386,123</u>    | <u>(100,750)</u>  |
| <b>Net change in fund balance</b>                            | <u>\$ 140,835</u>          | <u>\$ (46,555)</u>  | 762,919             | <u>\$ 809,474</u>   |
| <b>FUND BALANCE, beginning of year</b>                       |                            |                     | 3,915,634           |   |
| <b>CHANGE IN ACCOUNTING PRINCIPLE</b>                        |                            |                     | <u>70,461</u>       |   |
| <b>FUND BALANCE, end of year</b>                             |                            |                     | <u>\$ 4,749,014</u> |   |

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

CITY OF DUNCANVILLE, TEXAS

TRAFFIC IMPROVEMENT AND SAFETY FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

|  | Original<br>Budget | Final Budget   | Actual           | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|--------------------|----------------|------------------|---|
| <b>REVENUES</b>  |                    |                |                  |   |
| Traffic enforcement fees                                     | \$ 1,123,850       | \$ 744,000     | \$ 871,445       | \$ 127,445  |
| Interest on investments                                      | 3,000              | 1,800          | 1,381            | (419)   |
| <b>Total revenues</b>  | <u>1,126,850</u>   | <u>745,800</u> | <u>872,826</u>   | <u>127,026</u>  |
| <b>EXPENDITURES</b>  |                    |                |                  |   |
| General government   | 280,287            | 87,156         | 143,262          | (56,106)  |
| Police   | 486,882            | 486,882        | 486,882          | -   |
| Public works   | 200,000            | 130,000        | 124,377          | 5,623   |
| Finance  | 44,624             | 44,624         | 52,718           | (8,094)   |
| <b>Total expenditures</b>                                    | <u>1,011,793</u>   | <u>748,662</u> | <u>807,239</u>   | <u>(58,577)</u>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES</b> | <u>115,057</u>     | <u>(2,862)</u> | <u>65,587</u>    | <u>68,449</u>   |
| <b>OTHER FINANCING USES</b>                                  |                    |                |                  |   |
| Transfers out  | (58,770)           | (110,359)      | (110,359)        | -   |
| <b>NET CHANGE IN FUND BALANCE</b>                            | 56,287             | (113,221)      | (44,772)         | 68,449  |
| <b>FUND BALANCE, beginning of year</b>                       |                    |                | <u>118,465</u>   |   |
| <b>FUND BALANCE, end of year</b>                             |                    |                | <u>\$ 73,693</u> |   |

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

CITY OF DUNCANVILLE, TEXAS

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2011

|  | Utility              | Solid Waste       | Fieldhouse<br>Sports Facility | Total             | Governmental<br>Activities - Internal<br>Service Funds |
|--|----------------------|-------------------|-------------------------------|-------------------|--|
| <b>ASSETS</b>  |                      |                   |                               |                   |  |
| Current assets:  |                      |                   |                               |                   |  |
| Cash and cash equivalents  | \$ 1,800,452         | \$ 338,709        | \$ 37,793                     | \$ 2,176,954      | 1,706,638  |
| Investments  | 800,000              | -                 | -                             | 800,000           | 300,000  |
| Receivables-   |                      |                   |                               |                   |  |
| Customers (net of allowance)   | 1,338,415            | 198,560           | -                             | 1,536,975         | -  |
| Unbilled   | 1,157,107            | 171,871           | -                             | 1,328,978         | -  |
| Accrued interest and other   | 14,243               | 92                | 1,125                         | 15,460            | 107,218  |
| Prepaid items  | -                    | -                 | -                             | -                 | 7,231  |
| <b>Total current assets</b>  | <b>5,110,217</b>     | <b>709,232</b>    | <b>38,918</b>                 | <b>5,858,367</b>  | <b>2,121,087</b>                                       |
| Non-current assets:  |                      |                   |                               |                   |  |
| Restricted assets-   |                      |                   |                               |                   |  |
| Customer deposits  | 634,263              | -                 | -                             | 634,263           | -  |
| Cash and investments for construction  | 476,991              | -                 | -                             | 476,991           | -  |
| Capital assets-  |                      |                   |                               |                   |  |
| Land and construction-in-progress  | 529,177              | -                 | 478,436                       | 1,007,613         | -  |
| Water rights, net  | 3,361,655            | -                 | -                             | 3,361,655         | -  |
| Buildings and improvements, net  | 2,686,201            | -                 | 6,212,970                     | 8,899,171         | -  |
| Distribution lines and equipment, net  | 22,472,864           | -                 | 6,239                         | 22,479,103        | 1,245,692  |
| Bond issue costs   | 63,896               | -                 | 160,560                       | 224,456           | -  |
| <b>Total non-current assets</b>  | <b>30,225,047</b>    | <b>-</b>          | <b>6,858,205</b>              | <b>37,083,252</b> | <b>1,245,692</b>                                       |
| <b>TOTAL ASSETS</b>  | <b>35,335,264</b>    | <b>709,232</b>    | <b>6,897,123</b>              | <b>42,941,619</b> | <b>3,366,779</b>                                       |
| <b>LIABILITIES</b>   |                      |                   |                               |                   |  |
| Current liabilities:   |                      |                   |                               |                   |  |
| Accounts payable   | 517,730              | 251,304           | 31,437                        | 800,471           | 10,294   |
| Accrued liabilities  | 51,054               | 1,221             | 3,119                         | 55,394            | 716,612  |
| Accrued interest payable   | 16,004               | -                 | 29,923                        | 45,927            | -  |
| Deferred revenue   | -                    | -                 | 24,125                        | 24,125            | -  |
| Accrued compensated absences - current   | 6,022                | -                 | -                             | 6,022             | -  |
| Bonds payable - current  | 270,000              | -                 | 385,000                       | 655,000           | -  |
| <b>Total current liabilities</b>   | <b>860,810</b>       | <b>252,525</b>    | <b>473,604</b>                | <b>1,586,939</b>  | <b>726,906</b>   |
| Long-term Liabilities:   |                      |                   |                               |                   |  |
| Accrued compensated absences   | 65,745               | 3,699             | 10,556                        | 80,000            | -  |
| Bonds payable  | 2,355,000            | -                 | 6,120,000                     | 8,475,000         | -  |
| Other postemployment benefits liability  | 58,829               | 10,206            | -                             | 69,035            | -  |
| Payable from restricted assets   |                      |                   |                               |                   |  |
| Customer deposits  | 634,263              | -                 | -                             | 634,263           | -  |
| Maintenance bond and meter deposit payables  | 1,810                | -                 | -                             | 1,810             | -  |
| <b>Total long-term liabilities</b>   | <b>3,115,647</b>     | <b>13,905</b>     | <b>6,130,556</b>              | <b>9,260,108</b>  | <b>-</b>   |
| <b>Total liabilities</b>   | <b>3,976,457</b>     | <b>266,430</b>    | <b>6,604,160</b>              | <b>10,847,047</b> | <b>726,906</b>   |
| <b>NET ASSETS</b>  |                      |                   |                               |                   |  |
| Invested in capital assets, net of related debt  | 26,950,315           | -                 | 262,914                       | 27,213,229        | 1,245,692  |
| Unrestricted   | 4,408,492            | 442,802           | 30,049                        | 4,881,343         | 1,394,181  |
| <b>TOTAL NET ASSETS</b>  | <b>\$ 31,358,807</b> | <b>\$ 442,802</b> | <b>\$ 292,963</b>             | <b>32,094,572</b> | <b>\$ 2,639,873</b>                                    |
| Reconciliation to government-wide statement of net assets:   |                      |                   |                               |                   |  |
| Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds |                      |                   |                               | (200,418)         |  |
| Net assets of business-type activities   |                      |                   |                               | \$ 31,894,154     |  |

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, 2011

|  | Utility              | Solid Waste       | Fieldhouse Sports Facility | Total             | Governmental Activities - Internal Service Funds |
|--|----------------------|-------------------|----------------------------|-------------------|--|
| <b>OPERATING REVENUES</b>  |                      |                   |                            |                   |  |
| Water  | \$ 7,231,917         | \$ -              | \$ -                       | \$ 7,231,917      | \$ -   |
| Sewer  | 4,756,780            | -                 | -                          | 4,756,780         | -  |
| Solid waste  | -                    | 2,418,321         | -                          | 2,418,321         | -  |
| Sports facility  | -                    | -                 | 368,186                    | 368,186           | -  |
| Penalties  | 149,434              | -                 | -                          | 149,434           | -  |
| Premiums, charges for services and other   | 178,566              | -                 | 942,023                    | 1,120,589         | 3,124,192  |
| <b>Total operating revenues</b>  | <b>12,316,697</b>    | <b>2,418,321</b>  | <b>1,310,209</b>           | <b>16,045,227</b> | <b>3,124,192</b>                                 |
| <b>OPERATING EXPENSES</b>  |                      |                   |                            |                   |  |
| Water services   | 4,157,419            | -                 | -                          | 4,157,419         | -  |
| Sewer  | 3,760,371            | -                 | -                          | 3,760,371         | -  |
| Solid waste  | -                    | 2,020,531         | -                          | 2,020,531         | -  |
| Sports facility  | -                    | -                 | 790,353                    | 790,353           | -  |
| Claims and provision   | -                    | -                 | -                          | -                 | 2,249,265  |
| Administrative and fiscal  | 1,150,797            | -                 | -                          | 1,150,797         | 634,237  |
| Depreciation and amortization  | 1,008,070            | -                 | 271                        | 1,008,341         | 637,612  |
| <b>Total operating expenses</b>  | <b>10,076,657</b>    | <b>2,020,531</b>  | <b>790,624</b>             | <b>12,887,812</b> | <b>3,521,114</b>                                 |
| <b>OPERATING INCOME (LOSS)</b>   | <b>2,240,040</b>     | <b>397,790</b>    | <b>519,585</b>             | <b>3,157,415</b>  | <b>(396,922)</b>                                 |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>   |                      |                   |                            |                   |  |
| Investment income  | 6,682                | 139               | -                          | 6,821             | 5,912  |
| Interest and fiscal charges  | (124,923)            | -                 | (226,622)                  | (351,545)         | -  |
| <b>Total non-operating revenues (expenses)</b>   | <b>(118,241)</b>     | <b>139</b>        | <b>(226,622)</b>           | <b>(344,724)</b>  | <b>5,912</b>                                     |
| <b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>  | <b>2,121,799</b>     | <b>397,929</b>    | <b>292,963</b>             | <b>2,812,691</b>  | <b>(391,010)</b>                                 |
| Capital contributions  | 33,500               | -                 | -                          | 33,500            | -  |
| Transfers out  | (1,501,659)          | (188,817)         | -                          | (1,690,476)       | -  |
| <b>CHANGES IN NET ASSETS</b>   | <b>653,640</b>       | <b>209,112</b>    | <b>292,963</b>             | <b>1,155,715</b>  | <b>(391,010)</b>                                 |
| <b>TOTAL NET ASSETS - BEGINNING</b>  | <b>30,705,167</b>    | <b>233,690</b>    | <b>-</b>                   | <b>-</b>          | <b>3,030,883</b>                                 |
| <b>TOTAL NET ASSETS - ENDING</b>   | <b>\$ 31,358,807</b> | <b>\$ 442,802</b> | <b>\$ 292,963</b>          | <b>-</b>          | <b>\$ 2,639,873</b>                              |
| Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds |                      |                   |                            | (68,690)          |  |
| Change in net assets of business-type activities   |                      |                   |                            | \$ 1,087,025      |  |

The accompanying notes are an integral part of this statement.

CITY OF DUNCANVILLE, TEXAS

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED SEPTEMBER 30, 2011

|  | Utility Fund        | Solid Waste Fund  | Fieldhouse Sports Facility | Total               | Governmental Activities - Internal Service Funds |
|--|---------------------|-------------------|----------------------------|---------------------|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                   |                            |                     |  |
| Receipts from customers  | \$ 11,944,564       | \$ 2,427,641      | \$ 368,186                 | \$ 14,740,391       | \$ -   |
| Payments to suppliers  | (7,131,309)         | (1,869,933)       | (541,028)                  | (9,542,270)         | (2,854,220)                                      |
| Payments to employees  | (1,742,283)         | (81,743)          | (180,088)                  | (2,004,114)         | -  |
| Internal activity - receipts from other funds  | -                   | -                 | -                          | -                   | 3,124,192  |
| Other receipts   | 178,566             | -                 | 942,023                    | 1,120,589           | 673,669  |
| <b>Net cash provided by operating activities</b>   | <b>3,249,538</b>    | <b>475,965</b>    | <b>589,093</b>             | <b>4,314,596</b>    | <b>943,641</b>                                   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>   |                     |                   |                            |                     |  |
| Transfers to other funds   | (1,501,659)         | (188,817)         | -                          | (1,690,476)         | -  |
| <b>Net cash used in noncapital financing activities</b>  | <b>(1,501,659)</b>  | <b>(188,817)</b>  | <b>-</b>                   | <b>(1,690,476)</b>  | <b>-</b>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |                     |                   |                            |                     |  |
| Acquisition and construction of capital assets   | (865,724)           | -                 | (6,697,916)                | (7,563,640)         | (346,456)  |
| Sale of capital assets   | -                   | -                 | -                          | -                   | -  |
| Bond proceeds  | -                   | -                 | 6,865,000                  | 6,865,000           | -  |
| Principal paid on bond maturities  | (260,000)           | -                 | (360,000)                  | (620,000)           | -  |
| Interest paid on bond maturities   | (115,758)           | -                 | (357,259)                  | (473,017)           | -  |
| <b>Net cash used in capital and related financing activities</b>   | <b>(1,241,482)</b>  | <b>-</b>          | <b>(550,175)</b>           | <b>(1,791,657)</b>  | <b>(346,456)</b>                                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |                   |                            |                     |  |
| Maturity of investments  | 100,000             | 50,000            | -                          | 150,000             | 250,000  |
| Interest on investments  | 4,232               | 139               | (1,125)                    | 3,246               | 6,635  |
| <b>Net cash provided by (used in) investing activities</b>   | <b>104,232</b>      | <b>50,139</b>     | <b>(1,125)</b>             | <b>153,246</b>      | <b>256,635</b>                                   |
| <b>Net increase in cash and cash equivalents</b>   | <b>610,629</b>      | <b>337,287</b>    | <b>37,793</b>              | <b>985,709</b>      | <b>853,820</b>                                   |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>  | <b>2,301,077</b>    | <b>1,422</b>      | <b>-</b>                   | <b>2,302,499</b>    | <b>852,818</b>                                   |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>  | <b>2,911,706</b>    | <b>338,709</b>    | <b>37,793</b>              | <b>3,288,208</b>    | <b>1,706,638</b>                                 |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b> |                     |                   |                            |                     |  |
| Operating income (loss)  | \$ 2,240,040        | \$ 397,790        | \$ 519,585                 | \$ 3,157,415        | \$ (396,922)                                     |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                     |                   |                            |                     |  |
| Depreciation   | 912,023             | -                 | 271                        | 912,294             | 637,612  |
| Amortization of water rights   | 96,047              | -                 | -                          | 96,047              | -  |
| Change in assets and liabilities:  |                     |                   |                            |                     |  |
| Accounts receivable  | (237,987)           | 9,320             | -                          | (228,667)           | (27,331)   |
| Accrued compensated absences   | (12,727)            | (394)             | 10,556                     | (2,565)             | -  |
| Other postemployment benefits liability  | 19,332              | 2,880             | -                          | 22,212              | -  |
| Prepaid items  | 3,017               | -                 | -                          | 3,017               | -  |
| Accounts payable and accrued liabilities   | 185,373             | 66,369            | 58,681                     | 310,423             | 29,282   |
| Due from other funds   | -                   | -                 | -                          | -                   | 701,000  |
| Customer deposits  | 44,420              | -                 | -                          | 44,420              | -  |
| <b>Total adjustments</b>   | <b>1,009,498</b>    | <b>78,175</b>     | <b>69,508</b>              | <b>1,157,181</b>    | <b>1,340,563</b>                                 |
| <b>Net cash provided by operating activities</b>   | <b>\$ 3,249,538</b> | <b>\$ 475,965</b> | <b>\$ 589,093</b>          | <b>\$ 4,314,596</b> | <b>\$ 943,641</b>                                |
| <b>NONCASH CAPITAL ACTIVITIES:</b>   |                     |                   |                            |                     |  |
| Contribution of capital assets from developers   | 33,500              | \$ -              | \$ -                       | \$ 33,500           | \$ -   |
| <b>Total noncash capital activities</b>  | <b>33,500</b>       | <b>\$ -</b>       | <b>\$ -</b>                | <b>\$ 33,500</b>    | <b>\$ -</b>                                      |
| <b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET ASSETS</b>                                       |                     |                   |                            |                     |  |
| Unrestricted cash and cash equivalents   |                     |                   |                            | 2,176,954           | 1,706,638  |
| Restricted cash and cash equivalents   |                     |                   |                            | 1,111,254           | -  |
|  |                     |                   |                            | <b>\$ 3,288,208</b> | <b>\$ 1,706,638</b>                              |

The accompanying notes are an integral part of this statement.



**Duncanville**  
*City of Champions*

**DUNCANVILLE**

The Perfect Blend of Family, Community and Business.

**CITY OF DUNCANVILLE, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & NEW GASB PRONOUNCEMENTS**

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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, are generally 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 information about the City (the primary government) and its component unit, the Duncanville Community and Economic Development Corporation ("DCEDC"), an entity 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 benefiting and accomplishing public purposes of, and to act on behalf of, the City, and the specific purposes for which the Corporation is organized. These purposes include the construction, renovation and operation of municipal buildings; the acquisition and improvement of parks, as well as 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. DCEDC meets all three requirements, any one of which is sufficient to be considered a component unit (ability to impose will, financial benefit, and financial burden). Furthermore, GAAP requires 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, 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**—Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all 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. 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.

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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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.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 (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 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 resources available for spending, as well as on balances of expendable 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 fourteen 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, Street Construction, and Traffic Improvement and Safety funds which are considered to be major funds. A budgetary comparison statement has also been provided for the General and Traffic Improvement and Safety funds. Individual fund data for all non-major 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 functions presented as business-type activities in the government-wide financial statements. The Utility, Solid Waste and Fieldhouse Sports Facility funds are considered to be major enterprise funds. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for health claims, general liability operations and fleet and capital replacement. The internal service funds predominately benefit governmental rather than business-type functions, so 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 in the Combining and Individual Fund Statements and Schedules section of this report. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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Agency Funds are used to account for assets held by the City in a custodial capacity on behalf of other governments. Agency Funds are custodial in nature and do not include measurements of results of operations. Duncanville currently does not have any agency funds to maintain.

**Measurement Focus and Basis of Accounting**—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 non-current) 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, and expenditures related to compensated absences are recorded only when payment is due.

Revenues susceptible to accrual in governmental funds include 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, permits and municipal court fines are recognized when payment is received. The deferred revenues 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 60 days).

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, sewer and other proprietary operations are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting 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. 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 general obligation bonds, certificates of obligation bonds, and contractual obligation debt when due throughout 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 Traffic Improvement and Safety fund is a special revenue fund that is used to account for the cost of red light camera operations.

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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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.
- The Solid Waste enterprise fund is used to account for the rendering of sanitation services to the residents and businesses of the City.
- The Fieldhouse Sports Facility enterprise fund is used to account for the rendering of sporting league, tournament and event services for the residents and non-residents.

All proprietary fund activities necessary to provide such services are accounted for in each individual fund, including administration, operation, maintenance, debt service, and billing and collection.

**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 inter-fund receivables of a surplus fund and inter-fund 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 that 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 purposes of the accompanying statement of cash flows, the City has chosen to reconcile to "pooled cash and investments", as all investments (other than certificates of deposit) of the funds are regarded as cash equivalents.

**Restricted Assets**—Certain cash and investment balances are restricted by various legal and contractual obligations. The Utility Fund is used to report those proceeds of revenue bond issuances that are restricted for use in construction. Also included in the Utility enterprise fund are customer deposits received for water and wastewater service, which are, by law, considered restricted assets.

**Inter-fund 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, 2011, 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.

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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**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, another internal service fund. At year-end, an estimate of unpaid claims that were incurred prior to September 30, 2011 is accrued based on past claims experience.

**Accrued Compensated Absences**—Full-time city employees earn sick leave at a rate of 8.00 hours per month. City employees earn vacation 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 day’s 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 governmental fund statements 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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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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 is reported as a liability 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 issuance costs as expenditures during the current period. The face amount of debt issued is recorded as other financing sources. Bond premiums and discounts are reported as other financing sources or uses.

**Fund Equity**—The City has adopted GASB Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions, to enhance the usefulness of fund balance information by providing clearer fund balance classifications and clarification of existing government fund type definitions. The fund balance classifications under GASB No. 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balance represents fund balance that is (a) not in a spendable form such as prepaid items or (b) legally or contractually required to be maintained intact such as an endowment.

Restricted fund balance consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources.

Committed fund balances are self-imposed limitations set in place prior to the end of the fiscal period used only for the specific purposes determined and approved by formal action of the City Council, which is the highest level of decision making authority for the City. The same level of action is required to remove the constraint.

Assigned fund balance consists of amounts that are subject to a purpose constraint that represents an intended use established by the City Council or by their designated body or official.

Unassigned fund balance represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

The City will maintain a minimum fund balance equal to sixty days of the total operating expenditures of the General Fund.

Additionally, the implementation of GASB No. 54 required the City to evaluate the classification of Special Revenue Funds. In accordance with GASB No. 54, Special Revenue Funds are used only to account for specific revenue sources that are externally restricted or committed by the government's highest level of decision making authority for specific purposes other than debt service or capital projects. Accordingly, the Community Services fund has been reclassified. See Note 21 on page 53 of this report for further details on the reclassification.

**New Accounting Standards/Pronouncements-** GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions," is effective for the City beginning in fiscal year 2011. This statement is intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City implemented GASB No. 54 in this annual report.

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" is effective for the City beginning in fiscal year 2012. This statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other post-employment benefit (OPEB) plans. This standard will be implemented by the City in its fiscal year 2012 financial statements.

GASB Statement No. 59, "Financial Instruments Omnibus", is effective for the City beginning in fiscal year 2011. This statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The City has implemented this standard.

GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements" is effective for the City beginning in fiscal year 2013. This statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This standard will be implemented by the City in its fiscal year 2013 financial statements.

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34" is effective for the City beginning in fiscal year 2013. This statement is to improve financial reporting for a governmental financial reporting entity. This standard will be implemented by the City in its fiscal year 2013 financial statements.

GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" is effective for the City beginning in fiscal year 2013. This statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations; Accounting Principles Board Opinions; Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure. This standard will be implemented by the City in fiscal year 2013 financial statements.

## 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 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 fair 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, 2011, in full compliance with state statute and City policy. At year-end, the reconciled balance of the City's cash was \$1,975,939. The reconciled balance of DCEDC's cash was at a credit balance of \$552,528. The combined bank balances of the City and DCEDC were \$1,932,124. Of the bank balance, \$250,000 was covered by Federal Depository Insurance and the remainder by collateral in the amount of \$1,725,939. 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 participates in the Texas Local Government Investment Pool (TexPool) and the Local Government Investment Cooperative (LOGIC). TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexPool is governed by an Advisory Board composed equally of participants in the Pool and other persons who do not have a business relationship with the Pool who are qualified to advise the Pool. LOGIC is a public funds investment pool managed by First Southwest Management Company. LOGIC investments are not

CITY OF DUNCANVILLE, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

categorized in accordance with GASB Statement No. 3 disclosure requirements since the City is not issued securities, but rather owns an individual beneficial interest in the assets of the related investment pools. LOGIC uses amortized cost rather than fair value to report net assets to compute share prices. For both TexPool and LOGIC, the fair value of the City's position in the pool is the same as the value of the pool shares. These investments and deposits are fully insured by the Federal Depository Insurance Corporation or collateralized by securities held in the name of Texas Treasury Safekeeping Trust Company. Authorized investments include obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, certificates of deposit and repurchase agreements.

The City's investments at September 30, 2011 are as follows:

| Description  | Fair Value          | Less Than 1 Year    | Weighted Average Maturity |
|--|---------------------|---------------------|---------------------------|
| <b>Cash equivalents</b>  |                     |                     |                           |
| Local Government Investment Cooperative ("Logic") (AAA/MR1+, 2a-7 like pool) | \$ 1,055,455        | \$ 1,055,455        | 42 days                   |
| Texpool (AAAm, 2a-7 like pool)   | 4,740               | 4,740               | 44 days                   |
| Money Market Funds   | 2,651,876           | 2,651,876           | 1 day                     |
| Total cash equivalents   | <u>3,712,071</u>    | <u>3,712,071</u>    |                           |
| <b>Investments</b>   |                     |                     |                           |
| Certificates of deposit  | <u>4,900,000</u>    | <u>4,900,000</u>    | 161 days                  |
| Total cash equivalents and investments                                       | <u>\$ 8,612,071</u> | <u>\$ 8,612,071</u> |                           |

September 30, 2011, the DCEDC's investments are as follows:

| Description  | Fair Value        | Less Than 1 Year  | Weighted Average Maturity |
|--|-------------------|-------------------|---------------------------|
| <b>Cash equivalents</b>  |                   |                   |                           |
| Local Government Investment Cooperative ("Logic") (AAA/MR1+, 2a-7 like pool) | \$ 202,586        | \$ 202,586        | 42 days                   |
| Money Market Funds   | 350,260           | 350,260           | 1 day                     |
| Total cash equivalents   | <u>552,846</u>    | <u>552,846</u>    |                           |
| <b>Investments</b>   |                   |                   |                           |
| Certificates of deposit  | <u>100,000</u>    | <u>100,000</u>    | 161 days                  |
| Total cash equivalents and investments                                       | <u>\$ 652,846</u> | <u>\$ 652,846</u> |                           |

All the City's investments at September 30, 2011, have maturities of less than one year and therefore 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.

**CREDIT RISK:** The Public Funds Investment Act (PFIA) governs 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 PFIA.

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.

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**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 October 1 of each year 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, 2010, upon which the 2011 fiscal year levy was based, was \$1,720,507,638.

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 to 18% on July 1, additional interest accrues at the rate of 1% each month thereafter. As of July 1, a 20% collection cost may be added to all delinquent accounts. Total tax collections for the year ended September 30, 2011 were 97.4% of the 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.

**4. RECEIVABLES**

Receivables at September 30, 2011, for the government's individual major, non-major and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|                                   | General      | Debt<br>Service | Street<br>Construction | Traffic<br>I&S | Nonmajor<br>Governmental | Utility Fund | Solid<br>Waste<br>Fund | Total        |
|-----------------------------------|--------------|-----------------|------------------------|----------------|--------------------------|--------------|------------------------|--------------|
| Receivables                       |              |                 |                        |                |                          |              |                        |              |
| Accounts                          | \$ 1,519,733 | \$ -            | \$ -                   | \$ 64,384      | \$ 144,163               | \$ 2,950,581 | \$ 432,593             | \$ 5,111,454 |
| Ad valorem taxes                  | 691,975      | 167,382         | -                      | -              | -                        | -            | -                      | 859,357      |
| Other taxes                       | 1,850,401    | -               | -                      | -              | 111,152                  | -            | -                      | 1,961,553    |
| Assessments                       | -            | -               | 53,409                 | -              | -                        | -            | -                      | 53,409       |
| Intergovernmental                 | -            | -               | -                      | -              | 13,219                   | -            | -                      | 13,219       |
| Gross receivables                 | 4,062,109    | 167,382         | 53,409                 | 64,384         | 268,534                  | 2,950,581    | 432,593                | 7,998,992    |
| Less allowance for uncollectibles | (1,073,666)  | (130,299)       | -                      | -              | (20,842)                 | (455,059)    | (62,162)               | (1,742,028)  |
| Net total receivables             | \$ 2,988,443 | \$ 37,083       | \$ 53,409              | \$ 64,384      | \$ 247,692               | \$ 2,495,522 | \$ 370,431             | \$ 6,256,964 |

CITY OF DUNCANVILLE, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2011:

|   | Beginning<br>Balance | Increases          | Decreases         | Ending<br>Balance    |
|---|----------------------|--------------------|-------------------|----------------------|
| Governmental activities:                    |                      |                    |                   |                      |
| Capital assets not being depreciated:       |                      |                    |                   |                      |
| Land  | \$ 19,780,967        | \$ -               | \$ -              | \$ 19,780,967        |
| Construction in progress                    | 1,524,086            | 1,314,991          | 896,922           | 1,942,155            |
| Total capital assets, not being depreciated | <u>21,305,053</u>    | <u>1,314,991</u>   | <u>896,922</u>    | <u>21,723,122</u>    |
| Capital assets being depreciated:           |                      |                    |                   |                      |
| Buildings                                   | 7,484,452            | -                  | -                 | 7,484,452            |
| Infrastructure                              | 56,346,524           | 801,159            | -                 | 57,147,683           |
| Improvements                                | 3,469,982            | -                  | -                 | 3,469,982            |
| Equipment                                   | 11,739,987           | 961,187            | -                 | 12,701,174           |
| Total capital assets being depreciated      | <u>79,040,945</u>    | <u>1,762,346</u>   | <u>-</u>          | <u>80,803,291</u>    |
| Less accumulated depreciation for:          |                      |                    |                   |                      |
| Buildings                                   | 2,766,387            | 149,689            | -                 | 2,916,076            |
| Infrastructure                              | 30,149,590           | 1,834,319          | -                 | 31,983,909           |
| Improvements                                | 1,281,550            | 34,307             | -                 | 1,315,857            |
| Equipment                                   | 9,217,304            | 908,092            | -                 | 10,125,396           |
| Total accumulated depreciation              | <u>43,414,831</u>    | <u>2,926,407</u>   | <u>-</u>          | <u>46,341,238</u>    |
| Total capital assets-being depreciated-net  | <u>35,626,114</u>    | <u>(1,164,061)</u> | <u>-</u>          | <u>34,462,053</u>    |
| Governmental activities capital assets, net | <u>\$ 56,931,167</u> | <u>\$ 150,930</u>  | <u>\$ 896,922</u> | <u>\$ 56,185,175</u> |

CITY OF DUNCANVILLE, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

|  | Beginning<br>Balance | Increases           | Decreases         | Ending<br>Balance    |
|--|----------------------|---------------------|-------------------|----------------------|
| Business-type activities:                      |                      |                     |                   |                      |
| Capital assets not being depreciated:          |                      |                     |                   |                      |
| Land   | \$ 89,194            | \$ 478,436          | \$ -              | \$ 567,630           |
| Construction in progress                       | 154,922              | 862,050             | 576,989           | 439,983              |
| Total capital assets, not being depreciated    | <u>244,116</u>       | <u>1,340,486</u>    | <u>576,989</u>    | <u>1,007,613</u>     |
| Capital assets being depreciated:              |                      |                     |                   |                      |
| Buildings                                      | 5,115,988            | 6,212,969           | -                 | 11,328,957           |
| Infrastructure                                 | 38,822,498           | 576,991             | -                 | 39,399,489           |
| Water rights                                   | 4,802,361            | -                   | -                 | 4,802,361            |
| Improvements                                   | 29,130               | -                   | -                 | 29,130               |
| Equipment                                      | 1,112,467            | 43,956              | 6,750             | 1,149,673            |
| Total capital assets being depreciated         | <u>49,882,444</u>    | <u>6,833,916</u>    | <u>6,750</u>      | <u>56,709,610</u>    |
| Less accumulated depreciation for:             |                      |                     |                   |                      |
| Buildings                                      | 2,348,017            | 103,653             | -                 | 2,451,670            |
| Infrastructure                                 | 16,300,613           | 725,828             | -                 | 17,026,441           |
| Water rights                                   | 1,344,659            | 96,047              | -                 | 1,440,706            |
| Improvements                                   | 6,664                | 581                 | -                 | 7,245                |
| Equipment                                      | 967,864              | 82,232              | 6,477             | 1,043,619            |
| Total accumulated depreciation                 | <u>20,967,817</u>    | <u>1,008,341</u>    | <u>6,477</u>      | <u>21,969,681</u>    |
| Total capital assets<br>being depreciated, net | <u>28,914,627</u>    | <u>5,825,575</u>    | <u>273</u>        | <u>34,739,929</u>    |
| Business-type activities capital assets, net   | <u>\$ 29,158,743</u> | <u>\$ 7,166,061</u> | <u>\$ 577,262</u> | <u>\$ 35,747,542</u> |

CITY OF DUNCANVILLE, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

|  |    |                         |
|--|----|-------------------------|
| General government                             | \$ | 106,454                 |
| Finance  |    | 1,826                   |
| Community services                             |    | 421,703                 |
| Police   |    | 33,275                  |
| Public works                                   |    | 1,661,691               |
| Fire   |    | <u>63,846</u>           |
| Total governmental activities                  |    | 2,288,795               |
| Internal service activity:                     |    |                         |
| Fleet rotation                                 |    | <u>637,612</u>          |
| Total government & internal service activities | \$ | <u><u>2,926,407</u></u> |
| Business-like activities:                      |    |                         |
| Water and sewer                                | \$ | 912,023                 |
| Water rights amortization                      |    | 96,047                  |
| Fieldhouse                                     |    | <u>271</u>              |
| Total business-like activities                 | \$ | <u><u>1,008,341</u></u> |

CITY OF DUNCANVILLE, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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**Discretely presented component unit**

Activity for the DCEDC for the year ended September 30, 2011, was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u>    | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------------|---------------------|---------------------------|
| Capital assets-not being depreciated         |                              |                     |                     |                           |
| Land   | \$ 2,744,879                 | \$ -                | \$ 550,427          | \$ 2,194,452              |
| Total capital assets - not being depreciated | <u>2,744,879</u>             | <u>-</u>            | <u>550,427</u>      | <u>2,194,452</u>          |
| Capital assets-being depreciated             |                              |                     |                     |                           |
| Buildings                                    | 14,028,365                   | -                   | 8,929,728           | 5,098,637                 |
| Improvements                                 | 5,366,566                    | -                   | -                   | 5,366,566                 |
| Equipment                                    | 445,351                      | 62,879              | -                   | 508,230                   |
| Total capital assets-being depreciated       | <u>19,840,282</u>            | <u>62,879</u>       | <u>8,929,728</u>    | <u>10,973,433</u>         |
| Less accumulated depreciation for:           |                              |                     |                     |                           |
| Buildings                                    | 2,885,397                    | 280,568             | 1,964,541           | 1,201,424                 |
| Improvements                                 | 307,314                      | 136,554             | -                   | 443,868                   |
| Equipment                                    | 216,626                      | 40,831              | -                   | 257,457                   |
| Total accumulated depreciation               | <u>3,409,337</u>             | <u>457,953</u>      | <u>1,964,541</u>    | <u>1,902,749</u>          |
| Total capital assets-being depreciated, net  | <u>16,430,945</u>            | <u>(395,074)</u>    | <u>6,965,187</u>    | <u>9,070,684</u>          |
| Capital assets - net                         | <u>\$ 19,175,824</u>         | <u>\$ (395,074)</u> | <u>\$ 7,515,614</u> | <u>\$ 11,265,136</u>      |

CITY OF DUNCANVILLE, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

The City has active construction projects as of September 30, 2011. Total accumulated commitments for ongoing capital projects are composed of the following:

|                                |                     |
|--------------------------------|---------------------|
| Governmental activities        |                     |
| Street Construction Fund       | \$ 1,059,947        |
| Capital Improvements Fund      | <u>105,972</u>      |
| Total governmental activities  | <u>\$ 1,165,919</u> |
| Business-type activities:      |                     |
| Utility Fund                   | <u>\$ 542,022</u>   |
| Total business-type activities | <u>\$ 542,022</u>   |

**6. INTERFUND BALANCES AND TRANSFERS**

Interfund balances as of September 30, 2011 are as follows:

**Due to/from other funds**

| <u>Receivable Fund</u>                         | <u>Payable Fund</u>                       | <u>Amount</u>     |
|--|---|-------------------|
| General  | Debt service                              | \$ 600,000        |
| Traffic I&S                                    | Street construction                       | 65,000            |
| Grant (non-major governmental fund)            | Debt service                              | 85,000            |
| Asset forfeiture (non-major governmental fund) | Hotel motel (non-major governmental fund) | 133,000           |
| Asset forfeiture (non-major governmental fund) | Drainage (non-major governmental fund)    | <u>70,000</u>     |
|  |   | <u>\$ 953,000</u> |

All receivables listed are to correct negative cash balances at fiscal year end.

Transfers were as follows for the fiscal year ended September 30, 2011:

| <b>Fund</b>                  | <b>Transfer In</b>  | <b>Transfer Out</b> |
|------------------------------|---------------------|---------------------|
| General                      | \$ 1,412,951        | \$ 26,828           |
| Debt service                 | 201,838             | -                   |
| Street construction          | 486,200             | -                   |
| Traffic I & S                | -                   | 110,359             |
| Non-major governmental funds | 105,560             | 378,886             |
| Utility                      | -                   | 1,501,659           |
| Solid waste                  | -                   | 188,817             |
| Total                        | <u>\$ 2,206,549</u> | <u>\$ 2,206,549</u> |

The transfers were for matching funds for grants, payments in lieu of taxes, and/or administrative and overhead charges.

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**
**7. BUDGETARY COMPLIANCE**

Budgets are legally adopted at the fund level of control for the General, Debt Service, Traffic Safety and Improvement special revenue fund, Hotel Tax special revenue fund, and Drainage Fees special revenue fund on a basis consistent with GAAP using the modified accrual basis of accounting. Budgetary comparison schedules are presented for the General Fund, Debt Service Fund, Traffic Safety and Improvement special revenue fund, Hotel Tax special revenue fund and Drainage Fees special revenue fund which include 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, 2011, expenditures exceeded appropriations (the legal level of budgetary control) in the General Fund's Community Services by \$85,761, General Fund's Non-departmental by \$2,393 and the Hotel Tax Fund by \$11,602. These over expenditures were funded by greater than expected revenues in the General Fund and the Hotel Tax 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 the governmental capital project funds. 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.

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

| Year Ending<br>September 30 | Governmental Activities |                  | Business-type Activities |                  | DCEDC            |                |
|-----------------------------|-------------------------|------------------|--------------------------|------------------|------------------|----------------|
|                             | Principal               | Interest         | Principal                | Interest         | Principal        | Interest       |
| 2012                        | 1,085,622               | 448,878          | 655,000                  | 349,532          | 900,000          | 192,355        |
| 2013                        | 1,043,474               | 486,402          | 670,000                  | 333,937          | 365,000          | 148,605        |
| 2014                        | 801,546                 | 523,454          | 685,000                  | 316,645          | 380,000          | 133,705        |
| 2015                        | 758,589                 | 566,411          | 710,000                  | 296,473          | 395,000          | 118,205        |
| 2016                        | -                       | -                | 730,000                  | 274,573          | 410,000          | 102,105        |
| 2017-2021                   | -                       | -                | 3,455,000                | 944,013          | 2,320,000        | 243,493        |
| 2022-2026                   | -                       | -                | 2,225,000                | 289,807          | -                | -              |
| Total                       | <u>3,689,231</u>        | <u>2,025,145</u> | <u>9,130,000</u>         | <u>2,804,980</u> | <u>4,770,000</u> | <u>938,468</u> |
| Accreted Interest           | <u>1,501,995</u>        |                  |                          |                  |                  |                |
| Total                       | <u>5,191,226</u>        |                  |                          |                  |                  |                |

CITY OF DUNCANVILLE, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Long-term bonded debt at September 30, 2011, includes the following individual issues:

|  | <u>Interest<br/>Rate (%)</u> | <u>Maturity<br/>Date</u> | <u>Amount<br/>Outstanding</u> | <u>Due Within<br/>One Year</u> |
|--|------------------------------|--------------------------|-------------------------------|--------------------------------|
| <b><u>Governmental Activities</u></b>  |                              |                          |                               |                                |
| General Obligation Bonds:  |                              |                          |                               |                                |
| Series 1998 refunding and improvements   | 4.25-5.00                    | 2/15/2013                | \$ 385,000                    | \$ 190,000                     |
| Total general obligation bonds   |                              |                          | <u>385,000</u>                | <u>190,000</u>                 |
| Certificate of Obligation Bonds:   |                              |                          |                               |                                |
| Series 2002 Tax and Waterworks and<br>Sewer System Surplus Revenue                       | 4.55-5.00                    | 2/15/2015                | 4,806,226                     | 895,622                        |
| Total certificate of obligation bonds  |                              |                          | <u>4,806,226</u>              | <u>895,622</u>                 |
| Total governmental activities long-term bonded debt                                      |                              |                          | <u>\$ 5,191,226</u>           | <u>\$ 1,085,622</u>            |
| <b><u>Business-Like Activities</u></b>   |                              |                          |                               |                                |
| Water and Sewer Revenue Bonds:   |                              |                          |                               |                                |
| Series 2002 Tax and Waterworks and<br>Sewer System Surplus Revenue refunding<br>bonds    | 3.25-4.55                    | 2/15/2020                | \$ 2,625,000                  | \$ 270,000                     |
| Series 2010 Tax and Waterworks and<br>Sewer System Revenue Certificates of<br>Obligation | 1.0 -4.625                   | 8/15/2025                | 6,505,000                     | 385,000                        |
| Total business-like activities long-term debt  |                              |                          | <u>\$ 9,130,000</u>           | <u>\$ 655,000</u>              |
| Total long-term bonded debt (primary government)   |                              |                          | <u>\$ 14,321,226</u>          | <u>\$ 1,740,622</u>            |
| <b><u>DCEDC</u></b>  |                              |                          |                               |                                |
| Sales tax revenue bonds:   |                              |                          |                               |                                |
| Series 1998  | 4.10-5.00                    | 2/15/2020                | \$ 615,000                    | \$ 615,000                     |
| C.O. Series 2006 Tax & WW/SS Rev   | 4-4.125                      | 2/15/2021                | 4,155,000                     | 285,000                        |
| Total DCEDC  |                              |                          | <u>\$ 4,770,000</u>           | <u>\$ 900,000</u>              |

CITY OF DUNCANVILLE, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Interest<br/>Accreted</u> | <u>Accreted<br/>Retirements</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--|------------------------------|------------------|-------------------|------------------------------|---------------------------------|---------------------------|--------------------------------|
| Governmental activities:   |                              |                  |                   |                              |                                 |                           |                                |
| Bonds payable:   |                              |                  |                   |                              |                                 |                           |                                |
| General obligation bonds   | \$ 565,000                   | \$ -             | \$ 180,000        | \$ -                         | \$ -                            | \$ 385,000                | \$ 190,000                     |
| Certificates of obligation   | 5,962,187                    | -                | 942,685           | 244,039                      | 457,315                         | 4,806,226                 | 895,622                        |
| Total bonds payable  | 6,527,187                    | -                | 1,122,685         | 244,039                      | 457,315                         | 5,191,226                 | 1,085,622                      |
| Accrued compensated absences   | 2,977,701                    | 1,008,158        | 868,192           | -                            | -                               | 3,117,667                 | 218,236                        |
| Other postemployment benefits  | 564,420                      | 446,126          | 286,565           | -                            | -                               | 723,981                   | -                              |
| Total governmental activities  | 10,069,308                   | 1,454,284        | 2,277,442         | 244,039                      | 457,315                         | 9,032,874                 | 1,303,858                      |
| Business-type activities:  |                              |                  |                   |                              |                                 |                           |                                |
| Bonds payable:   |                              |                  |                   |                              |                                 |                           |                                |
| Series 2002 Tax and Waterworks<br>and Sewer system Surplus Revenue<br>refunding bonds    | 2,885,000                    | -                | 260,000           | -                            | -                               | 2,625,000                 | 270,000                        |
| Series 2010 Tax and Waterworks<br>and Sewer System Revenue<br>Certificates of Obligation | -                            | 6,865,000        | 360,000           | -                            | -                               | 6,505,000                 | 385,000                        |
| Total bonds payable  | 2,885,000                    | 6,865,000        | 620,000           | -                            | -                               | 9,130,000                 | 655,000                        |
| Accrued compensated absences   | 88,587                       | 75,202           | 77,767            | -                            | -                               | 86,022                    | 6,022                          |
| Other postemployment benefits  | 46,823                       | 30,956           | 8,744             | -                            | -                               | 69,035                    | -                              |
| Total business-like activities   | 3,020,410                    | 6,971,158        | 706,511           | -                            | -                               | 9,285,057                 | 661,022                        |
| Total long-term<br>liabilities (primary government)                                      | \$ 13,089,718                | \$ 8,425,442     | \$ 2,983,953      | \$ 244,039                   | \$ 457,315                      | \$ 18,317,931             | \$ 1,964,880                   |
| DCEDC:   |                              |                  |                   |                              |                                 |                           |                                |
| Loan payable   | \$ 105,998                   | \$ -             | \$ 105,998        | \$ -                         | \$ -                            | -                         | \$ -                           |
| Bonds payable:   |                              |                  |                   |                              |                                 |                           |                                |
| Revenue bonds-sales tax  | 7,855,000                    | -                | 7,240,000         | -                            | -                               | 615,000                   | 615,000                        |
| Certificates of obligation   | 4,425,000                    | -                | 270,000           | -                            | -                               | 4,155,000                 | 285,000                        |
| Total DCEDC  | 12,280,000                   | -                | 7,510,000         | -                            | -                               | 4,770,000                 | 900,000                        |
| Total DCEDC long-term liabilities  | \$ 12,385,998                | \$ -             | \$ 7,615,998      | \$ -                         | \$ -                            | \$ 4,770,000              | \$ 900,000                     |

The long-term liabilities other than debt, such as compensated absences and other postemployment benefits, are paid from the General, Enterprise, and Internal Service funds based on the assignment of the employee at termination.

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 842 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; in addition, the report is available on TMRS’ website at [www.TMRS.com](http://www.TMRS.com).

CITY OF DUNCANVILLE, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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:

|  | <u>2010</u> | <u>2011</u> |
|--|-------------|-------------|
| Employee deposit rate                            | 7%          | 7%          |
| Matching ratio (city to employee)                | 2 to 1      | 2 to 1      |
| Years required for vesting                       | 5           | 5           |
| Service retirement eligibility (age/yrs service) | 60/5, 0/20  | 60/5, 0/20  |
| Updated Service Credit                           | 0%          | 0%          |
| Annuity Increase (to retirees)                   | 0% of CPT   | 0% of CPT   |

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e., December 31, 2010, valuation is effective for rates beginning January 2012).

The City's net pension obligation (NPO) for the current year and two preceding years are as follows:

| Fiscal Year                  | <u>2009</u>        | <u>2010</u>        | <u>2011</u>        |
|------------------------------|--------------------|--------------------|--------------------|
| Actuarial valuation date     | 12/31/2008         | 12/31/2009         | 12/31/2010         |
| NPO, beginning of the year   | \$ -               | \$ -               | \$ -               |
| Annual pension cost:         |                    |                    |                    |
| Annual required contribution | 2,014,528          | 1,684,656          | 1,654,157          |
| Contributions made           | <u>(2,014,528)</u> | <u>(1,684,656)</u> | <u>(1,654,157)</u> |
| NPO, end of the year         | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |

CITY OF DUNCANVILLE, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

| Fiscal Year                                   | 2009                      | 2010                      | 2011                      | 2011                      |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   |                           |                           | Prior to Restructuring    | Restructured              |
| Valuation Date                                | 12/31/2008                | 12/31/2009                | 12/31/2010                | 12/31/2010                |
| Actuarial cost method                         | Projected Unit Credit     | Projected Unit Credit     | Projected Unit Credit     | Projected Unit Credit     |
| Amortization method                           | Level % of payroll        |
| GASB 25 Equivalent Single Amortization Period | 29.0 years closed period  | 27.9 years closed period  | 27.1 years closed period  | 24.9 years closed period  |
| Amortization period for new gains/losses      | 30 years                  | 30 years                  | 30 years                  | 25 years                  |
| Asset valuation method                        | Amortized Cost            | 10-year smoothed market   | 10-year smoothed market   | 10-year smoothed market   |
| Actuarial Assumptions                         |                           |                           |                           |                           |
| Investment return*                            | 7.5%                      | 7.5%                      | 7.5%                      | 7.0%                      |
| Projected salary increases*                   | varies by age and service |
| * Includes Inflation at                       | 3.00%                     | 3.00%                     | 3.00%                     | 3.00%                     |
| Cost-of-living adjustments                    | 2.10%                     | 0.00%                     | 0.00%                     | 0.00%                     |

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

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

| Actuarial valuation date                    | 12/31/2008   | 12/31/2009   | 12/31/2010             | 12/31/2010    |
|---|--------------|--------------|------------------------|---------------|
|   |              |              | Prior to Restructuring | Restructured  |
| Actuarial value of assets                   | \$39,951,321 | \$40,772,620 | \$40,127,975           | \$82,267,239  |
| Actuarial accrued liability (AAL)           | \$47,795,005 | \$48,707,813 | \$48,350,695           | \$79,705,167  |
| Unfunded actuarial accrued liability (UAAL) | \$7,843,684  | \$7,935,193  | \$8,222,720            | (\$2,562,072) |
| Funded ratio                                | 83.6%        | 83.7%        | 83.0%                  | 103.2%        |
| Annual covered payroll (actuarial)          | \$13,481,452 | \$13,323,633 | \$13,648,170           | \$13,648,170  |
| UAAL as a % of covered payroll              | 58.2%        | 59.6%        | 60.2%                  | (18.8)%       |

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

The City has elected not to participate in the TMRS Supplemental Death Benefits Fund for active employees or retirees.

**10. REGIONAL SYSTEMS FOR WATER SUPPLY AND WASTEWATER TREATMENT**

***City of Dallas Water Purchase Agreement*** - In 2010, the City entered into a thirty-year agreement to purchase treated water from the City of Dallas. The rate during fiscal 2011 was \$0.3722 per 1,000 gallons plus an annual demand charge of \$187,263 for each million gallons per day as established by the rate of flow controller setting (currently 12.0 million gallons at \$2,247,156 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 the 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, 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 from Joe Pool Lake to the cities. 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 \$6,840 per year.

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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**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 \$12,340 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 \$217,790 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 \$100,000 per plan year. A third-party insurance company coinsures with the City for individual claims in excess of \$100,000 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 established a comprehensive self-insurance plan for workers' compensation, property and casualty, and general liability coverage. 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 coverage. 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 \$307,812 and \$408,800 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.

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**


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Changes in the funds' claims liability amount in fiscal years 2010 and 2011 were:

|                                   | <b>Beginning<br/>of Fiscal Year<br/>Liability</b> | <b>Claims and<br/>Changes in<br/>Estimates</b> | <b>Claim<br/>Payments</b> | <b>Balance at<br/>Fiscal<br/>Year-End</b> |
|-----------------------------------|---|--|---------------------------|---|
| Medical Self-Insurance Fund       |   |  |                           |   |
| 2010                              | 158,149   | 1,904,095                                      | (1,771,450)               | 290,794                                   |
| 2011                              | 290,794   | 2,071,123                                      | (2,054,105)               | 307,812                                   |
| Comprehensive Self-Insurance Fund |   |  |                           |   |
| 2010                              | 205,641   | 364,747  | (177,360)                 | 393,028                                   |
| 2011                              | 393,028   | 178,142  | (162,370)                 | 408,800                                   |

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. All claims are expected to be paid within one year. Premium payments are reported as inter-fund services provided and used; 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

**Plan Description-** 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 who qualify to receive pension disbursements from Texas Municipal Retirement System (TMRS) through a single-employer defined benefit healthcare plan. The retiree pays premiums for the retiree and dependents monthly. During fiscal year ended 2011, \$463,555 in claims were paid on retirees covered under the plan. The plan does not issue a separate financial report.

**Benefits Provided-** The benefits are provided to the retired employee and dependants under the same plan as active employees in accordance with State law. As of September 30, 2011, twenty-six retirees were covered under the healthcare plan.

**Funding Policy-** The City's contribution is based on a pay-as-you-go funding policy where the City's contributions are equal to claims in excess of retiree contributions. For fiscal year 2011, retiree contributions were \$597 to \$1,118 per month depending on the amount of dependents selected. In fiscal year 2011, total member contributions were \$262,415. The City contributions for fiscal year 2011, which are also equal to claims paid in excess of premiums collected, were \$201,140 for claims paid on retirees covered under the plan.

**Annual OPEB Cost and Net OPEB Obligation-** The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities (or funding excess) over a closed period of not to exceed thirty years.

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

| Fiscal Year                                | 2010              | 2011              |
|--|-------------------|-------------------|
| Annual required contribution               | \$ 477,081        | \$ 375,782        |
| Interest on net OPEB                       | -                 | 27,506            |
| Adjustment to annual required contribution | -                 | (20,375)          |
| Annual OPEB cost (expense)                 | 477,081           | 382,913           |
| Contributions made                         | (260,249)         | (201,140)         |
| Increase in net OPEB obligation            | 216,832           | 181,773           |
| Net OPEB obligation- beginning of the year | 394,411           | 611,243           |
| Net OPEB obligation- end of the year       | <u>\$ 611,243</u> | <u>\$ 793,016</u> |
| Percentage of OPEB costs contributed       | 54.6%             | 52.5%             |

**Funded Status and Funding Progress-** As of December 31, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$4,582,492, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan for the current fiscal year) was \$13,648,170 and the ratio of the unfunded actuarial accrued liability to the covered payroll is 33.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions-** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan member to that point. The actuarial methods and assumption used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspectives of the calculations.

In the December 31, 2010 actuarial valuation, the Projected Unit Cost Credit Cost Method was used. The actuarial present value of benefits allocated to the valuation year is the Normal Cost. The actuarial present value of benefits allocated to all prior periods is the Actuarial Accrued Liability. Actuarial gains (losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability. Unfunded actuarial accrued liabilities (UAAL) (full funding credit if assets exceed liabilities) were amortized by level (principal and interest combined) percent-of-payroll contributions. The UAAL was determined using the funding value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment (one component of the contribution requirement), is the level percent-of-payroll required to fully amortize the UAAL over a 30 closed year period. The Actuarial Value of Assets is set equal to the reported market value of assets. The assets are allocated among the divisions based on liabilities valued at 4.50%.

Actuarial assumptions include a rate of investment return of 4.50% a year compounded annually net after investment expenses. The assumed rate of return is the rate of return in excess of price inflation. General inflation is assumed to be 3.00% per year. Considering other assumption used in the valuation, the 4.50% nominal rate translates to a net real return of 1.50%. The annual healthcare cost trend rate of 10.00% is assumed initially and reduced by decrements to an ultimate rate of 4.50% after ten years.

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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**13. CONTINGENT LIABILITIES**

***Pending Litigation***—In the opinion of the City's management, no pending litigation exists at September 30, 2011.

***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 ("the 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, 2011, is \$623,597. 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 ("the 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, 2011, is \$989,367. In January 2008, the City of Cedar Hill issued \$2,040,000 of bonds to finance the construction of a new animal control shelter. Combined principal and interest of the obligation totaled \$3,064,113 and the City of Duncanville is obligated to pay one third of that total debt or \$1,021,371 over twenty years starting in fiscal year 2009. 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. At the completion of the lease agreement in 2009, D.I.S.D. opted to continue to lease the City building on a month-to-month basis. Total rent due and received from D.I.S.D. in fiscal year 2011 was \$84,000.

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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**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. In September 2009, the Dallas Stars Ltd. terminated the lease agreement resulting in the forfeit of their security deposit of \$634,247. Additional termination fee payments of \$683,406 in fiscal year 2010 and \$683,406 in fiscal year 2011 were paid. See note 19 for additional information.

**18. LOAN TO DCEDC**

The City and DCEDC entered into a loan agreement on January 18, 2005, whereby the City loaned the DCEDC \$500,000. This loan is at a 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 was made October 1, 2006, and the remaining payments were due October 1 of the succeeding years. The loan is paid in full with the final payment of \$109,177 recorded in fiscal year 2011. Proceeds from the loan were used for infrastructure improvements for a planned development at the southeast corner of S. Main Street and E. Highway 67 by Paramount Investment Corporation.

**19. THE FIELDHOUSE**

The City and DCEDC entered into a thirty year operating lease agreement as lessor with Fieldhouse Partners, Ltd. on October 6, 2009. The previous Star Center ice skating facility at 1700 Main was renovated into the Bob Knight Fieldhouse, a community-style recreational center including 2 large open spaces for athletic competitions, restaurant/concessions, fitness rooms and a retail store. The lease agreement with Fieldhouse Partners, Ltd. was terminated due to tenant default and the City took over the operations in fiscal year 2011. The facility is included in these financials as the Fieldhouse Sports Facility.

**20. COMMITMENTS**

**Duncanville Community and Economic Development Corporation (DCEDC)  
Incentive Agreement with DeFord Lumber Co. Ltd.:**

DCEDC agreed to provide DeFord Lumber Co. Ltd. with an economic development grant from lawful available funds payable as provided an amount equal to twenty percent (20%) of the difference between the actual sales tax and the base annual sales tax (\$628,000). The DCEDC grant shall in no event exceed the total amount of \$562,000. The grant will be paid for a period not to exceed eight (8) years, with a commencement date of January 1, 2004, or until the total sum of all grants reaches \$562,000, whichever occurs earliest.

**Duncanville Community and Economic Development Corporation (DCEDC)  
Incentive Agreement with Costco Wholesale Corporation:**

DCEDC agreed to provide Costco Wholesale Corporation with an economic development sales tax rebate grant from lawful available funds in an amount equal to the sales tax receipts (1/2 of one percent (1%) sales and use tax imposed by the City) generated by the Costco Facility for ten (10) years, commencing upon the date the Costco Facility was opened for business (August 2006).

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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**Duncanville Community and Economic Development Corporation (DCEDC)  
Incentive Agreement with Second Century Investments (“SCI”):**

DCEDC agreed to provide an economic development grant to SCI, from lawfully available funds, annually for ten (10) years beginning with the tax year in which completion of the hotel occurs and ending on the tenth anniversary of completion. DCEDC shall reimburse SCI for eighty percent (80%) of the City and County (but not school district) ad valorem taxes assessed to and paid by SCI with respect to the Hotel and Hotel Site.

**City of Duncanville (City) function space license agreement with Second Century Investments (“SCI”):**

City shall pay SCI license fees in an amount equal to one hundred percent (100%) of the Hotel Occupancy Tax paid by the Hotel to the City from the Hotel / Motel fund. The term of this agreement shall be for a period of ten (10) years commencing upon the opening of the hotel for business (September 2005).

**21. CHANGE IN ACCOUNTING PRINCIPLE**

In the implementation of GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions," it was determined that the Community Services fund, a non-major governmental fund, could no longer be classified as a separate special revenue fund. This resulted in the combining of the Community Services with General fund balances at the beginning of the year. The change in accounting principle is displayed below.

|                                  | <u>General Fund</u> | <u>Non-major<br/>Governmental Funds</u> |
|----------------------------------|---------------------|---|
| Fund balances, beginning of year | \$ 3,915,634        | \$ 70,461                               |
| Change in accounting principle   | 70,461              | (70,461)                                |
| Fund balances, restated          | <u>\$ 3,986,095</u> | <u>\$ -</u>                             |

End of Notes to Basic Financial Statements

City of Duncanville, Texas

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

| As of<br>12/31      | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability (AAL) <sup>(1)</sup> | Unfunded<br>Actuarial Accrued<br>Liability (UAAL) | Funded<br>Ratio | Annual<br>Covered<br>Payroll | UAAL as<br>a Percent<br>of Covered<br>Payroll |
|---------------------|---------------------------------|--|---|-----------------|------------------------------|---|
| 2005                | 44,625,852                      | 54,659,964   | 10,034,112  | 81.6%           | 11,836,449                   | 84.8%   |
| 2006                | 43,797,930                      | 55,013,760   | 11,215,830  | 79.6%           | 12,316,312                   | 91.1%   |
| 2007                | 43,302,007                      | 66,123,195   | 22,821,188  | 65.5%           | 12,967,448                   | 176.0%  |
| 2008                | 39,951,321                      | 47,795,005   | 7,843,684   | 83.6%           | 13,481,452                   | 58.2%   |
| 2009                | 40,772,620                      | 48,707,813   | 7,935,193   | 83.7%           | 13,323,633                   | 59.6%   |
| 2010 <sup>(2)</sup> | 40,127,975                      | 48,350,695   | 8,222,720   | 83.0%           | 13,648,170                   | 60.2%   |
| 2010 <sup>(3)</sup> | 82,267,239                      | 79,705,167   | (2,562,072)                                       | 103.2%          | 13,648,170                   | (18.8)%                                       |

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.

(1) For years 2005 and 2006, the actuarial accrued liability was calculated using the Unit Credit actuarial funding method. For years 2007 and forward, the actuarial accrued liability was calculated using the Projected Unit Credit actuarial funding method.

(2) Actuarial valuation performed under the original fund structure

(3) Actuarial valuation performed under the new fund structure

City of Duncanville

Required Supplementary Information  
City of Duncanville Other Post Employment Benefits Plan  
Analysis of Funding Progress  
Last Three Fiscal Years  
(Unaudited)

| As of<br>12/31 | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability (AAL) | Unfunded<br>Actuarial Accrued<br>Liability (UAAL) | Funded<br>Ratio | Annual<br>Covered<br>Payroll | UAAL as<br>a Percent<br>of Covered<br>Payroll |
|----------------|---------------------------------|---|---|-----------------|------------------------------|---|
| 2008           | \$ -                            | \$ 6,508,510                            | \$ 6,508,510                                      | 0.0%            | \$ 13,481,452                | 48.3%   |
| 2009           | -                               | 6,508,510                               | 6,508,510   | 0.0%            | 13,323,633                   | 48.8%   |
| 2010           | -                               | 4,582,492                               | 4,582,492   | 0.0%            | 13,648,170                   | 33.6%   |

Trend data presented is based on December 31, 2010, the date of the actuarial valuation.

CITY OF DUNCANVILLE, TEXAS

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE-REVENUES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|   | <b>Original<br/>Budget</b> | <b>Final Budget</b>  | <b>Actual</b>        | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |
|---|----------------------------|----------------------|----------------------|---|
| <b>PROPERTY TAXES:</b>                  |                            |                      |                      |   |
| Current Taxes                           | \$ 10,967,563              | \$ 10,995,000        | \$ 10,969,622        | \$ (25,378)   |
| Prior rolls                             | 180,000                    | 160,000              | 130,232              | (29,768)  |
| Penalties                               | 130,000                    | 105,000              | 101,426              | (3,574)   |
| <b>Total</b>                            | <b>11,277,563</b>          | <b>11,260,000</b>    | <b>11,201,280</b>    | <b>(58,720)</b>   |
| <b>SALES TAXES:</b>                     |                            |                      |                      |   |
| General                                 | 3,486,060                  | 3,314,904            | 3,365,773            | 50,869  |
| Property tax relief                     | 1,743,030                  | 1,657,452            | 1,682,886            | 25,434  |
| <b>Total</b>                            | <b>5,229,090</b>           | <b>4,972,356</b>     | <b>5,048,659</b>     | <b>76,303</b>   |
| <b>FRANCHISE TAXES:</b>                 |                            |                      |                      |   |
| TXU Electric                            | 1,130,220                  | 1,122,989            | 1,311,087            | 188,098   |
| Atmos Energy                            | 320,000                    | 320,000              | 302,306              | (17,694)  |
| Telephone                               | 287,650                    | 287,650              | 266,602              | (21,048)  |
| Charter Cable Television                | 110,000                    | 110,000              | 109,335              | (665)   |
| Telephone Video Services                | 140,000                    | 140,000              | 163,792              | 23,792  |
| <b>Total</b>                            | <b>1,987,870</b>           | <b>1,980,639</b>     | <b>2,153,122</b>     | <b>172,483</b>  |
| <b>MIXED BEVERAGE TAXES</b>             |                            |                      |                      |   |
| <b>Total taxes</b>                      | <b>57,134</b>              | <b>58,000</b>        | <b>59,671</b>        | <b>1,671</b>  |
|   | <b>18,551,657</b>          | <b>18,270,995</b>    | <b>18,462,732</b>    | <b>191,737</b>  |
| <b>LICENSES, PERMITS AND FEES:</b>      |                            |                      |                      |   |
| Building permits                        | 110,000                    | 120,000              | 135,907              | 15,907  |
| Zoning and special use permits          | 7,300                      | 8,000                | 10,536               | 2,536   |
| Electrical permits                      | 9,500                      | 11,000               | 12,787               | 1,787   |
| Plumbing permits                        | 30,000                     | 34,000               | 45,568               | 11,568  |
| Alarm permits                           | 58,000                     | 58,000               | 62,513               | 4,513   |
| Solicitor licenses                      | 600                        | 100                  | 100                  | -   |
| 9-1-1 service fee                       | 293,000                    | 293,000              | 293,949              | 949   |
| Emergency medical service               | 700,000                    | 600,000              | 621,805              | 21,805  |
| Sign permits                            | 14,000                     | 16,000               | 19,520               | 3,520   |
| Health food inspection fees             | 63,000                     | 63,000               | 68,029               | 5,029   |
| Pool inspection fees                    | 2,500                      | 2,500                | 1,900                | (600)   |
| Wrecker & storage fees                  | 21,000                     | 14,000               | 15,553               | 1,553   |
| <b>Total</b>                            | <b>1,308,900</b>           | <b>1,219,600</b>     | <b>1,288,167</b>     | <b>68,567</b>   |
| <b>MUNICIPAL COURT AND LIBRARY:</b>     |                            |                      |                      |   |
| Municipal court                         | 866,040                    | 701,017              | 777,124              | 76,107  |
| False alarm fees                        | 22,000                     | 15,000               | 21,383               | 6,383   |
| Library                                 | 22,359                     | 15,000               | 16,458               | 1,458   |
| <b>Total</b>                            | <b>910,399</b>             | <b>731,017</b>       | <b>814,965</b>       | <b>83,948</b>   |
| <b>INTERGOVERNMENTAL</b>                |                            |                      |                      |   |
|   | <b>215,400</b>             | <b>242,000</b>       | <b>381,987</b>       | <b>139,987</b>  |
| <b>INTEREST</b>                         |                            |                      |                      |   |
|   | <b>19,000</b>              | <b>16,400</b>        | <b>19,695</b>        | <b>3,295</b>  |
| <b>RECREATIONAL FEES</b>                |                            |                      |                      |   |
|   | <b>195,060</b>             | <b>195,060</b>       | <b>293,872</b>       | <b>98,812</b>   |
| <b>OTHER SALES AND SERVICES:</b>        |                            |                      |                      |   |
| Sale of capital assets/auction proceeds | 27,000                     | 23,510               | 19,367               | (4,143)   |
| Gifts and Contributions                 | -                          | -                    | 19,622               | 19,622  |
| Miscellaneous                           | 368,414                    | 339,406              | 468,419              | 129,013   |
| Rentals                                 | 294,000                    | 298,000              | 307,263              | 9,263   |
| <b>Total</b>                            | <b>689,414</b>             | <b>660,916</b>       | <b>814,671</b>       | <b>153,755</b>  |
| <b>Total revenues</b>                   | <b>\$ 21,889,830</b>       | <b>\$ 21,335,988</b> | <b>\$ 22,076,089</b> | <b>\$ 740,101</b>   |

CITY OF DUNCANVILLE, TEXAS

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE-EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

(Continued on following page)

|                          | <u>Salaries and<br/>Benefits</u> | <u>Supplies</u> | <u>Other Services</u> |
|--------------------------|----------------------------------|-----------------|-----------------------|
| <b>DEPARTMENTS:</b>      |                                  |                 |                       |
| General government-      |                                  |                 |                       |
| Mayor and council        | \$ -                             | \$ 3,578        | \$ 216,487            |
| City manager             | 384,319                          | -               | 8,676                 |
| City secretary           | 74,134                           | 21,185          | 14,618                |
| Personnel services       | 154,663                          | 508             | 22,313                |
| Information systems      | 156,917                          | 29,914          | 102,971               |
| Community information    | 72,673                           | 428             | 2,130                 |
| Library services         | 556,735                          | 13,999          | 31,674                |
| <b>Total</b>             | <u>1,399,441</u>                 | <u>69,612</u>   | <u>398,869</u>        |
| Finance-                 |                                  |                 |                       |
| Administration           | 388,796                          | 5,243           | 124,209               |
| Municipal court          | 237,643                          | 5,042           | 137,865               |
| Purchasing               | 94,462                           | 149             | 101                   |
| City Marshall            | 126,991                          | 1,968           | 3,841                 |
| <b>Total</b>             | <u>847,892</u>                   | <u>12,402</u>   | <u>266,016</u>        |
| Community services-      |                                  |                 |                       |
| Administration           | 181,434                          | 349             | 30,642                |
| Recreational programming | 207,104                          | 6,327           | 13,944                |
| Athletic programming     | 117,389                          | 26,352          | 90,899                |
| Park grounds maintenance | 407,057                          | 50,091          | 457,995               |
| Building services        | 233,491                          | 27,362          | 304,120               |
| Senior center            | 104,700                          | 6,798           | 23,564                |
| Horticulture             | 147,829                          | 10,319          | 1,918                 |
| Community services other | -                                | 29,214          | 138,578               |
| <b>Total</b>             | <u>1,399,004</u>                 | <u>156,812</u>  | <u>1,061,660</u>      |
| Police                   |                                  |                 |                       |
| Administration           | 349,783                          | 13,057          | 83,595                |
| Patrol                   | 3,216,974                        | 35,120          | 126,207               |
| Criminal investigation   | 1,063,967                        | 7,542           | 44,808                |
| Animal control           | 94,686                           | 1,021           | 221,832               |
| School guards            | 72,938                           | 170             | 1,268                 |
| Crime prevention         | 106,104                          | 6,319           | 4,348                 |
| Communication/Records    | 273,624                          | 3,259           | 925,781               |
| School Resource officers | 393,564                          | 1,087           | 5,117                 |
| Special services         | 281,981                          | 57,753          | 39,325                |
| Detention                | 197,278                          | 13,198          | -                     |
| <b>Total</b>             | <u>6,050,899</u>                 | <u>138,526</u>  | <u>1,452,281</u>      |

| <b>Maintenance</b> | <b>Capital</b> | <b>Total Expenditures</b> | <b>Original Budget</b> | <b>Final Budget</b> | <b>Variance with Final Budget Positive (Negative)</b> |
|--------------------|----------------|---------------------------|------------------------|---------------------|---|
| \$ -               | \$ -           | \$ 220,065                | \$ 200,153             | \$ 206,912          | \$ (13,153)   |
| -                  | -              | 392,995                   | 394,440                | 394,323             | 1,328   |
| -                  | -              | 109,937                   | 107,244                | 120,310             | 10,373  |
| -                  | -              | 177,484                   | 225,846                | 191,731             | 14,247  |
| -                  | -              | 289,802                   | 323,072                | 303,106             | 13,304  |
| -                  | -              | 75,231                    | 76,405                 | 76,642              | 1,411   |
| -                  | 36,137         | 638,545                   | 678,108                | 656,153             | 17,608  |
| -                  | 36,137         | 1,904,059                 | 2,005,268              | 1,949,177           | 45,118  |
| -                  | -              | 518,248                   | 520,376                | 512,588             | (5,660)   |
| -                  | -              | 380,550                   | 396,845                | 401,461             | 20,911  |
| -                  | -              | 94,712                    | 96,042                 | 95,837              | 1,125   |
| -                  | -              | 132,800                   | 141,265                | 134,464             | 1,664   |
| -                  | -              | 1,126,310                 | 1,154,528              | 1,144,350           | 18,040  |
| -                  | -              | 212,425                   | 209,805                | 212,826             | 401   |
| -                  | -              | 227,375                   | 326,526                | 233,761             | 6,386   |
| 533                | -              | 235,173                   | 242,687                | 238,733             | 3,560   |
| 51,365             | -              | 966,508                   | 1,023,522              | 1,000,706           | 34,198  |
| 95,877             | 229,667        | 890,517                   | 695,923                | 920,822             | 30,305  |
| -                  | -              | 135,062                   | 142,107                | 139,630             | 4,568   |
| 2,492              | -              | 162,558                   | 169,518                | 165,171             | 2,613   |
| -                  | -              | 167,792                   | -                      | -                   | (167,792)   |
| 150,267            | 229,667        | 2,997,410                 | 2,810,088              | 2,911,649           | (85,761)  |
| -                  | -              | 446,435                   | 449,057                | 448,831             | 2,396   |
| 5,038              | -              | 3,383,339                 | 3,759,453              | 3,435,269           | 51,930  |
| -                  | -              | 1,116,317                 | 955,086                | 1,131,009           | 14,692  |
| -                  | -              | 317,539                   | 308,893                | 305,622             | (11,917)  |
| -                  | -              | 74,376                    | 70,685                 | 70,521              | (3,855)   |
| -                  | -              | 116,771                   | 118,157                | 115,007             | (1,764)   |
| -                  | -              | 1,202,664                 | 1,109,126              | 1,179,285           | (23,379)  |
| -                  | -              | 399,768                   | 392,325                | 387,665             | (12,103)  |
| -                  | -              | 379,059                   | 301,181                | 362,048             | (17,011)  |
| -                  | -              | 210,476                   | 231,447                | 214,690             | 4,214   |
| 5,038              | -              | 7,646,744                 | 7,695,410              | 7,649,947           | 3,203   |

CITY OF DUNCANVILLE, TEXAS

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

|                                    | <u>Salaries and<br/>Benefits</u> | <u>Supplies</u>     | <u>Other Services</u> |
|------------------------------------|----------------------------------|---------------------|-----------------------|
| <b>DEPARTMENTS (Continued):</b>    |                                  |                     |                       |
| Public works-                      |                                  |                     |                       |
| Engineering/Planning               | 197,712                          | 799                 | 37,640                |
| Building inspection                | 421,673                          | 3,811               | 67,607                |
| Streets                            | 609,533                          | 149,951             | 804,879               |
| Signs and signals                  | 175,869                          | 133,989             | 70,243                |
| Equipment services                 | 249,759                          | 316,724             | 52,626                |
| <b>Total</b>                       | <u>1,654,546</u>                 | <u>605,274</u>      | <u>1,032,995</u>      |
| Fire-                              |                                  |                     |                       |
| Administration                     | 340,141                          | 3,437               | 107,708               |
| Prevention                         | 110,829                          | 4,156               | 12,011                |
| Suppression                        | 3,059,010                        | 112,385             | 151,493               |
| Advanced life support              | 912,569                          | 72,457              | 192,734               |
| Emergency Management Administrator | 65,631                           | 1,277               | 1,280                 |
| <b>Total</b>                       | <u>4,488,180</u>                 | <u>193,712</u>      | <u>465,226</u>        |
| <b>NON-DEPARTMENTAL</b>            | <u>11,919</u>                    | <u>48,521</u>       | <u>188,462</u>        |
| <b>Total expenditures</b>          | <u>\$ 15,851,881</u>             | <u>\$ 1,224,859</u> | <u>\$ 4,865,509</u>   |

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| <u>Maintenance</u> | <u>Capital</u>    | <u>Total Expenditures</u> | <u>Original Budget</u> | <u>Final Budget</u>  | <u>Variance with Final Budget Positive (Negative)</u> |
|--------------------|-------------------|---------------------------|------------------------|----------------------|---|
| -                  | 14,995            | 251,146                   | 280,475                | 250,468              | (678)   |
| -                  | -                 | 493,091                   | 527,481                | 516,543              | 23,452  |
| 75                 | -                 | 1,564,438                 | 1,803,157              | 1,614,137            | 49,699  |
| 915                | -                 | 381,016                   | 412,031                | 402,775              | 21,759  |
| <u>285,320</u>     | <u>15,187</u>     | <u>919,616</u>            | <u>840,969</u>         | <u>916,014</u>       | <u>(3,602)</u>  |
| <u>286,310</u>     | <u>30,182</u>     | <u>3,609,307</u>          | <u>3,864,113</u>       | <u>3,699,937</u>     | <u>90,630</u>   |
| 254                | -                 | 451,540                   | 463,312                | 466,370              | 14,830  |
| 126                | -                 | 127,122                   | 127,883                | 126,902              | (220)   |
| 15,769             | -                 | 3,338,657                 | 3,494,596              | 3,393,226            | 54,569  |
| 3,294              | -                 | 1,181,054                 | 1,271,349              | 1,209,495            | 28,441  |
| -                  | -                 | 68,188                    | 75,282                 | 71,854               | 3,666   |
| <u>19,443</u>      | <u>-</u>          | <u>5,166,561</u>          | <u>5,432,422</u>       | <u>5,267,847</u>     | <u>101,286</u>  |
| -                  | -                 | 248,902                   | 195,120                | 246,509              | (2,393)   |
| <u>\$ 461,058</u>  | <u>\$ 295,986</u> | <u>\$ 22,699,293</u>      | <u>\$ 23,156,949</u>   | <u>\$ 22,869,416</u> | <u>\$ 170,123</u>                                     |



**Duncanville**  
*City of Champions*

**DUNCANVILLE**

The Perfect Blend of Family, Community and Business.

CITY OF DUNCANVILLE

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 monies 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.

Grants Fund-to account for funds granted to the City by state and federal governments 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.

Juvenile Case Manager Fund-to account for funds received from Municipal court fines to be used only to finance the salary and benefits of a juvenile case manager.

Asset Forfeiture Fund-to account for awards of money by the courts to the Police Department.

CAPITAL PROJECTS FUND:

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:

Park Construction Fund – 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.

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

CITY OF DUNCANVILLE, TEXAS

COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2011

|  | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total Nonmajor<br/>Funds</u> |
|--|------------------------|-------------------------|---------------------------------|
| <b>ASSETS</b>                                |                        |                         |                                 |
| Cash and cash equivalents                    | \$ 263,215             | \$ 322,681              | \$ 585,896                      |
| Investments                                  | 100,000                | -                       | 100,000                         |
| Receivables:                                 |                        |                         |                                 |
| Taxes  | 111,152                | -                       | 111,152                         |
| Trade accounts                               | 123,321                | -                       | 123,321                         |
| Intergovernmental                            | 13,219                 | -                       | 13,219                          |
| Due from other funds                         | 288,000                | -                       | 288,000                         |
| <b>Total assets</b>                          | <u>\$ 898,907</u>      | <u>\$ 322,681</u>       | <u>\$ 1,221,588</u>             |
| <b>LIABILITIES AND EQUITY</b>                |                        |                         |                                 |
| <b>LIABILITIES:</b>                          |                        |                         |                                 |
| Accounts payable                             | \$ 33,022              | \$ 68,893               | \$ 101,915                      |
| Accrued payroll                              | 3,860                  | -                       | 3,860                           |
| Due to other funds                           | 203,000                | -                       | 203,000                         |
| Deferred revenue                             | 60,416                 | -                       | 60,416                          |
| <b>Total liabilities</b>                     | <u>300,298</u>         | <u>68,893</u>           | <u>369,191</u>                  |
| <b>EQUITY:</b>                               |                        |                         |                                 |
| Fund balances-                               |                        |                         |                                 |
| Restricted                                   | <u>598,609</u>         | <u>253,788</u>          | <u>852,397</u>                  |
| <b>Total fund balances</b>                   | <u>598,609</u>         | <u>253,788</u>          | <u>852,397</u>                  |
| <b>Total liabilities &amp; fund balances</b> | <u>\$ 898,907</u>      | <u>\$ 322,681</u>       | <u>\$ 1,221,588</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, 2011

|  | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total Nonmajor<br/>Funds</u> |
|--|------------------------|-------------------------|---------------------------------|
| <b>REVENUES</b>  |                        |                         |                                 |
| Hotel taxes  | \$ 445,385             | \$ -                    | \$ 445,385                      |
| Licenses, permits and fees                                   | 618,100                | -                       | 618,100                         |
| Fines and forfeitures  | 345,374                | -                       | 345,374                         |
| Intergovernmental  | 144,200                | -                       | 144,200                         |
| Investment income  | 1,370                  | 27                      | 1,397                           |
| Rental and other   | 101                    | -                       | 101                             |
| <b>Total revenues</b>  | <u>1,554,530</u>       | <u>27</u>               | <u>1,554,557</u>                |
| <b>EXPENDITURES</b>  |                        |                         |                                 |
| Current:   |                        |                         |                                 |
| General government   | 142,936                | -                       | 142,936                         |
| Police   | 202,463                | -                       | 202,463                         |
| Public works   | 424,496                | -                       | 424,496                         |
| Fire   | 11,748                 | -                       | 11,748                          |
| Special purposes - promotional                               | 290,107                | -                       | 290,107                         |
| Capital outlay:  |                        |                         |                                 |
| Community services   | 24,146                 | -                       | 24,146                          |
| Special purposes - promotional                               | -                      | 124,029                 | 124,029                         |
| <b>Total expenditures</b>                                    | <u>1,095,896</u>       | <u>124,029</u>          | <u>1,219,925</u>                |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES</b> | <u>458,634</u>         | <u>(124,002)</u>        | <u>334,632</u>                  |
| OTHER FINANCING SOURCES (USES):                              |                        |                         |                                 |
| Transfers in   | 4,165                  | 101,395                 | 105,560                         |
| Transfers out  | (373,161)              | (5,725)                 | (378,886)                       |
| <b>Total other financing sources (uses)</b>                  | <u>(368,996)</u>       | <u>95,670</u>           | <u>(273,326)</u>                |
| <b>NET CHANGE IN FUND BALANCES</b>                           | 89,638                 | (28,332)                | 61,306                          |
| <b>FUND BALANCES, beginning of year</b>                      | 579,432                | 282,120                 | 861,552                         |
| <b>CHANGE IN ACCOUNTING PRINCIPLE</b>                        | <u>(70,461)</u>        | <u>-</u>                | <u>(70,461)</u>                 |
| <b>FUND BALANCES, end of year</b>                            | <u>\$ 598,609</u>      | <u>\$ 253,788</u>       | <u>\$ 852,397</u>               |

CITY OF DUNCANVILLE, TEXAS

NON-MAJOR SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEET  
 SEPTEMBER 30, 2011

|   | <u>Hotel<br/>Motel Tax</u> | <u>Drainage<br/>Fees</u> | <u>Grants</u>     |
|---|----------------------------|--------------------------|-------------------|
| <b>ASSETS</b>                                     |                            |                          |                   |
| Cash and cash equivalents                         | \$ 496                     | \$ 998                   | \$ 39,614         |
| Investments                                       | 100,000                    | -                        | -                 |
| Receivables:                                      |                            |                          |                   |
| Taxes   | 111,152                    | -                        | -                 |
| Trade accounts (net of allowance)                 | -                          | 123,321                  | -                 |
| Intergovernmental                                 | -                          | -                        | 13,219            |
| Due from other funds                              | -                          | -                        | 85,000            |
| <b>Total assets</b>                               | <u>\$ 211,648</u>          | <u>\$ 124,319</u>        | <u>\$ 137,833</u> |
| <b>LIABILITIES AND FUND BALANCES</b>              |                            |                          |                   |
| <b>LIABILITIES:</b>                               |                            |                          |                   |
| Accounts payable                                  | \$ 25,474                  | \$ 5,708                 | \$ 1,067          |
| Accrued payroll                                   | -                          | 2,828                    | 1,032             |
| Due to other funds                                | 133,000                    | 70,000                   | -                 |
| Deferred revenue                                  | -                          | -                        | -                 |
| <b>Total liabilities</b>                          | <u>158,474</u>             | <u>78,536</u>            | <u>2,099</u>      |
| <b>FUND BALANCES:</b>                             |                            |                          |                   |
| <b>Restricted for:</b>                            |                            |                          |                   |
| Promotion of tourism and hotel industry           | 53,174                     | -                        | -                 |
| Maintenance and construction of drainage projects | -                          | 45,783                   | -                 |
| Public safety, cultural and recreational services | -                          | -                        | 135,734           |
| Court technology                                  | -                          | -                        | -                 |
| Court security                                    | -                          | -                        | -                 |
| Juvenile case management                          | -                          | -                        | -                 |
| Public safety and criminal investigations         | -                          | -                        | -                 |
| <b>Total fund balances</b>                        | <u>53,174</u>              | <u>45,783</u>            | <u>135,734</u>    |
| <b>Total liabilities &amp; fund balances</b>      | <u>\$ 211,648</u>          | <u>\$ 124,319</u>        | <u>\$ 137,833</u> |

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| <b>Court<br/>Technology</b> | <b>Court Security</b> | <b>Juvenile Case<br/>Manager</b> | <b>Asset Forfeiture</b> | <b>Total</b>      |
|-----------------------------|-----------------------|----------------------------------|-------------------------|-------------------|
| \$ 9,081                    | \$ 55,117             | \$ 50,286                        | \$ 107,623              | \$ 263,215        |
| -                           | -                     | -                                | -                       | 100,000           |
| -                           | -                     | -                                | -                       | 111,152           |
| -                           | -                     | -                                | -                       | 123,321           |
| -                           | -                     | -                                | -                       | 13,219            |
| -                           | -                     | -                                | 203,000                 | 288,000           |
| <u>\$ 9,081</u>             | <u>\$ 55,117</u>      | <u>\$ 50,286</u>                 | <u>\$ 310,623</u>       | <u>\$ 898,907</u> |
| <br>                        |                       |                                  |                         |                   |
| \$ 213                      | \$ -                  | \$ -                             | \$ 560                  | \$ 33,022         |
| -                           | -                     | -                                | -                       | 3,860             |
| -                           | -                     | -                                | -                       | 203,000           |
| -                           | -                     | -                                | 60,416                  | 60,416            |
| <u>213</u>                  | <u>-</u>              | <u>-</u>                         | <u>60,976</u>           | <u>300,298</u>    |
| <br>                        |                       |                                  |                         |                   |
| -                           | -                     | -                                | -                       | 53,174            |
| -                           | -                     | -                                | -                       | 45,783            |
| -                           | -                     | -                                | -                       | 135,734           |
| 8,868                       | -                     | -                                | -                       | 8,868             |
| -                           | 55,117                | -                                | -                       | 55,117            |
| -                           | -                     | 50,286                           | -                       | 50,286            |
| -                           | -                     | -                                | 249,647                 | 249,647           |
| <u>8,868</u>                | <u>55,117</u>         | <u>50,286</u>                    | <u>249,647</u>          | <u>598,609</u>    |
| <br>                        |                       |                                  |                         |                   |
| <u>\$ 9,081</u>             | <u>\$ 55,117</u>      | <u>\$ 50,286</u>                 | <u>\$ 310,623</u>       | <u>\$ 898,907</u> |

CITY OF DUNCANVILLE, TEXAS

**NON-MAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|  | <b>Hotel<br/>Motel Tax</b> | <b>Drainage Fees</b> | <b>Community<br/>Services</b> | <b>Grants</b>     |
|--|----------------------------|----------------------|-------------------------------|-------------------|
| <b>REVENUES</b>  |                            |                      |                               |                   |
| Hotel taxes  | \$ 445,385                 | \$ -                 | \$ -                          | \$ -              |
| Licenses, permits and fees                                   | -                          | 618,100              | -                             | -                 |
| Fines and forfeitures  | -                          | -                    | -                             | -                 |
| Intergovernmental  | -                          | -                    | -                             | 144,200           |
| Investment income  | 904                        | 17                   | -                             | 12                |
| Rental and other   | 101                        | -                    | -                             | -                 |
| <b>Total revenues</b>  | <b>446,390</b>             | <b>618,117</b>       | <b>-</b>                      | <b>144,212</b>    |
| <b>EXPENDITURES</b>  |                            |                      |                               |                   |
| Current:   |                            |                      |                               |                   |
| General government   | 90,418                     | -                    | -                             | 9,023             |
| Police   | -                          | -                    | -                             | 64,764            |
| Public works   | -                          | 366,987              | -                             | 57,509            |
| Fire   | -                          | -                    | -                             | 11,748            |
| Special purposes - promotional                               | 290,107                    | -                    | -                             | -                 |
| Capital outlay:  |                            |                      |                               |                   |
| Community services   | -                          | -                    | -                             | -                 |
| <b>Total expenditures</b>                                    | <b>380,525</b>             | <b>366,987</b>       | <b>-</b>                      | <b>143,044</b>    |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES</b> | <b>65,865</b>              | <b>251,130</b>       | <b>-</b>                      | <b>1,168</b>      |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                            |                      |                               |                   |
| Transfers in   | -                          | -                    | -                             | 4,165             |
| Transfers out  | (21,323)                   | (351,838)            | -                             | -                 |
| <b>Total other financing sources (uses)</b>                  | <b>(21,323)</b>            | <b>(351,838)</b>     | <b>-</b>                      | <b>4,165</b>      |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>44,542</b>              | <b>(100,708)</b>     | <b>-</b>                      | <b>5,333</b>      |
| <b>FUND BALANCES, beginning of year</b>                      | <b>8,632</b>               | <b>146,491</b>       | <b>70,461</b>                 | <b>130,401</b>    |
| <b>CHANGE IN ACCCOUNTING PRINCIPLE</b>                       | <b>-</b>                   | <b>-</b>             | <b>(70,461)</b>               | <b>-</b>          |
| <b>FUND BALANCES, end of year</b>                            | <b>\$ 53,174</b>           | <b>\$ 45,783</b>     | <b>\$ -</b>                   | <b>\$ 135,734</b> |

| <u>Court Technology</u> | <u>Court Security</u> | <u>Juvenile Case Manager</u> | <u>Asset Forfeiture</u> | <u>Total</u>      |
|-------------------------|-----------------------|------------------------------|-------------------------|-------------------|
| \$ -                    | \$ -                  | \$ -                         | \$ -                    | \$ 445,385        |
| -                       | -                     | -                            | -                       | 618,100           |
| 21,173                  | 15,874                | 25,927                       | 282,400                 | 345,374           |
| -                       | -                     | -                            | -                       | 144,200           |
| 7                       | 303                   | 127                          | -                       | 1,370             |
| -                       | -                     | -                            | -                       | 101               |
| <u>21,180</u>           | <u>16,177</u>         | <u>26,054</u>                | <u>282,400</u>          | <u>1,554,530</u>  |
| 23,482                  | 7,317                 | 12,696                       | -                       | 142,936           |
| -                       | -                     | -                            | 137,699                 | 202,463           |
| -                       | -                     | -                            | -                       | 424,496           |
| -                       | -                     | -                            | -                       | 11,748            |
| -                       | -                     | -                            | -                       | 290,107           |
| -                       | 24,146                | -                            | -                       | 24,146            |
| <u>23,482</u>           | <u>31,463</u>         | <u>12,696</u>                | <u>137,699</u>          | <u>1,095,896</u>  |
| <u>(2,302)</u>          | <u>(15,286)</u>       | <u>13,358</u>                | <u>144,701</u>          | <u>458,634</u>    |
| -                       | -                     | -                            | -                       | 4,165             |
| -                       | -                     | -                            | -                       | (373,161)         |
| -                       | -                     | -                            | -                       | (368,996)         |
| (2,302)                 | (15,286)              | 13,358                       | 144,701                 | 89,638            |
| 11,170                  | 70,403                | 36,928                       | 104,946                 | 579,432           |
| -                       | -                     | -                            | -                       | (70,461)          |
| <u>\$ 8,868</u>         | <u>\$ 55,117</u>      | <u>\$ 50,286</u>             | <u>\$ 249,647</u>       | <u>\$ 598,609</u> |

CITY OF DUNCANVILLE, TEXAS

**HOTEL-MOTEL TAX FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|  | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>    | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |
|--|----------------------------|-------------------------|------------------|---|
| <b>REVENUES</b>  |                            |                         |                  |   |
| Hotel, motel taxes   | \$ 442,923                 | \$ 409,384              | \$ 445,385       | \$ 36,001   |
| Interest on investments                                      | 500                        | 700                     | 904              | 204   |
| Other  | -                          | -                       | 101              | 101   |
| <b>Total revenues</b>  | <u>443,423</u>             | <u>410,084</u>          | <u>446,390</u>   | <u>36,306</u>   |
| <b>EXPENDITURES</b>  |                            |                         |                  |   |
| General government   | 97,558                     | 92,425                  | 90,418           | 2,007   |
| Special purposes-promotional                                 | 330,507                    | 276,498                 | 290,107          | (13,609)  |
| <b>Total expenditures</b>                                    | <u>428,065</u>             | <u>368,923</u>          | <u>380,525</u>   | <u>(11,602)</u>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES</b> | 15,358                     | 41,161                  | 65,865           | 24,704  |
| <b>OTHER FINANCING USES:</b>                                 |                            |                         |                  |   |
| Transfers out  | <u>(21,323)</u>            | <u>(21,323)</u>         | <u>(21,323)</u>  | <u>-</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>                           | (5,965)                    | 19,838                  | 44,542           | 24,704  |
| <b>FUND BALANCE, beginning of year</b>                       |                            |                         | <u>8,632</u>     |   |
| <b>FUND BALANCE, end of year</b>                             |                            |                         | <u>\$ 53,174</u> |   |

CITY OF DUNCANVILLE, TEXAS

**DRAINAGE FEES FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|------------------|---|
| <b>REVENUES</b>                                 |                            |                         |                  |   |
| Drainage fees                                   | \$ 662,550                 | \$ 662,550              | \$ 618,100       | \$ (44,450)   |
| Interest on investments                         | 100                        | 35                      | 17               | (18)  |
| City services reimbursement                     | 12,771                     | 6,671                   | -                | (6,671)   |
| <b>Total revenues</b>                           | <u>675,421</u>             | <u>669,256</u>          | <u>618,117</u>   | <u>(51,139)</u>   |
| <b>EXPENDITURES</b>                             |                            |                         |                  |   |
| Public works                                    | 325,556                    | 383,979                 | 366,987          | 16,992  |
| <b>Total expenditures</b>                       | <u>325,556</u>             | <u>383,979</u>          | <u>366,987</u>   | <u>16,992</u>   |
| <b>EXCESS OF REVENUES OVER<br/>EXPENDITURES</b> | 349,865                    | 285,277                 | 251,130          | (34,147)  |
| <b>OTHER FINANCING USES:</b>                    |                            |                         |                  |   |
| Transfers out                                   | <u>(351,838)</u>           | <u>(351,838)</u>        | <u>(351,838)</u> | <u>-</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>              | (1,973)                    | (66,561)                | (100,708)        | (34,147)  |
| <b>FUND BALANCE, beginning of year</b>          |                            |                         | <u>146,491</u>   |   |
| <b>FUND BALANCE, end of year</b>                |                            |                         | <u>\$ 45,783</u> |   |

CITY OF DUNCANVILLE, TEXAS

NON-MAJOR CAPITAL PROJECTS FUNDS  
 COMBINING BALANCE SHEET  
 SEPTEMBER 30, 2011

|  | <u>Park<br/>Construction</u> | <u>Capital<br/>Improvements</u> | <u>Senior Center<br/>Building<br/>Improvements</u> | <u>Total</u>      |
|--|------------------------------|---------------------------------|--|-------------------|
| <b>ASSETS</b>                                |                              |                                 |  |                   |
| Cash and investments                         | \$ 41,527                    | \$ 281,154                      | \$ -   | \$ 322,681        |
| <b>Total assets</b>                          | <u>41,527</u>                | <u>281,154</u>                  | <u>-</u>   | <u>322,681</u>    |
| <b>LIABILITIES AND FUND BALANCES</b>         |                              |                                 |  |                   |
| <b>LIABILITIES:</b>                          |                              |                                 |  |                   |
| Accounts payable                             | -                            | 68,893                          | -  | 68,893            |
| <b>Total liabilities</b>                     | <u>-</u>                     | <u>68,893</u>                   | <u>-</u>   | <u>68,893</u>     |
| <b>FUND BALANCES:</b>                        |                              |                                 |  |                   |
| <b>Restricted for:</b>                       |                              |                                 |  |                   |
| Park construction                            | 41,527                       | -                               | -  | 41,527            |
| Capital improvements                         | -                            | 212,261                         | -  | 212,261           |
| <b>Total fund balances</b>                   | <u>41,527</u>                | <u>212,261</u>                  | <u>-</u>   | <u>253,788</u>    |
| <b>Total liabilities &amp; fund balances</b> | <u>\$ 41,527</u>             | <u>\$ 281,154</u>               | <u>\$ -</u>  | <u>\$ 322,681</u> |

CITY OF DUNCANVILLE, TEXAS

**NON-MAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|   | <b>Park<br/>Construction</b> | <b>Capital<br/>Improvements</b> | <b>Senior Center<br/>Building<br/>Improvements</b> | <b>Total</b>      |
|---|------------------------------|---------------------------------|--|-------------------|
| <b>REVENUES</b>                                     |                              |                                 |  |                   |
| Investment income                                   | \$ -                         | \$ 27                           | \$ -   | \$ 27             |
| <b>Total revenues</b>                               | <u>-</u>                     | <u>27</u>                       | <u>-</u>   | <u>27</u>         |
| <b>EXPENDITURES</b>                                 |                              |                                 |  |                   |
| Capital outlay- special purposes                    | -                            | 124,029                         | -  | 124,029           |
| <b>Total expenditures</b>                           | <u>-</u>                     | <u>124,029</u>                  | <u>-</u>   | <u>124,029</u>    |
| <b>DEFICIENCY OF REVENUES OVER<br/>EXPENDITURES</b> | <u>-</u>                     | <u>(124,002)</u>                | <u>-</u>   | <u>(124,002)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>               |                              |                                 |  |                   |
| Transfers in  | 5,725                        | 95,670                          | -  | 101,395           |
| Transfers out                                       | -                            | -                               | (5,725)  | (5,725)           |
|   | <u>5,725</u>                 | <u>95,670</u>                   | <u>(5,725)</u>                                     | <u>95,670</u>     |
| <b>NET CHANGE IN FUND BALANCES</b>                  | 5,725                        | (28,332)                        | (5,725)  | (28,332)          |
| <b>FUND BALANCES, beginning of year</b>             | <u>35,802</u>                | <u>240,593</u>                  | <u>5,725</u>                                       | <u>282,120</u>    |
| <b>FUND BALANCES, end of year</b>                   | <u>\$ 41,527</u>             | <u>\$ 212,261</u>               | <u>\$ -</u>  | <u>\$ 253,788</u> |

CITY OF DUNCANVILLE, TEXAS

**DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|   | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual</u>    | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|---------------------|------------------|---|
| <b>REVENUES</b>                                     |                            |                     |                  |   |
| Ad valorem taxes                                    | \$ 1,411,492               | \$ 1,411,492        | \$ 1,411,979     | \$ 487  |
| Delinquent taxes                                    | 37,000                     | 37,000              | 32,921           | (4,079)   |
| Penalties and interest                              | 30,000                     | 15,000              | 19,294           | 4,294   |
| Interest on investments                             | 3,200                      | 3,000               | 10,906           | 7,906   |
| <b>Total revenues</b>                               | <u>1,481,692</u>           | <u>1,466,492</u>    | <u>1,475,100</u> | <u>8,608</u>  |
| <b>EXPENDITURES</b>                                 |                            |                     |                  |   |
| Principal retirement                                | 1,170,145                  | 1,170,145           | 1,122,685        | 47,460  |
| Interest on debt                                    | 433,380                    | 433,380             | 480,840          | (47,460)  |
| Paying agent fees                                   | 9,167                      | 5,000               | 1,233            | 3,767   |
| <b>Total expenditures</b>                           | <u>1,612,692</u>           | <u>1,608,525</u>    | <u>1,604,758</u> | <u>3,767</u>  |
| <b>DEFICIENCY OF REVENUES OVER<br/>EXPENDITURES</b> | (131,000)                  | (142,033)           | (129,658)        | 12,375  |
| <b>OTHER FINANCING SOURCES:</b>                     |                            |                     |                  |   |
| Transfers in  | <u>201,000</u>             | <u>201,000</u>      | <u>201,838</u>   | <u>838</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>                  | 70,000                     | 58,967              | 72,180           | 13,213  |
| <b>FUND BALANCES, beginning of year</b>             |                            |                     | <u>4,183</u>     |   |
| <b>FUND BALANCES, end of year</b>                   |                            |                     | <u>\$ 76,363</u> |   |

CITY OF DUNCANVILLE, TEXAS

**ENTERPRISE FUNDS  
SCHEDULE OF DETAILED REVENUES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|  | <u>Original<br/>Budget</u> | <u>Final Budget</u>  | <u>Actual</u>        | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|----------------------|----------------------|---|
| <b><u>UTILITY FUND</u></b>                   |                            |                      |                      |   |
| <b>WATER:</b>                                |                            |                      |                      |   |
| Sale of water                                | \$ 6,041,269               | \$ 6,493,944         | \$ 7,223,699         | \$ 729,755  |
| Water taps                                   | 6,000                      | 8,000                | 8,218                | 218   |
| <b>Total</b>                                 | <u>6,047,269</u>           | <u>6,501,944</u>     | <u>7,231,917</u>     | <u>729,973</u>  |
| <b>SEWER:</b>                                |                            |                      |                      |   |
| Sewer charges                                | 4,817,015                  | 4,698,587            | 4,754,080            | 55,493  |
| Sewer taps                                   | 1,200                      | 2,600                | 2,700                | 100   |
| <b>Total</b>                                 | <u>4,818,215</u>           | <u>4,701,187</u>     | <u>4,756,780</u>     | <u>55,593</u>   |
| <b>PENALTIES</b>                             | <u>80,000</u>              | <u>125,000</u>       | <u>149,434</u>       | <u>24,434</u>   |
| <b>OTHER:</b>                                |                            |                      |                      |   |
| Service charges                              | 115,000                    | 124,800              | 123,805              | (995)   |
| City services reimbursement                  | -                          | 6,042                | 17,268               | 11,226  |
| Miscellaneous                                | 33,300                     | 36,119               | 37,493               | 1,374   |
| <b>Total</b>                                 | <u>148,300</u>             | <u>166,961</u>       | <u>178,566</u>       | <u>11,605</u>   |
| <b>INTEREST INCOME</b>                       | <u>12,300</u>              | <u>10,000</u>        | <u>6,682</u>         | <u>(3,318)</u>  |
| <b>Total revenues - Utility Fund</b>         | <u>\$ 11,106,084</u>       | <u>\$ 11,505,092</u> | <u>\$ 12,323,379</u> | <u>\$ 818,287</u>   |
| <b><u>SOLID WASTE FUND</u></b>               |                            |                      |                      |   |
| <b>SOLID WASTE CHARGES:</b>                  | \$ 2,489,799               | \$ 2,505,925         | \$ 2,418,321         | \$ (87,604)   |
| <b>INTEREST INCOME:</b>                      | 120                        | 300                  | 139                  | (161)   |
| <b>Total revenues - Solid Waste Fund</b>     | <u>2,489,919</u>           | <u>2,506,225</u>     | <u>2,418,460</u>     | <u>(87,765)</u>   |
| <b><u>FIELDHOUSE SPORTS FACILITY</u></b>     |                            |                      |                      |   |
| <b>SPORTS FACILITY:</b>                      | \$ -                       | \$ 727,386           | \$ 1,310,209         | \$ 582,823  |
| <b>Total revenues - Sports Facility Fund</b> | <u>-</u>                   | <u>727,386</u>       | <u>1,310,209</u>     | <u>582,823</u>  |
| <b>Total revenues - Enterprise Funds</b>     | <u>\$ 13,596,003</u>       | <u>\$ 14,738,703</u> | <u>\$ 16,052,048</u> | <u>\$ 1,313,345</u>   |

CITY OF DUNCANVILLE, TEXAS

ENTERPRISE FUNDS  
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

|  | Salaries and<br>Benefits | Supplies          | Other Services       | Maintenance       |
|--|--------------------------|-------------------|----------------------|-------------------|
| <b>UTILITY FUND</b>                            |                          |                   |                      |                   |
| <b>WATER SERVICES</b>                          | \$ 515,881               | \$ 183,113        | \$ 3,393,570         | \$ 64,855         |
| <b>WASTEWATER TREATMENT</b>                    | 456,315                  | 76,788            | 3,178,268            | 49,000            |
| <b>ADMINISTRATION AND FISCAL</b>               |                          |                   |                      |                   |
| Utility administration                         | 256,299                  | 10,275            | 36,688               | -                 |
| Utility accounting                             | 553,125                  | 71,760            | 218,272              | 4,378             |
|  | <u>1,781,620</u>         | <u>341,936</u>    | <u>6,826,798</u>     | <u>118,233</u>    |
| <b>INTEREST AND FISCAL CHARGES</b>             | -                        | -                 | 124,923              | -                 |
| <b>PRINCIPAL RETIREMENT</b>                    | -                        | -                 | 260,000              | -                 |
| <b>TRANSFERS OUT</b>                           | -                        | -                 | 1,501,659            | -                 |
| <b>Total Utility Fund expenditures</b>         | <u>\$ 1,781,620</u>      | <u>\$ 341,936</u> | <u>\$ 8,713,380</u>  | <u>\$ 118,233</u> |
| <b>SOLID WASTE FUND</b>                        |                          |                   |                      |                   |
| <b>SOLID WASTE</b>                             | \$ 84,411                | \$ 5,798          | \$ 1,929,677         | \$ 645            |
| <b>TRANSFERS OUT</b>                           | -                        | -                 | 188,817              | -                 |
| <b>Total Solid Waste Fund expenditures</b>     | <u>84,411</u>            | <u>5,798</u>      | <u>2,118,494</u>     | <u>645</u>        |
| <b>FIELDHOUSE SPORTS FACILITY</b>              |                          |                   |                      |                   |
| <b>SPORTS FACILITY</b>                         | \$ 204,322               | \$ 57,127         | \$ 450,271           | \$ 78,633         |
| <b>INTEREST AND FISCAL CHARGES</b>             | -                        | -                 | 226,622              | -                 |
| <b>PRINCIPAL RETIREMENT</b>                    | -                        | -                 | 360,000              | -                 |
| <b>Total Sports Facility Fund expenditures</b> | <u>204,322</u>           | <u>57,127</u>     | <u>1,036,893</u>     | <u>78,633</u>     |
| <b>Total Enterprise Fund expenditures</b>      | <u>\$ 2,070,353</u>      | <u>\$ 404,861</u> | <u>\$ 11,868,767</u> | <u>\$ 197,511</u> |

Reconciliation from budgetary basis (modified accrual) to full accrual:

**Total modified accrual expenditures**

Reconciling Items:  
 Capital outlay  
 Principal retirement  
 Depreciation and amortization  
 Interest expense  
 Transfers

**Total full accrual operating expenditures**

| <u>Capital</u>    | <u>Total</u>         | <u>Original Budget</u> | <u>Final Budget</u>  | <u>Variance with Final Budget Positive (Negative)</u> |
|-------------------|----------------------|------------------------|----------------------|---|
| \$ 199,341        | \$ 4,356,760         | \$ 4,874,166           | \$ 4,472,230         | \$ 115,470  |
| 632,501           | 4,392,872            | 5,108,136              | 4,999,801            | 606,929   |
| -                 | 303,262              | 358,383                | 325,665              | 22,403  |
| -                 | 847,535              | 877,537                | 879,826              | 32,291  |
| <u>831,842</u>    | <u>9,900,429</u>     | <u>11,218,222</u>      | <u>10,677,522</u>    | <u>777,093</u>  |
| -                 | 124,923              | 116,033                | 116,033              | (8,890)   |
| -                 | 260,000              | 260,000                | 260,000              | -   |
| -                 | 1,501,659            | 1,211,293              | 1,497,494            | (4,165)   |
| <u>\$ 831,842</u> | <u>\$ 11,787,011</u> | <u>\$ 12,805,548</u>   | <u>\$ 12,551,049</u> | <u>\$ 764,038</u>                                     |
| \$ -              | \$ 2,020,531         | \$ 2,290,672           | \$ 2,062,499         | \$ 41,968   |
| -                 | 188,817              | 188,817                | 188,817              | -   |
| -                 | 2,209,348            | 2,479,489              | 2,251,316            | 41,968  |
| \$ 6,510          | \$ 796,863           | \$ -                   | \$ 547,304           | \$ (249,559)  |
| -                 | 226,622              | -                      | 183,665              | (42,957)  |
| -                 | 360,000              | -                      | 360,000              | -   |
| <u>6,510</u>      | <u>1,383,485</u>     | <u>-</u>               | <u>1,090,969</u>     | <u>(292,516)</u>                                      |
| <u>\$ 838,352</u> | <u>\$ 15,379,844</u> | <u>\$ 15,285,037</u>   | <u>\$ 15,893,334</u> | <u>\$ 513,490</u>                                     |

\$ 15,379,844

(838,352)

(620,000)

1,008,341

(351,545)

(1,690,476)

\$ 12,887,812



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CITY OF DUNCANVILLE

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, 2011

|  | Fleet<br>Replacement | Medical<br>Self-Insurance | Comprehensive Self-<br>Insurance | Total               |
|--|----------------------|---------------------------|----------------------------------|---------------------|
| <b>ASSETS</b>                                  |                      |                           |                                  |                     |
| Cash and cash equivalents                      | \$ 1,510,487         | \$ 101,368                | \$ 94,783                        | \$ 1,706,638        |
| Investments                                    | 100,000              | -                         | 200,000                          | 300,000             |
| Accrued interest and other                     | 4,731                | 102,091                   | 396                              | 107,218             |
| Prepaid items                                  | -                    | 7,231                     | -                                | 7,231               |
| <b>Total current assets</b>                    | <b>1,615,218</b>     | <b>210,690</b>            | <b>295,179</b>                   | <b>2,121,087</b>    |
| Capital assets - equipment net of depreciation | 230,605              | -                         | -                                | 230,605             |
| Capital assets - vehicles net of depreciation  | 1,015,087            | -                         | -                                | 1,015,087           |
| <b>Total non-current assets</b>                | <b>1,245,692</b>     | <b>-</b>                  | <b>-</b>                         | <b>1,245,692</b>    |
| <b>Total assets</b>                            | <b>\$ 2,860,910</b>  | <b>\$ 210,690</b>         | <b>\$ 295,179</b>                | <b>\$ 3,366,779</b> |
| <b>LIABILITIES</b>                             |                      |                           |                                  |                     |
| Accounts payable                               | \$ -                 | \$ 76                     | \$ 10,218                        | \$ 10,294           |
| Accrued liabilities                            | -                    | 307,812                   | 408,800                          | 716,612             |
| <b>Total liabilities</b>                       | <b>-</b>             | <b>307,888</b>            | <b>419,018</b>                   | <b>726,906</b>      |
| <b>NET ASSETS</b>                              |                      |                           |                                  |                     |
| Invested in capital assets                     | 1,245,692            | -                         | -                                | 1,245,692           |
| Unrestricted                                   | 1,615,218            | (97,198)                  | (123,839)                        | 1,394,181           |
| <b>Total net assets</b>                        | <b>\$ 2,860,910</b>  | <b>\$ (97,198)</b>        | <b>\$ (123,839)</b>              | <b>\$ 2,639,873</b> |

CITY OF DUNCANVILLE, TEXAS

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|                                     | <u>Fleet<br/>Replacement</u> | <u>Medical<br/>Self-Insurance</u> | <u>Comprehensive<br/>Self-Insurance</u> | <u>Total</u>        |
|-------------------------------------|------------------------------|-----------------------------------|---|---------------------|
| <b>OPERATING REVENUES</b>           |                              |                                   |   |                     |
| Premiums and charges for services   | \$ 452,180                   | \$ 2,264,179                      | \$ 407,833                              | \$ 3,124,192        |
| <b>Total operating revenues</b>     | <u>452,180</u>               | <u>2,264,179</u>                  | <u>407,833</u>                          | <u>3,124,192</u>    |
| <b>OPERATING EXPENSES</b>           |                              |                                   |   |                     |
| Claims and provision                | -                            | 2,071,123                         | 178,142                                 | 2,249,265           |
| Administrative and fiscal           | -                            | 428,628                           | 205,609                                 | 634,237             |
| Depreciation                        | 637,612                      | -                                 | -                                       | 637,612             |
| <b>Total operating expenses</b>     | <u>637,612</u>               | <u>2,499,751</u>                  | <u>383,751</u>                          | <u>3,521,114</u>    |
| <b>OPERATING LOSS</b>               | <u>(185,432)</u>             | <u>(235,572)</u>                  | <u>24,082</u>                           | <u>(396,922)</u>    |
| <b>NON-OPERATING REVENUES</b>       |                              |                                   |   |                     |
| Interest income                     | 1,886                        | 1,983                             | 2,043                                   | 5,912               |
| <b>Total non-operating revenues</b> | <u>1,886</u>                 | <u>1,983</u>                      | <u>2,043</u>                            | <u>5,912</u>        |
| <b>CHANGE IN NET ASSETS</b>         | (183,546)                    | (233,589)                         | 26,125                                  | (391,010)           |
| <b>TOTAL NET ASSETS- BEGINNING</b>  | <u>3,044,456</u>             | <u>136,391</u>                    | <u>(149,964)</u>                        | <u>3,030,883</u>    |
| <b>TOTAL NET ASSETS- ENDING</b>     | <u>\$ 2,860,910</u>          | <u>\$ (97,198)</u>                | <u>\$ (123,839)</u>                     | <u>\$ 2,639,873</u> |

CITY OF DUNCANVILLE, TEXAS

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

|  | <u>Fleet<br/>Replacement</u> | <u>Medical<br/>Self-Insurance</u> | <u>Comprehensive<br/>Self-Insurance</u> | <u>Total</u>     |
|--|------------------------------|-----------------------------------|---|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                              |                                   |   |                  |
| Internal activity-receipts from other funds  | 452,180                      | 2,264,179                         | 407,833                                 | 3,124,192        |
| Payments to suppliers  | -                            | (2,488,711)                       | (365,509)                               | (2,854,220)      |
| Other  | 708,394                      | (34,725)                          | -                                       | 673,669          |
| <b>Net cash provided by (used in) operating activities</b>   | <u>1,160,574</u>             | <u>(259,257)</u>                  | <u>42,324</u>                           | <u>943,641</u>   |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES</b>                                    |                              |                                   |   |                  |
| Purchase of capital assets   | (346,456)                    | -                                 | -                                       | (346,456)        |
| <b>Net cash used in capital related financing<br/>and related financing activities</b>                 | <u>(346,456)</u>             | <u>-</u>                          | <u>-</u>                                | <u>(346,456)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                              |                                   |   |                  |
| Maturity (purchase) of investments   | -                            | 200,000                           | 50,000                                  | 250,000          |
| Interest received on investments   | 2,005                        | 2,483                             | 2,147                                   | 6,635            |
| <b>Net cash provided by investing activities</b>   | <u>2,005</u>                 | <u>202,483</u>                    | <u>52,147</u>                           | <u>256,635</u>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | 816,123                      | (56,774)                          | 94,471                                  | 853,820          |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>  | <u>694,364</u>               | <u>158,142</u>                    | <u>312</u>                              | <u>852,818</u>   |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>  | <u>1,510,487</u>             | <u>101,368</u>                    | <u>94,783</u>                           | <u>1,706,638</u> |
| <b>Reconciliation of operating loss to net cash<br/>provided by (used in) by operating activities:</b> |                              |                                   |   |                  |
| Operating (income) loss  | (185,432)                    | (235,572)                         | 24,082                                  | (396,922)        |
| Adjustments to reconcile operating loss to<br>net cash provided by (used in) operating activities      |                              |                                   |   |                  |
| Depreciation   | 637,612                      | -                                 | -                                       | 637,612          |
| Change in assets and liabilities-  |                              |                                   |   |                  |
| Accounts and other receivables   | 7,394                        | (34,725)                          | -                                       | (27,331)         |
| Accounts and other payables  | -                            | 11,040                            | 18,242                                  | 29,282           |
| Due from other funds   | 701,000                      | -                                 | -                                       | 701,000          |
| <b>Total adjustments</b>   | <u>1,346,006</u>             | <u>(23,685)</u>                   | <u>18,242</u>                           | <u>1,340,563</u> |
| <b>Net cash provided by (used in) operating activities</b>   | <u>1,160,574</u>             | <u>(259,257)</u>                  | <u>42,324</u>                           | <u>943,641</u>   |

CITY OF DUNCANVILLE

COMPONENT UNIT COMBINING FINANCIAL STATEMENTS

The only component unit of the City is 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 construction, renovation and operation of municipal buildings, acquisition and improvement of parks, 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 benefiting and accomplishing public purposes of and to act on behalf of, the City of Duncanville.

CITY OF DUNCANVILLE, TEXAS

DUNCANVILLE COMMUNITY ECONOMIC DEVELOPMENT CORPORATION  
 COMBINING BALANCE SHEET – FUND LEVEL  
 SEPTEMBER 30, 2011

|  | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total</u>        |
|--|------------------------|-------------------------|---------------------|
| <b>ASSETS</b>                                |                        |                         |                     |
| Cash and cash equivalents                    | \$ 318                 | \$ -                    | \$ 318              |
| Investments                                  | 100,000                | -                       | 100,000             |
| Trade accounts                               | 994,734                | -                       | 994,734             |
| Accrued interest and other receivables       | 1,924                  | -                       | 1,924               |
| <b>Total assets</b>                          | <u>\$ 1,096,976</u>    | <u>\$ -</u>             | <u>\$ 1,096,976</u> |
| <b>LIABILITIES AND FUND BALANCE</b>          |                        |                         |                     |
| <b>LIABILITIES:</b>                          |                        |                         |                     |
| Accounts payable                             | \$ 52,731              | \$ -                    | \$ 52,731           |
| Accrued liabilities                          | 593                    | -                       | 593                 |
| Customer performance and escrow deposits     | 150                    | -                       | 150                 |
| Due to primary government                    | 82,000                 | -                       | 82,000              |
| <b>Total liabilities</b>                     | <u>135,474</u>         | <u>-</u>                | <u>135,474</u>      |
| <b>EQUITY:</b>                               |                        |                         |                     |
| Restricted for economic development          | 961,502                | -                       | 961,502             |
| <b>Total fund balances</b>                   | <u>961,502</u>         | <u>-</u>                | <u>961,502</u>      |
| <b>Total liabilities &amp; fund balances</b> | <u>\$ 1,096,976</u>    | <u>\$ -</u>             | <u>\$ 1,096,976</u> |

CITY OF DUNCANVILLE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS -  
DUNCANVILLE COMMUNITY ECONOMIC DEVELOPMENT CORPORATION  
SEPTEMBER 30, 2011

---

**TOTAL FUND BALANCE- GOVERNMENTAL FUNDS** \$ 961,502

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 not reported in the governmental funds balance sheet. 11,265,136

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet. (24,285)

Investments in joint ventures represent a financial asset not reported in governmental funds. 96,503

Long term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

Bonds payable \$ (4,770,000)

Less issuance costs (to be amortized as interest expense) 78,693 (4,691,307)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 7,607,549

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, 2011**

|   | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total</u>      |
|---|------------------------|-------------------------|-------------------|
| <b>REVENUES</b>                         |                        |                         |                   |
| Sales tax                               | \$ 1,682,886           | \$ -                    | \$ 1,682,886      |
| Investment income                       | 4,642                  | -                       | 4,642             |
| Rental and other                        | 762,231                | 52,168                  | 814,399           |
| <b>Total revenues</b>                   | <u>2,449,759</u>       | <u>52,168</u>           | <u>2,501,927</u>  |
| <b>EXPENDITURES</b>                     |                        |                         |                   |
| General government                      | 1,550,760              | -                       | 1,550,760         |
| Special purposes - promotional          | 372,099                | -                       | 372,099           |
| Debt service-                           |                        |                         |                   |
| Principal bond retirement               | 7,615,998              | -                       | 7,615,998         |
| Interest and fiscal charges             | 419,976                | -                       | 419,976           |
| Capital outlay                          | 62,879                 | -                       | 62,879            |
| <b>Total expenditures</b>               | <u>10,021,712</u>      | <u>-</u>                | <u>10,021,712</u> |
| <b>OTHER FINANCING SOURCES</b>          |                        |                         |                   |
| Sale of capital asset                   | 6,691,406              | -                       | 6,691,406         |
| <b>Total other financing sources</b>    | <u>6,691,406</u>       | <u>-</u>                | <u>6,691,406</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>      | (880,547)              | 52,168                  | (828,379)         |
| <b>FUND BALANCES, beginning of year</b> | <u>1,842,049</u>       | <u>(52,168)</u>         | <u>1,789,881</u>  |
| <b>FUND BALANCES, end of year</b>       | <u>\$ 961,502</u>      | <u>\$ -</u>             | <u>\$ 961,502</u> |

**CITY OF DUNCANVILLE, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -  
DUNCANVILLE COMMUNITY ECONOMIC DEVELOPMENT CORPORATION  
YEAR ENDED SEPTEMBER 30, 2011**

---

|  |                              |
|--|------------------------------|
| <b>NET CHANGE IN FUND BALANCES- TOTAL GOVERNMENTAL FUNDS</b>   | <b>\$ (828,379)</b>          |
| 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 the cost of those assets is allocated over their estimated useful lives as depreciation expense.  | 62,879                       |
| The net increase in equity of the joint venture is not reported at the fund level; however it is reported at the government-wide level.  | (10,023)                     |
| Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but it does require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds. | (457,953)                    |
| Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.                      | 7,615,998                    |
| The loss on disposal of capital assets are not reported at the fund level; however it is reported at the government-wide level.  | (824,209)                    |
| Proceeds from the sale of capital assets are included as an other financing source on the fund financial statements, but are shown as a reduction of capital assets in the government-wide statements  | (6,691,406)                  |
| Current year changes in accrued interest payable do not require the use of current financial resources, therefore, they are not reported as expenditures in governmental funds.  | <u>63,855</u>                |
| <b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>   | <b><u>\$ (1,069,238)</u></b> |



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STATISTICAL SECTION (UNAUDITED)

Tables in the statistical section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the overall financial health of the City of Duncanville.

|  | <u>Page</u> |
|--|-------------|
| <b>Financial Trends</b> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.  |             |
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| Schedule 2 - Changes in Net Assets.....  | 90          |
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| <b>Revenue Capacity</b> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.  |             |
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| <b>Debt Capacity</b> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.   |             |
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| <b>Demographic and Economic Information</b> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. |             |
| Schedule 14 - Demographics and Economic Statistics.....  | 103         |
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| <b>Operating Information</b> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.                |             |
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**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 for the year ending September 30, 2003. Schedules presenting government-wide information include information beginning in that year.



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**Schedule 1**

**Net Assets by Component  
Last Nine Fiscal Years**  
(accrual basis of accounting)  
(Unaudited)

| <b>Fiscal Year</b>                               | <b>2003</b>                 | <b>2004</b>                 | <b>2005</b>                 | <b>2006</b>                 | <b>2007</b>                 | <b>2008</b>                 | <b>2009</b>                 | <b>2010</b>                 | <b>2011</b>                 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Governmental activities</b>                   |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| Invested in capital assets, net of related debt  | \$ 17,756,803               | \$ 15,722,124               | \$ 24,133,362               | \$ 42,888,768               | \$ 46,679,459               | \$ 46,593,503               | \$ 50,060,721               | \$ 50,403,980               | \$ 52,495,944               |
| Restricted                                       | 692,896                     | 451,812                     | 350,885                     | 313,581                     | 127,374                     | 112,865                     | 70,458                      | 41,456                      | -                           |
| Restricted for capital projects                  | -                           | -                           | -                           | 1,821,809                   | 530,817                     | -                           | -                           | -                           | -                           |
| Unrestricted                                     | <u>5,296,858</u>            | <u>10,568,601</u>           | <u>9,503,794</u>            | <u>6,736,230</u>            | <u>5,958,769</u>            | <u>5,617,301</u>            | <u>5,217,145</u>            | <u>7,652,982</u>            | <u>4,806,821</u>            |
| <b>Total governmental activities net assets</b>  | <b><u>\$ 23,746,557</u></b> | <b><u>\$ 26,742,537</u></b> | <b><u>\$ 33,988,041</u></b> | <b><u>\$ 51,760,388</u></b> | <b><u>\$ 53,296,419</u></b> | <b><u>\$ 52,323,669</u></b> | <b><u>\$ 55,348,324</u></b> | <b><u>\$ 58,098,418</u></b> | <b><u>\$ 57,302,765</u></b> |
| <b>Business-type activities</b>                  |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| Invested in capital assets, net of related debt  | \$ 22,428,266               | \$ 23,352,304               | \$ 23,903,050               | \$ 24,896,859               | \$ 25,534,318               | \$ 26,893,640               | \$ 26,805,736               | \$ 27,076,019               | \$ 26,950,315               |
| Unrestricted                                     | <u>2,070,357</u>            | <u>1,918,169</u>            | <u>3,127,522</u>            | <u>4,125,250</u>            | <u>3,669,424</u>            | <u>3,531,505</u>            | <u>4,370,413</u>            | <u>3,731,110</u>            | <u>4,943,839</u>            |
| <b>Total business-type activities net assets</b> | <b><u>\$ 24,498,623</u></b> | <b><u>\$ 25,270,473</u></b> | <b><u>\$ 27,030,572</u></b> | <b><u>\$ 29,022,109</u></b> | <b><u>\$ 29,203,742</u></b> | <b><u>\$ 30,425,145</u></b> | <b><u>\$ 31,176,149</u></b> | <b><u>\$ 30,807,129</u></b> | <b><u>\$ 31,894,154</u></b> |
| <b>Primary government</b>                        |                             |                             |                             |                             |                             |                             |                             |                             |                             |
| Invested in capital assets, net of related debt  | \$ 40,185,069               | \$ 39,074,428               | \$ 48,036,412               | \$ 67,785,627               | \$ 72,213,776               | \$ 73,487,143               | \$ 76,866,457               | \$ 77,479,999               | \$ 79,446,259               |
| Restricted                                       | 692,896                     | 451,812                     | 350,885                     | 2,135,390                   | 658,191                     | 112,865                     | 70,458                      | 41,456                      | -                           |
| Unrestricted                                     | <u>7,367,215</u>            | <u>12,486,770</u>           | <u>12,631,316</u>           | <u>10,861,480</u>           | <u>9,628,193</u>            | <u>9,148,806</u>            | <u>9,587,558</u>            | <u>11,384,092</u>           | <u>9,750,660</u>            |
| <b>Total primary government net assets</b>       | <b><u>\$ 48,245,180</u></b> | <b><u>\$ 52,013,010</u></b> | <b><u>\$ 61,018,613</u></b> | <b><u>\$ 80,782,497</u></b> | <b><u>\$ 82,500,160</u></b> | <b><u>\$ 82,748,814</u></b> | <b><u>\$ 86,524,473</u></b> | <b><u>\$ 88,905,547</u></b> | <b><u>\$ 89,196,919</u></b> |

Source: City of Duncanville, Texas Comprehensive Annual Financial Reports

City of Duncanville

Schedule 2

**Changes in Net Assets  
Last Nine Fiscal Years**  
(accrual basis of accounting)  
(Unaudited)

| <u>Fiscal Year</u>                              | <u>2003</u>          | <u>2004</u>          | <u>2005</u>          | <u>2006</u>          | <u>2007</u>          | <u>2008</u>          | <u>2009</u>          | <u>2010</u>          | <u>2011</u>          |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Expenses</b>                                 |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities                         |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General government                              | \$ 1,805,370         | \$ 1,815,776         | \$ 1,843,301         | \$ 2,887,854         | \$ 3,536,589         | \$ 4,057,131         | \$ 3,870,234         | \$ 3,169,503         | \$ 2,798,564         |
| Finance   | 942,631              | 1,017,176            | 1,013,884            | 1,204,589            | 1,183,866            | 1,312,673            | 1,292,138            | 1,231,406            | 1,241,303            |
| Community services                              | 3,236,439            | 3,122,149            | 3,688,927            | 4,703,438            | 2,818,521            | 3,214,940            | 3,158,557            | 3,165,163            | 3,263,161            |
| Police  | 6,113,841            | 6,958,226            | 6,646,338            | 7,119,106            | 7,562,765            | 8,527,423            | 8,109,764            | 8,168,671            | 8,552,574            |
| Public works                                    | 3,595,016            | 3,749,228            | 4,748,203            | 4,881,669            | 5,331,327            | 6,376,715            | 5,701,322            | 5,664,455            | 5,893,424            |
| Fire  | 4,664,195            | 4,501,238            | 4,801,545            | 4,872,692            | 4,400,876            | 5,660,644            | 5,449,439            | 5,385,776            | 5,436,865            |
| Interest and fiscal charges                     | 873,138              | 883,919              | 817,745              | 759,939              | 697,552              | 584,910              | 478,651              | 354,584              | 273,901              |
| Total governmental activities expenses          | <u>21,230,630</u>    | <u>22,047,712</u>    | <u>23,559,943</u>    | <u>26,429,287</u>    | <u>25,531,496</u>    | <u>29,734,436</u>    | <u>28,060,105</u>    | <u>27,139,558</u>    | <u>27,459,792</u>    |
| Business-type activities                        |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Water   | 4,993,910            | 4,656,225            | 4,850,211            | 5,525,280            | 5,079,317            | 5,146,666            | 5,150,097            | 5,220,632            | 5,416,191            |
| Wastewater                                      | 4,321,343            | 4,255,396            | 4,541,989            | 4,295,218            | 4,765,731            | 5,885,520            | 4,135,413            | 5,319,569            | 4,862,977            |
| Solid waste                                     | 1,725,261            | 1,793,330            | 1,802,136            | 1,811,672            | 1,997,924            | 2,016,504            | 2,057,402            | 2,130,470            | 2,024,938            |
| Sports facility                                 | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 1,003,941            |
| Interest and fiscal charges                     | 213,136              | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Total business-type activities expenses         | <u>11,253,650</u>    | <u>10,704,951</u>    | <u>11,194,336</u>    | <u>11,632,170</u>    | <u>11,842,972</u>    | <u>13,048,690</u>    | <u>11,342,912</u>    | <u>12,670,671</u>    | <u>13,308,047</u>    |
| Total primary government expenses               | <u>\$ 32,484,280</u> | <u>\$ 32,752,663</u> | <u>\$ 34,754,279</u> | <u>\$ 38,061,457</u> | <u>\$ 37,374,468</u> | <u>\$ 42,783,126</u> | <u>\$ 39,403,017</u> | <u>\$ 39,810,229</u> | <u>\$ 40,767,839</u> |
| <b>Program Revenues</b>                         |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities                         |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Charges for services                            |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General government                              | \$ 67,732            | \$ -                 | \$ 103,689           | \$ 227,600           | \$ -                 | \$ 314,160           | \$ 1,173,234         | \$ 382,095           | \$ 459,084           |
| Finance   | -                    | -                    | -                    | -                    | -                    | -                    | 59,108               | -                    | -                    |
| Community services                              | 298,989              | 302,938              | 287,540              | 674,835              | 278,932              | 417,736              | 256,405              | 304,054              | 293,952              |
| Police  | 1,296,280            | 1,771,488            | 1,350,176            | 1,607,537            | 1,665,961            | 1,416,876            | 1,964,148            | 1,631,861            | 1,799,592            |
| Public works                                    | 968,481              | 998,585              | 769,849              | 942,787              | 1,467,533            | 2,232,685            | 1,100,109            | 1,759,053            | 1,783,792            |
| Fire  | 528,204              | 635,442              | 548,788              | 756,893              | 766,903              | 624,997              | 1,009,010            | 849,306              | (834,974)            |
| Operating grants and contributions              | 234,511              | 233,729              | 245,357              | 905,197              | 84,111               | 167,553              | 338,658              | 754,463              | 399,930              |
| Capital grants and contributions                | 335,000              | 1,066,945            | 1,559,812            | 96,354               | 145,017              | 74,551               | 2,364,100            | 2,201,004            | 404,913              |
| Total governmental activities program revenues  | <u>3,729,197</u>     | <u>5,009,127</u>     | <u>4,865,211</u>     | <u>5,211,203</u>     | <u>4,408,457</u>     | <u>5,248,558</u>     | <u>8,264,772</u>     | <u>7,881,836</u>     | <u>4,306,289</u>     |
| Business-type activities                        |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Charges for services                            |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Water   | 5,490,481            | 5,434,700            | 6,229,115            | 7,606,143            | 5,899,616            | 6,976,515            | 6,375,580            | 6,339,411            | 7,559,917            |
| Wastewater                                      | 4,469,011            | 4,487,516            | 4,400,626            | 4,829,746            | 4,865,682            | 5,073,654            | 4,819,134            | 4,775,447            | 4,756,780            |
| Solid waste                                     | 1,815,516            | 1,661,116            | 1,946,737            | 1,913,769            | 1,936,332            | 2,203,622            | 2,209,092            | 2,450,987            | 2,418,321            |
| Sports facility                                 | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 376,544              |
| Grants and contributions                        | 106,462              | 514,984              | 999,429              | 118,264              | 213,951              | 1,205,387            | 22,227               | 107,974              | 967,165              |
| Total business-type activities program revenues | <u>11,881,470</u>    | <u>12,098,316</u>    | <u>13,575,907</u>    | <u>14,467,922</u>    | <u>12,915,581</u>    | <u>15,459,178</u>    | <u>13,426,033</u>    | <u>13,673,819</u>    | <u>16,078,727</u>    |
| Total primary government program revenues       | <u>\$ 15,610,667</u> | <u>\$ 17,107,443</u> | <u>\$ 18,441,118</u> | <u>\$ 19,679,125</u> | <u>\$ 17,324,038</u> | <u>\$ 20,707,736</u> | <u>\$ 21,690,805</u> | <u>\$ 21,555,655</u> | <u>\$ 20,385,016</u> |

**City of Duncanville**

**Schedule 2**

**Changes in Net Assets  
Last Nine Fiscal Years**  
(accrual basis of accounting)  
(Unaudited)

| <u>Fiscal Year</u>                                      | <u>2003</u>            | <u>2004</u>            | <u>2005</u>            | <u>2006</u>            | <u>2007</u>            | <u>2008</u>            | <u>2009</u>            | <u>2010</u>            | <u>2011</u>            |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Net (Expense)/Revenue</b>                            |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                 | \$ (17,501,433)        | \$ (17,038,585)        | \$ (18,694,732)        | \$ (21,218,084)        | \$ (21,123,040)        | \$ (24,485,878)        | \$ (19,795,333)        | \$ (19,257,722)        | \$ (23,153,503)        |
| Business-type activities                                | 627,820                | 1,393,365              | 2,381,571              | 2,835,752              | 1,072,609              | 2,410,488              | 2,083,121              | 1,003,148              | 2,770,680              |
| Total primary government net expense                    | <u>\$ (16,873,613)</u> | <u>\$ (15,645,220)</u> | <u>\$ (16,313,161)</u> | <u>\$ (18,382,332)</u> | <u>\$ (20,050,431)</u> | <u>\$ (22,075,390)</u> | <u>\$ (17,712,212)</u> | <u>\$ (18,254,574)</u> | <u>\$ (20,382,823)</u> |
| <b>General Revenues and Other Changes in Net Assets</b> |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                 |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Taxes   |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Ad valorem  | \$ 11,055,022          | \$ 11,476,537          | \$ 11,746,407          | \$ 12,209,904          | \$ 12,401,242          | \$ 13,083,411          | 13,288,719             | 12,482,287             | 12,699,136             |
| Sales   | 4,749,336              | 4,866,493              | 4,868,004              | 5,451,335              | 5,530,559              | 5,398,034              | 5,235,231              | 5,321,558              | 5,048,659              |
| Franchise   | 2,056,464              | 1,852,614              | 1,938,736              | 2,129,943              | 2,000,905              | 2,024,099              | 1,988,717              | 2,036,308              | 2,153,122              |
| Mixed beverage  | -                      | -                      | -                      | -                      | -                      | 42,992                 | 71,978                 | 60,101                 | 59,671                 |
| Hotel occupancy   | 162,145                | 252,608                | 252,500                | 531,711                | 594,238                | 593,725                | 462,474                | 393,731                | 445,385                |
| Earnings on investments                                 | 213,641                | 190,079                | 372,513                | 603,243                | 565,594                | 343,967                | 117,619                | 35,810                 | 39,971                 |
| Rentals and miscellaneous                               | 708,872                | 938,256                | 755,889                | -                      | 410,928                | 632,049                | 286,126                | 287,252                | 221,430                |
| Transfers   | 935,228                | 1,105,768              | 892,061                | 1,082,850              | 1,155,604              | 1,325,677              | 1,369,124              | 1,390,769              | 1,690,476              |
| Total governmental activities                           | <u>19,880,708</u>      | <u>20,682,355</u>      | <u>20,826,110</u>      | <u>22,008,986</u>      | <u>22,659,070</u>      | <u>23,443,954</u>      | <u>22,819,988</u>      | <u>22,007,816</u>      | <u>22,357,850</u>      |
| Business-type activities                                |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Earnings on investments                                 | 66,781                 | 76,900                 | 53,575                 | 259,132                | 264,628                | 136,592                | 37,007                 | 18,601                 | 6,821                  |
| Rentals and miscellaneous                               | 15,810                 | -                      | -                      | -                      | -                      | -                      | -                      | -                      | -                      |
| Transfers   | (935,228)              | (1,105,768)            | (892,061)              | (1,082,850)            | (1,155,604)            | (1,325,677)            | (1,369,124)            | (1,390,769)            | (1,690,476)            |
| Total business-type activities                          | <u>(852,637)</u>       | <u>(1,028,868)</u>     | <u>(838,486)</u>       | <u>(823,718)</u>       | <u>(890,976)</u>       | <u>(1,189,085)</u>     | <u>(1,332,117)</u>     | <u>(1,372,168)</u>     | <u>(1,683,655)</u>     |
| Total primary government                                | <u>\$ 19,028,071</u>   | <u>\$ 19,653,487</u>   | <u>\$ 19,987,624</u>   | <u>\$ 21,185,268</u>   | <u>\$ 21,768,094</u>   | <u>\$ 22,254,869</u>   | <u>\$ 21,487,871</u>   | <u>\$ 20,635,648</u>   | <u>\$ 20,674,195</u>   |
| <b>Change in Net Assets</b>                             |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| Governmental activities                                 | \$ 2,379,275           | \$ 3,643,770           | \$ 2,131,378           | \$ 790,902             | \$ 1,536,030           | \$ (1,041,924)         | \$ 3,024,655           | \$ 2,750,094           | \$ (795,653)           |
| Business-type activities                                | (224,817)              | 364,497                | 1,543,085              | 2,012,034              | 181,633                | 1,221,403              | 751,004                | (369,020)              | 1,087,025              |
| Total primary government                                | <u>\$ 2,154,458</u>    | <u>\$ 4,008,267</u>    | <u>\$ 3,674,463</u>    | <u>\$ 2,802,936</u>    | <u>\$ 1,717,663</u>    | <u>\$ 179,479</u>      | <u>\$ 3,775,659</u>    | <u>\$ 2,381,074</u>    | <u>\$ 291,372</u>      |

Source: City of Duncanville, Texas Comprehensive Annual Financial Reports

**City of Duncanville**

**Schedule 3**

**Fund Balances, Governmental Funds  
Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(Unaudited)

| <b>Fiscal Year</b>                                     | <b>2002</b>         | <b>2003</b>         | <b>2004</b>         | <b>2005</b>         | <b>2006</b>         | <b>2007</b>         | <b>2008</b>         | <b>2009</b>         | <b>2010</b>         | <b>2011*</b>        |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>General Fund</b>                                    |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Reserved   | \$ 49,213           | \$ 38,001           | \$ 24,719           | \$ 520,895          | \$ 714,077          | \$ 630,018          | \$ 542,049          | \$ 407,899          | 246,425             | -                   |
| Unreserved   | 4,342,900           | 4,650,654           | 5,908,556           | 4,518,077           | 3,977,424           | 3,740,803           | 2,507,519           | 2,932,936           | 3,669,209           | -                   |
| Nonspendable   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 24,151              |
| Assigned- Community services                           | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 70,459              |
| Unassigned   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 4,567,918           |
| <b>Total general Fund</b>                              | <b>4,392,113</b>    | <b>4,688,655</b>    | <b>5,933,275</b>    | <b>5,038,972</b>    | <b>4,691,501</b>    | <b>4,370,821</b>    | <b>3,049,568</b>    | <b>3,340,835</b>    | <b>3,915,634</b>    | <b>4,662,528</b>    |
| <b>All Other Governmental Funds</b>                    |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Reserved   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Debt service   | \$ 1,030,644        | \$ 755,775          | \$ 517,460          | \$ 296,625          | \$ 202,702          | \$ 32,639           | \$ 5,906            | \$ (38,660)         | 4,183               | -                   |
| Other Governmental Funds                               | -                   | -                   | -                   | -                   | 1,715               | 907                 | 1,722               | 5,479               | 2,073               | -                   |
| Unreserved, reported in:                               |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Special revenue funds                                  | 348,005             | 635,665             | 758,605             | 594,502             | 680,360             | 801,682             | 975,378             | 1,160,098           | 695,824             | -                   |
| Capital projects funds                                 | 2,797,032           | 5,481,502           | 3,074,606           | 2,361,603           | 1,821,809           | 1,153,876           | 703,041             | 303,317             | 729,638             | -                   |
| Restricted for:  |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Debt Service   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 76,363              |
| Street Construction                                    | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 202,162             |
| Traffic Improvement and Safety                         | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 73,693              |
| Promotion of Tourism and Convention and Hotel Industry | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 53,174              |
| Maintenance and Construction of Drainage Projects      | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 45,783              |
| Public Safety, Cultural and Recreational Services      | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 135,734             |
| Court Technology                                       | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 8,868               |
| Court Security   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 55,117              |
| Juvenile Case Management                               | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 50,286              |
| Public Safety and Criminal Investigations              | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 249,647             |
| Park Construction                                      | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 41,527              |
| Capital Improvements                                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   | 212,261             |
| <b>Total all other governmental funds</b>              | <b>\$ 4,175,681</b> | <b>\$ 6,872,942</b> | <b>\$ 4,350,671</b> | <b>\$ 3,252,730</b> | <b>\$ 2,706,586</b> | <b>\$ 1,989,104</b> | <b>\$ 1,686,047</b> | <b>\$ 1,430,234</b> | <b>\$ 1,431,718</b> | <b>\$ 1,204,615</b> |

\*In fiscal year 2011, the City implemented GASB 54 which changed fund balance presentation

Source: City of Duncanville, Texas Comprehensive Annual Financial Reports

City of Duncanville

Schedule 4

**Changes in Fund Balances, Governmental Funds,  
Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(Unaudited)

| <b>Fiscal Year</b>  | <b>2002</b>          | <b>2003</b>          | <b>2004</b>          | <b>2005</b>           | <b>2006</b>          | <b>2007</b>           | <b>2008</b>           | <b>2009</b>          | <b>2010</b>          | <b>2011</b>          |
|---|----------------------|----------------------|----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| <b>Revenues</b>   |                      |                      |                      |                       |                      |                       |                       |                      |                      |                      |
| <b>Taxes -</b>  |                      |                      |                      |                       |                      |                       |                       |                      |                      |                      |
| Ad valorem  | \$ 10,488,959        | \$ 11,055,022        | \$ 11,520,666        | \$ 11,757,053         | \$ 12,211,482        | \$ 12,407,871         | \$ 13,086,084         | \$ 13,288,134        | \$ 12,463,461        | \$ 12,665,474        |
| Sales   | 5,027,906            | 4,749,336            | 4,866,493            | 4,868,004             | 5,451,335            | 5,530,559             | 5,398,034             | 5,235,231            | 5,321,588            | 5,048,659            |
| Franchise   | 1,874,107            | 2,056,464            | 1,852,614            | 1,938,736             | 2,129,943            | 2,000,905             | 2,024,099             | 1,988,717            | 2,036,308            | 2,153,122            |
| Mixed beverage  | 35,351               | 33,341               | 27,710               | 67,848                | 54,927               | 58,387                | 42,992                | 71,978               | 60,101               | 59,671               |
| Hotel   | 148,549              | 162,145              | 252,608              | 252,500               | 476,784              | 594,238               | 593,725               | 462,474              | 393,731              | 445,385              |
| Licenses, permits and fees  | 887,082              | 1,480,182            | 1,717,271            | 1,656,445             | 1,857,835            | 2,623,014             | 3,217,587             | 4,169,554            | 2,881,963            | 2,777,712            |
| Fines and forfeitures   | 633,678              | 740,930              | 1,145,059            | 744,985               | 939,237              | 967,892               | 857,396               | 750,490              | 1,054,149            | 1,160,339            |
| Recreation fees   | 202,331              | -                    | 282,010              | 265,436               | 286,767              | 254,874               | 237,931               | 256,295              | 303,954              | 293,872              |
| Intergovernmental   | 1,695,035            | 994,658              | 532,071              | 534,844               | 1,328,817            | 406,006               | 378,387               | 1,208,854            | 2,182,355            | 931,100              |
| Investment income   | 236,196              | 209,238              | 166,474              | 323,667               | 505,115              | 490,846               | 301,442               | 100,669              | 32,753               | 34,059               |
| Rental and other  | 673,194              | 879,812              | 444,182              | 402,080               | 554,258              | 816,442               | 609,405               | 1,111,587            | 1,663,650            | 814,772              |
| <b>Total revenues</b>   | <b>\$ 21,902,388</b> | <b>\$ 22,361,128</b> | <b>\$ 22,807,158</b> | <b>\$ 22,811,598</b>  | <b>\$ 25,796,500</b> | <b>\$ 26,151,034</b>  | <b>\$ 26,747,082</b>  | <b>\$ 28,643,983</b> | <b>\$ 28,394,013</b> | <b>\$ 26,384,165</b> |
| <b>Expenditures</b>   |                      |                      |                      |                       |                      |                       |                       |                      |                      |                      |
| General government/ finance/ non-departmental   | \$ 2,714,652         | \$ 2,664,197         | \$ 2,541,927         | \$ 2,636,846          | \$ 3,631,198         | \$ 3,568,078          | \$ 4,676,515          | 4,515,509            | 3,735,002            | 3,582,050            |
| Police  | 6,025,292            | 6,327,454            | 6,454,933            | 6,796,628             | 7,088,021            | 8,091,558             | 8,606,164             | 7,950,702            | 8,010,438            | 8,336,089            |
| Fire  | 4,255,258            | 4,225,807            | 4,260,359            | 4,573,261             | 4,794,582            | 5,176,242             | 5,462,552             | 5,282,271            | 5,209,321            | 5,178,309            |
| Public works  | 3,212,504            | 3,337,296            | 3,475,872            | 4,009,839             | 3,988,391            | 4,123,636             | 4,070,557             | 3,683,537            | 3,881,637            | 4,133,585            |
| Parks and recreation  | 2,319,692            | 2,324,759            | 2,159,116            | 3,251,930             | 3,553,111            | 2,636,565             | 2,790,986             | 2,685,803            | 2,681,454            | 2,767,743            |
| Library (Included in General government in 2008)  | 571,641              | 581,378              | 524,111              | 643,502               | 632,693              | 676,184               | -                     | -                    | -                    | -                    |
| Special purposes - promotional  | 29,826               | 34,671               | 44,853               | 53,398                | 330,032              | 370,135               | 481,470               | 385,245              | 298,842              | 290,107              |
| Capital outlay  | 1,948,368            | 2,536,449            | 1,453,204            | 950,666               | 919,446              | 894,865               | 835,666               | 2,229,494            | 2,547,349            | 1,575,723            |
| Debt service  |                      |                      |                      |                       |                      |                       |                       |                      |                      |                      |
| Principal retirement  | 1,433,270            | 2,135,000            | 2,185,000            | 2,255,000             | 2,320,000            | 2,455,000             | 2,595,000             | 2,311,273            | 2,325,872            | 1,122,685            |
| Interest and fiscal charges   | 1,482,613            | 822,227              | 585,460              | 524,833               | 452,239              | 352,537               | 247,334               | 534,829              | 518,554              | 482,073              |
| <b>Total expenditures</b>   | <b>\$ 23,993,116</b> | <b>\$ 24,989,238</b> | <b>\$ 23,684,835</b> | <b>\$ 25,695,903</b>  | <b>\$ 27,709,713</b> | <b>\$ 28,344,800</b>  | <b>\$ 29,766,244</b>  | <b>\$ 29,578,663</b> | <b>\$ 29,208,469</b> | <b>\$ 27,468,364</b> |
| Excess of revenues over (under) expenditures  | (2,090,728)          | (2,628,110)          | (877,677)            | (2,884,305)           | (1,913,213)          | (2,193,766)           | (3,019,162)           | (934,680)            | (814,456)            | (1,084,199)          |
| <b>Other Financing Sources (Uses)</b>   |                      |                      |                      |                       |                      |                       |                       |                      |                      |                      |
| Bonds issued  | -                    | 4,246,915            | -                    | -                     | -                    | -                     | -                     | -                    | -                    | -                    |
| Refunding bonds issued  | 1,979,605            | 5,435,000            | -                    | -                     | -                    | -                     | -                     | -                    | -                    | -                    |
| Payments to escrow agent  | (1,897,313)          | (5,392,718)          | -                    | -                     | -                    | -                     | -                     | -                    | -                    | -                    |
| Transfers in  | 1,175,797            | 1,171,765            | 1,278,631            | 1,408,528             | 1,333,512            | 1,380,428             | 1,609,071             | 1,951,313            | 2,027,424            | 2,206,549            |
| Transfers out   | (127,470)            | (336,537)            | (422,863)            | (516,467)             | (250,662)            | (224,824)             | (283,394)             | (582,189)            | (636,655)            | (516,073)            |
| <b>Total other financing sources (uses)</b>   | <b>1,130,619</b>     | <b>5,124,425</b>     | <b>855,768</b>       | <b>892,061</b>        | <b>1,082,850</b>     | <b>1,155,604</b>      | <b>1,325,677</b>      | <b>1,369,124</b>     | <b>1,390,769</b>     | <b>1,690,476</b>     |
| <b>Net change in fund balances</b>  | <b>\$ (960,109)</b>  | <b>\$ 2,496,315</b>  | <b>\$ (21,909)</b>   | <b>\$ (1,992,244)</b> | <b>\$ (830,363)</b>  | <b>\$ (1,038,162)</b> | <b>\$ (1,693,485)</b> | <b>\$ 434,444</b>    | <b>\$ 576,313</b>    | <b>\$ 606,277</b>    |
| <b>Total capital outlay capitalized per the government wide statement of net assets</b> | <b>\$ -</b>          | <b>\$ 3,393,573</b>  | <b>\$ 1,110,410</b>  | <b>\$ 1,571,910</b>   | <b>\$ 2,408,353</b>  | <b>\$ 2,515,180</b>   | <b>\$ 666,370</b>     | <b>\$ 2,381,600</b>  | <b>\$ 2,547,349</b>  | <b>\$ 1,575,723</b>  |
| <b>Debt service as a percentage of noncapital expenditures</b>                          | <b>13.2%</b>         | <b>13.2%</b>         | <b>12.5%</b>         | <b>11.2%</b>          | <b>10.3%</b>         | <b>10.2%</b>          | <b>9.8%</b>           | <b>10.4%</b>         | <b>10.7%</b>         | <b>6.2%</b>          |

Source: City of Duncanville, Texas Comprehensive Annual Financial Reports

**Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years  
(Unaudited)**

| <u>Assessed and Actual Value of Property (1)</u> |                                 |                                |   |                                 |   |   |  |
|--|---------------------------------|--------------------------------|---|---------------------------------|---|---|--|
| <u>Fiscal Year<br/>Ended<br/>Sept. 30,</u>       | <u>Residential<br/>Property</u> | <u>Commercial<br/>Property</u> | <u>Business<br/>Personal<br/>Property</u> | <u>Total Assessed<br/>Value</u> | <u>Less: Tax-<br/>Exempt<br/>Property (2)</u> | <u>Total Taxable<br/>Assessed Value</u> | <u>Total<br/>City Tax<br/>Rate (3)</u> |
| 2002   | 1,082,538,660                   | 316,912,810                    | 156,228,640                               | 1,555,680,110                   | 129,417,253                                   | 1,426,262,857                           | 0.718                                  |
| 2003   | 1,129,318,320                   | 317,426,850                    | 161,340,850                               | 1,608,086,020                   | 130,645,084                                   | 1,477,440,936                           | 0.718                                  |
| 2004   | 1,205,659,780                   | 356,727,300                    | 138,564,990                               | 1,700,952,070                   | 132,403,782                                   | 1,568,548,288                           | 0.718                                  |
| 2005   | 1,246,517,740                   | 362,005,770                    | 155,985,770                               | 1,764,509,280                   | 132,632,582                                   | 1,631,876,698                           | 0.718                                  |
| 2006   | 1,277,126,120                   | 392,678,460                    | 157,676,550                               | 1,827,481,130                   | 145,089,624                                   | 1,682,391,506                           | 0.718                                  |
| 2007   | 1,321,639,790                   | 443,079,030                    | 133,742,100                               | 1,898,460,920                   | 155,134,821                                   | 1,743,326,099                           | 0.696                                  |
| 2008   | 1,367,987,090                   | 491,437,220                    | 169,949,690                               | 2,029,374,000                   | 167,103,114                                   | 1,862,270,886                           | 0.696                                  |
| 2009   | 1,358,453,630                   | 538,936,760                    | 182,527,540                               | 2,079,917,930                   | 177,589,032                                   | 1,902,328,898                           | 0.696                                  |
| 2010   | 1,278,446,690                   | 527,686,510                    | 186,259,420                               | 1,992,392,620                   | 186,259,667                                   | 1,806,132,953                           | 0.696                                  |
| 2011   | 1,242,060,340                   | 507,608,570                    | 167,026,190                               | 1,916,695,100                   | 196,187,462                                   | 1,720,507,638                           | 0.738                                  |

Source: Dallas Central Appraisal District

Notes:

- (1) Assessed value is 100% of estimated actual value for all years as determined by the Dallas Central Appraisal District. Values are as of January 1 of the calendar year prior to the fiscal year-end date.
- (2) Exemptions are granted by the City within the constraints of Texas Constitutional law
- (3) Tax Rate is per \$100 assessed valuation.

City of Duncanville

Property Tax Rates -  
Direct and Overlapping Governments  
(Per \$100 Assessed Valuation)  
Last Ten Fiscal Years  
(Unaudited)

| Fiscal Year<br>Ended<br>Sept. 30, | City of Duncanville |                    |           | Overlapping Rates (1)    |                     |   |                                 |   |
|-----------------------------------|---------------------|--------------------|-----------|--------------------------|---------------------|---|---------------------------------|---|
|                                   | General(2)          | Debt<br>Service(2) | Total (2) | Duncanville<br>I.S.D.(2) | Dallas<br>County(2) | Dallas<br>County<br>School<br>Equalization(<br>2) | Dallas<br>County<br>Hospital(2) | Dallas<br>County<br>Community<br>College(2) |
| 2002                              | 0.569000            | 0.149000           | 0.718000  | 1.670000                 | 0.196000            | 0.005525  | 0.254000                        | 0.060000                                    |
| 2003                              | 0.572000            | 0.146000           | 0.718000  | 1.750000                 | 0.196000            | 0.005500  | 0.254000                        | 0.060000                                    |
| 2004                              | 0.574278            | 0.143722           | 0.718000  | 1.855000                 | 0.203900            | 0.005460  | 0.254000                        | 0.077800                                    |
| 2005                              | 0.576474            | 0.141526           | 0.718000  | 1.836000                 | 0.203900            | 0.005460  | 0.254000                        | 0.080300                                    |
| 2006                              | 0.576277            | 0.141723           | 0.718000  | 1.866000                 | 0.213900            | 0.005300  | 0.254000                        | 0.081600                                    |
| 2007                              | 0.561098            | 0.134902           | 0.696000  | 1.736000                 | 0.213900            | 0.005034  | 0.254000                        | 0.081000                                    |
| 2008                              | 0.558129            | 0.137871           | 0.696000  | 1.418000                 | 0.228100            | 0.004714  | 0.254000                        | 0.080400                                    |
| 2009                              | 0.559167            | 0.136833           | 0.696000  | 1.418000                 | 0.228100            | 0.004928  | 0.254000                        | 0.089400                                    |
| 2010                              | 0.550200            | 0.145800           | 0.696000  | 1.418000                 | 0.228100            | 0.005212  | 0.274000                        | 0.094900                                    |
| 2011                              | 0.653578            | 0.084114           | 0.737692  | 1.418000                 | 0.243100            | 0.010000  | 0.271000                        | 0.099230                                    |

Notes:

- (1) Overlapping rates are those of local and county governments that apply to property owners within the city.
- (2) Tax rates are per \$100 of assessed value.

Source: Dallas Central Appraisal District

**Principal Property Taxpayers  
Current Year and Nine Years Ago  
(Unaudited)**

| Taxpayer /<br>Company Name                                  | 2011                      |      |  | 2002                      |      |  |
|---|---------------------------|------|--|---------------------------|------|--|
|   | Taxable Assessed<br>Value | Rank | Percent of<br>Total<br>Taxable<br>Assessed<br>Valuation<br>(a) | Taxable Assessed<br>Value | Rank | Percent of<br>Total<br>Taxable<br>Assessed<br>Valuation<br>(a) |
| Texwood Industries Inc.<br>Quality Cabinets Division        | \$ 40,712,318             | 1    | 2.37%  | \$ 8,504,130              | 7    | 0.60%  |
| Costco Wholesale Corporation<br>Costco                      | 19,975,380                | 2    | 1.16%  | --                        | --   | --   |
| C H Guenther & Son<br>Pioneer Frozen Foods                  | 15,502,720                | 3    | 0.90%  | 12,433,350                | 3    | 0.87%  |
| G & E Apartment Reit - Bella<br>Ruscello                    | 12,777,680                | 4    | 0.74%  | --                        | --   | --   |
| Duncanville Village Multi                                   | 10,156,250                | 5    | 0.59%  | --                        | --   | --   |
| A T & T Communications<br>(Southwestern Bell/Cingular)      | 10,088,230                | 6    | 0.59%  | 13,886,530                | 1    | 0.97%  |
| W R Senior Living   | 9,868,890                 | 7    | 0.57%  | --                        | --   | --   |
| Oncor Electric Delivery-Texas<br>Utilities Electric Company | 9,185,580                 | 8    | 0.53%  | 13,815,444                | 2    | 0.97%  |
| Apple Reit Limited PS<br>Main Park Apartments               | 7,162,000                 | 9    | 0.42%  | 8,500,000                 | 8    | 0.60%  |
| Wimberly Apartments LP<br>(Frankel Family Trust)            | 6,856,600                 | 10   | 0.40%  | 11,378,700                | 5    | 0.80%  |
| Wal-Mart Corporation<br>Wal-Mart Store                      |                           |      |  | 11,621,270                | 4    | 0.81%  |
| Ladd 1998 Real Properties                                   |                           |      |  | 7,570,870                 | 9    | 0.53%  |
| Regency Centers LP  |                           |      |  | 5,909,750                 | 10   | 0.41%  |
| ACCO USA Inc.   |                           |      |  | 8,928,000                 | 6    | 0.63%  |
| <b>Total</b>  | <b>\$ 142,285,648</b>     |      | <b>8.27%</b>   | <b>\$ 102,548,044</b>     |      | <b>7.19%</b>   |

Note:

(a) Total Taxable Value as of Oct. 1,720,507,638 1,426,262,857

Source: Dallas Central Appraisal District

**Property Tax Levies and Collections  
Last Ten Fiscal Years**  
(Unaudited)

| Fiscal Year<br>Ended<br>Sept. 30, | Collected within the Fiscal Year of the Levy    |            |                       | Total Collections to Date                 |            |                       |
|-----------------------------------|---|------------|-----------------------|---|------------|-----------------------|
|                                   | Adjusted Taxes<br>Levied for the<br>Fiscal Year | Amount     | Percentage<br>of Levy | Collections in<br>Subsequent<br>Years (1) | Amount     | Percentage of<br>Levy |
| 2002                              | 10,356,540                                      | 10,109,103 | 97.6%                 | 229,245                                   | 10,338,348 | 99.8%                 |
| 2003                              | 10,912,896                                      | 10,698,211 | 98.0%                 | 214,685                                   | 10,912,896 | 100.0%                |
| 2004                              | 11,434,896                                      | 11,109,031 | 97.2%                 | 83,519                                    | 11,192,550 | 97.9%                 |
| 2005                              | 11,618,422                                      | 11,399,901 | 98.1%                 | 193,053                                   | 11,592,954 | 99.8%                 |
| 2006                              | 12,050,465                                      | 11,779,327 | 97.7%                 | 235,161                                   | 12,014,488 | 99.7%                 |
| 2007                              | 12,304,132                                      | 11,974,681 | 97.3%                 | 298,641                                   | 12,273,322 | 99.7%                 |
| 2008                              | 12,874,498                                      | 12,573,089 | 97.7%                 | 301,409                                   | 12,874,498 | 100.0%                |
| 2009                              | 13,160,823                                      | 12,888,062 | 97.9%                 | 163,841                                   | 13,051,904 | 99.2%                 |
| 2010                              | 12,459,098                                      | 12,161,481 | 97.6%                 | 104,466                                   | 12,265,947 | 98.4%                 |
| 2011                              | 12,706,127                                      | 12,381,341 | 97.4%                 | -   | 12,381,341 | 97.4%                 |

Note:

- (1) Collections do not include penalty and interest on delinquent accounts.

Source: Dallas County Tax Assessor / Collector

**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(Unaudited)

| Fiscal Year<br>Ended<br>Sept. 30, | Governmental Activities        |                                       | Business-type<br>Activities            | Total Primary<br>Government | Percentage of<br>Personal<br>Income (a) | Per Capita (b) |
|-----------------------------------|--------------------------------|---------------------------------------|--|-----------------------------|---|----------------|
|                                   | General<br>Obligation<br>Bonds | Certificate of<br>Obligation<br>Bonds | Water and<br>Sewer<br>Revenue<br>Bonds |                             |   |                |
| 2002                              | 15,665,000                     | 3,429,605                             | -                                      | 19,094,605                  | (c)                                     | 530            |
| 2003                              | 9,635,000                      | 11,671,519                            | 4,100,000                              | 25,406,519                  | 2.70%                                   | 698            |
| 2004                              | 8,575,000                      | 10,546,519                            | 3,985,000                              | 23,106,519                  | (c)                                     | 654            |
| 2005                              | 7,495,000                      | 9,371,519                             | 3,865,000                              | 20,731,519                  | (c)                                     | 565            |
| 2006                              | 6,870,000                      | 7,676,519                             | 3,703,350                              | 18,249,869                  | 1.73%                                   | 483            |
| 2007                              | 7,290,710                      | 6,354,813                             | 3,610,000                              | 17,255,523                  | 1.57%                                   | 451            |
| 2008                              | 3,270,000                      | 8,116,345                             | 3,375,000                              | 14,761,345                  | 1.36%                                   | 384            |
| 2009                              | 1,950,000                      | 7,063,016                             | 3,135,000                              | 12,148,016                  | 1.14%                                   | 315            |
| 2010                              | 565,000                        | 5,962,187                             | 2,885,000                              | 9,412,187                   | 0.88%                                   | 244            |
| 2011                              | 385,000                        | 4,806,226                             | 9,130,000                              | 14,321,226                  | (c)                                     | 372            |

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

- (a) See Schedule 14 for personal income data.
- (b) See Schedule 14 for population data.
- (c) Information not available

Source: City of Duncanville, Texas Comprehensive Annual Financial Reports

**Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years**  
(Unaudited)

| Fiscal Year<br>Ended<br>Sept. 30, | General Bonded Debt Outstanding |                                       |            | Percentage of<br>Actual Taxable<br>Value of Property<br>(1) | Per Capita (2) |
|-----------------------------------|---------------------------------|---------------------------------------|------------|---|----------------|
|                                   | General<br>Obligation<br>Bonds  | Certificate of<br>Obligation<br>Bonds | Total      |   |                |
| 2002                              | 15,665,000                      | 3,429,605                             | 19,094,605 | 1.34%   | 530            |
| 2003                              | 9,635,000                       | 11,671,519                            | 21,306,519 | 1.44%   | 585            |
| 2004                              | 8,575,000                       | 10,546,519                            | 19,121,519 | 1.22%   | 541            |
| 2005                              | 7,495,000                       | 9,371,519                             | 16,866,519 | 1.03%   | 459            |
| 2006                              | 6,870,000                       | 7,676,519                             | 14,546,519 | 0.86%   | 385            |
| 2007                              | 7,290,710                       | 6,354,813                             | 13,645,523 | 0.78%   | 357            |
| 2008                              | 3,270,000                       | 8,116,345                             | 11,386,345 | 0.61%   | 296            |
| 2009                              | 1,950,000                       | 7,063,016                             | 9,013,016  | 0.47%   | 234            |
| 2010                              | 565,000                         | 5,962,187                             | 6,527,187  | 0.36%   | 169            |
| 2011                              | 385,000                         | 4,806,226                             | 5,191,226  | 0.29%   | 135            |

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

- (1) See Schedule 5 for property value data.
- (2) See Schedule 14 for personal income and population data.

Source: City of Duncanville, Texas Comprehensive Annual Financial Reports

**City of Duncanville**

**Schedule 11**

**Direct and Overlapping Governmental Activities Debt  
As of September 30, 2011  
(Unaudited)**

| Governmental Unit                        | Debt Outstanding | Estimated<br>Percentage<br>Applicable | Estimated Share of<br>Overlapping Debt |
|--|------------------|---------------------------------------|--|
| Debt repaid with property taxes          |                  |                                       |  |
| Duncanville Independent School District  | \$ 153,480,019   | 53.14%                                | \$ 81,559,282                          |
| Dallas County                            | 143,932,642      | 1.09%                                 | 1,568,866                              |
| Dallas County Community College District | 396,140,000      | 1.09%                                 | 4,317,926                              |
| Dallas County Hospital District          | 705,000,000      | 1.09%                                 | 7,684,500                              |
| Cedar Hill Independent School District   | 99,007,422       | 0.26%                                 | 257,419                                |
| Dallas Independent School District       | 2,612,410,000    | 0.01%                                 | 261,241                                |
| Subtotal, overlapping debt               |                  |                                       | \$ 95,649,234                          |
| City direct debt                         |                  |                                       | 5,191,226                              |
| Total direct and overlapping debt        |                  |                                       | \$ 100,840,460                         |

**Legal Debt Margin Information**  
**As of September 30, 2011**  
(Unaudited)

As a home rule city, the City of Duncanville is not limited by law in the amount of debt it may issue. The City's charter (Article 5, Section 1) states:

"In keeping with the Constitution of the State of Texas and not contrary thereto, the City of Duncanville shall have the power to borrow money on the credit of the City for any public purpose not now or hereafter prohibited by the Constitution and laws of the State of Texas, and shall have the right to issue all tax bonds, revenue bonds, funding and refunding bonds, time warrants and other evidence of indebtedness as now authorized or as may hereafter be authorized to be issued by cities and towns by the laws of the State of Texas."

Article 11, Section 5 of the State of Texas Constitution States in part:

"but no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such city"

The tax rate at September 30, 2011 is \$.737692 per \$100 of assessed valuation with assessed valuation being 100% of market value.

Sources: City of Duncanville, Texas City Charter  
State of Texas Constitution

**Pledged-Revenue Coverage  
Last Ten Fiscal Years**  
(Unaudited)

| <b>Fiscal Year<br/>Ended<br/>Sept. 30,</b> | <b>Operating<br/>Revenue and<br/>Other (a)</b> | <b>Less:<br/>Operating<br/>Expense (b)</b> | <b>Net Available<br/>Revenue</b> | <b>Debt Service (c)</b> |                 | <b>Coverage</b> |
|--|--|--|----------------------------------|-------------------------|-----------------|-----------------|
|  |  |  |                                  | <b>Principal</b>        | <b>Interest</b> |                 |
| <b><u>Water and Sewer Bonds</u></b>        |  |  |                                  |                         |                 |                 |
| 2002                                       | 9,893,320                                      | 9,224,891                                  | 668,429                          | -                       | -               | (d)             |
| 2003                                       | 10,041,536                                     | 9,181,983                                  | 859,553                          | 165,000                 | 177,066         | 2.5             |
| 2004                                       | 10,041,536                                     | 8,832,900                                  | 1,208,636                        | 115,000                 | 158,182         | 4.4             |
| 2005                                       | 10,683,044                                     | 9,141,588                                  | 1,541,456                        | 120,000                 | 156,195         | 5.6             |
| 2006                                       | 12,694,853                                     | 9,658,496                                  | 3,036,357                        | 125,000                 | 150,686         | 11.0            |
| 2007                                       | 11,029,719                                     | 9,029,955                                  | 1,999,764                        | 130,000                 | 146,543         | 7.2             |
| 2008                                       | 12,186,622                                     | 10,127,539                                 | 2,059,083                        | 235,000                 | 140,611         | 5.5             |
| 2009                                       | 11,231,676                                     | 8,309,391                                  | 2,922,285                        | 240,000                 | 133,216         | 7.8             |
| 2010                                       | 11,133,026                                     | 9,480,791                                  | 1,652,235                        | 250,000                 | 132,172         | 4.3             |
| 2011                                       | 12,316,697                                     | 9,193,510                                  | 3,123,187                        | 270,000                 | 124,923         | 7.9             |

Notes:

- (a) Includes operating and nonoperating revenues.
- (b) Includes operating expenses exclusive of depreciation.
- (c) Includes principal and interest of revenue bonds only. Principal and interest amounts are the amounts due within one year of fiscal year end.
- (d) The City did not have any water and sewer debt for this fiscal year.

**Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)**

| <b>Fiscal Year<br/>Ended<br/>Sept. 30,</b> | <b>Population<br/>(a)</b> | <b>Personal<br/>Income</b> | <b>Per Capita<br/>Income (a)</b> | <b>Median<br/>Household<br/>Income (a)</b> | <b>Number of<br/>Households (a)</b> | <b>School<br/>Enrollment<br/>(b)</b> | <b>Unemployment<br/>Rate</b> |     |
|--|---------------------------|----------------------------|----------------------------------|--|-------------------------------------|--------------------------------------|------------------------------|-----|
| 2002                                       | 36,011                    | (e)                        | (e)                              | (e)  | (e)                                 | 10,625                               | 4.50%                        | (d) |
| 2003                                       | 36,402                    | 941,610,534                | 25,867                           | 56,645                                     | 12,894                              | 10,762                               | 4.50%                        | (d) |
| 2004                                       | 35,346                    | (e)                        | (e)                              | (e)  | (e)                                 | 11,283                               | 4.00%                        | (d) |
| 2005                                       | 36,725                    | (e)                        | (e)                              | (e)  | (e)                                 | 11,736                               | 6.00%                        | (c) |
| 2006                                       | 37,800                    | 1,056,434,400              | 27,948                           | 62,269                                     | 13,046                              | 12,042                               | 5.66%                        | (c) |
| 2007                                       | 38,251                    | 1,102,546,824              | 28,824                           | 63,961                                     | 13,088                              | 12,149                               | 4.58%                        | (c) |
| 2008                                       | 38,430                    | 1,088,222,310              | 28,317                           | 65,382                                     | 13,457                              | 12,664                               | 4.30%                        | (c) |
| 2009                                       | 38,542                    | 1,066,765,476              | 27,678                           | 64,760                                     | 13,537                              | 12,939                               | 7.90%                        | (c) |
| 2010                                       | 38,562                    | 1,071,483,732              | 27,786                           | 65,676                                     | 13,667                              | 12,850                               | 9.45%                        | (c) |
| 2011                                       | 38,524                    | (e)                        | (e)                              | (e)  | (e)                                 | 12,600                               | 9.60%                        | (c) |

- Sources:
- (a) 2010 Census, 2011 NCTCOG.org population estimate, all other years ESRI estimates
  - (b) Duncanville Independent School District
  - (c) Texas Workforce Commission 2005-2011
  - (d) Bureau of Labor Statistics Archives 1998-2004
  - (e) Information is not available

**City of Duncanville**

**Schedule 15**

**Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)**

| Employer                                    | 2011          |      |                                 | 2002          |      |                                 |
|---|---------------|------|---------------------------------|---------------|------|---------------------------------|
|   | Employees (2) | Rank | Percent of Total Employment (a) | Employees (2) | Rank | Percent of Total Employment (a) |
| Duncanville Independent School District     | 1,690         | 1    | 9.54%                           | 1,450         | 2    | 8.04%                           |
| Texwood/Quality Cabinets and Doors          | 706           | 2    | 3.98%                           | 2,000         | 1    | 11.09%                          |
| City of Duncanville                         | 291           | 3    | 1.64%                           | 252           | 3    | 1.40%                           |
| Pioneer Frozen Foods                        | 169           | 4    | 0.95%                           | 175           | 5    | 0.97%                           |
| Pappadeaux                                  | 145           | 5    | 0.82%                           | -             | -    | -                               |
| Costco                                      | 136           | 6    | 0.77%                           | -             | -    | -                               |
| DeFord's                                    | 130           | 7    | 0.73%                           | 147           | 6    | 0.82%                           |
| Brittle-Brittle                             | 80            | 8    | 0.45%                           | 65            | 9    | 0.36%                           |
| Personalized Communications                 | 70            | 9    | 0.39%                           | -             | -    | -                               |
| Hilton Garden Inn                           | 53            | 10   | 0.30%                           | -             | -    | -                               |
| Advanced Machine Tool/P & W Quality Machine |               |      |                                 | 65            | 10   | 0.36%                           |
| ACCO/USA                                    |               |      |                                 | 70            | 8    | 0.39%                           |
| Wal-Mart                                    |               |      |                                 | 250           | 4    | 1.39%                           |
| Duncanville Ford                            |               |      |                                 | 90            | 7    | 0.50%                           |
| <b>Total</b>                                | <b>3,470</b>  |      | <b>19.57%</b>                   | <b>4,564</b>  |      | <b>25.32%</b>                   |

Note:

(a) Total City Employment (1) 17,724 18,035

Sources:

(1) ESRI

(2) Duncanville Community Economic Development Corporation

**Full-time Equivalent City Government Employees  
Last Ten Fiscal Years (Unaudited)**

| <u>Fiscal Year</u>            | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>By Functions</b>           |             |             |             |             |             |             |             |             |             |             |
| General Government            | 33.0        | 31.0        | 31.0        | 31.0        | 33.0        | 34.0        | 35.0        | 33.0        | 32.5        | 30.2        |
| Fire Services                 | 52.0        | 52.0        | 52.0        | 52.0        | 52.0        | 53.0        | 53.0        | 53.0        | 52.3        | 52.0        |
| Police Services (Civil)       | 63.0        | 62.0        | 74.0        | 61.0        | 61.0        | 60.0        | 63.0        | 59.0        | 59.0        | 59.0        |
| Police Services (Non-Civil)   | 14.0        | 14.0        | 12.0        | 12.0        | 12.0        | 15.0        | 12.0        | 11.0        | 11.0        | 18.8        |
| Public Works                  | 34.5        | 33.5        | 33.5        | 34.5        | 33.5        | 33.0        | 31.5        | 30.5        | 30.0        | 32.0        |
| Library Services              | 9.0         | 9.0         | 9.0         | 9.0         | 9.0         | 9.0         | 9.0         | 9.0         | 12.0        | 12.0        |
| Parks and Recreation          | 15.0        | 15.0        | 13.0        | 13.0        | 13.0        | 16.0        | 16.0        | 16.0        | 28.7        | 34.8        |
| Community Services            | 10.0        | 8.0         | 6.0         | 6.0         | 6.0         | 6.0         | 6.0         | 9.0         | 6.6         | -           |
| Water and Wastewater          | 22.5        | 21.5        | 21.5        | 21.5        | 21.5        | 21.5        | 23.5        | 21.5        | 25.0        | 17.5        |
| Total Employees by Function   | 253.0       | 246.0       | 252.0       | 240.0       | 241.0       | 247.5       | 249.0       | 242.0       | 257.1       | 256.3       |
| <b>By Departments</b>         |             |             |             |             |             |             |             |             |             |             |
| General Government            | 7.0         | 7.0         | 7.0         | 7.0         | 7.0         | 8.0         | 18.0        | 17.0        | 20.0        | 17.0        |
| Finance                       | 23.0        | 22.0        | 22.0        | 22.0        | 24.0        | 24.0        | 24.0        | 24.0        | 23.5        | 24.0        |
| Community Services            | 34.0        | 32.0        | 28.0        | 28.0        | 28.0        | 31.0        | 22.0        | 25.0        | 32.6        | 34.8        |
| Police (Civil)                | 63.0        | 62.0        | 74.0        | 61.0        | 61.0        | 60.0        | 63.0        | 59.0        | 59.0        | 59.0        |
| Police (Non-Civil)            | 14.0        | 14.0        | 12.0        | 12.0        | 12.0        | 15.0        | 12.0        | 11.0        | 12.0        | 18.8        |
| Public Works                  | 32.0        | 31.0        | 30.5        | 31.5        | 30.5        | 30.5        | 31.5        | 30.5        | 31.7        | 25.5        |
| Utilities                     | 25.0        | 24.0        | 24.5        | 24.5        | 24.5        | 24.0        | 23.5        | 21.5        | 25.0        | 24.0        |
| Fire                          | 52.0        | 52.0        | 52.0        | 52.0        | 52.0        | 53.0        | 53.0        | 53.0        | 52.3        | 52.0        |
| Economic Development          | 3.0         | 2.0         | 2.0         | 2.0         | 2.0         | 2.0         | 2.0         | 1.0         | 1.0         | 1.2         |
| Total Employees by Department | 253.0       | 246.0       | 252.0       | 240.0       | 241.0       | 247.5       | 249.0       | 242.0       | 257.1       | 256.3       |
| <b>By Fund</b>                |             |             |             |             |             |             |             |             |             |             |
| General                       | 214.4       | 209.4       | 202.9       | 202.5       | 203.5       | 208.0       | 213.0       | 219.5       | 216.4       | 210.4       |
| Utility                       | 33.0        | 32.0        | 32.0        | 32.0        | 32.0        | 34.0        | 31.5        | 21.5        | 33.0        | 30.5        |
| Hotel/Motel                   | 0.5         | 0.5         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | -           | 1.0         | -           |
| Economic Development          | 2.5         | 1.5         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.2         |
| Grant                         | 0.6         | 0.6         | 1.0         | 1.0         | 1.0         | 1.0         | -           | -           | 1.7         | 2.1         |
| Drainage                      | -           | -           | 0.1         | 0.5         | 0.5         | 0.5         | 0.5         | -           | 0.5         | 3.5         |
| Solid Waste                   | 2.0         | 2.0         | 2.0         | 2.0         | 2.0         | 2.0         | 2.0         | -           | 2.0         | 2.0         |
| Traffic Administration        | -           | -           | -           | -           | -           | -           | -           | -           | 1.0         | 1.0         |
| Juvenile Case Manager         | -           | -           | -           | -           | -           | -           | -           | -           | 0.5         | -           |
| Fieldhouse                    | -           | -           | -           | -           | -           | -           | -           | -           | -           | 5.6         |
| Total Employees by Fund       | 253.0       | 246.0       | 240.0       | 240.0       | 241.0       | 247.5       | 249.0       | 242.0       | 257.1       | 256.3       |

Source: City of Duncanville, Texas Annual Budgets

**City of Duncanville**

**Schedule 17**

**Operating Indicators By Function/Program  
Last Ten Fiscal Years  
(Unaudited)**

| <b>Fiscal Years</b>                      | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Function/Program</b>                  |             |             |             |             |             |             |             |             |             |             |
| General Government                       |             |             |             |             |             |             |             |             |             |             |
| Building Permits Issued                  | 265         | 285         | 502         | 421         | 433         | 421         | 359         | 236         | 374         | 350         |
| Police                                   |             |             |             |             |             |             |             |             |             |             |
| Criminal Arrests                         | 2,564       | 2,871       | 2,584       | 2,058       | 2,394       | 2,320       | 1,808       | 3,300       | 2,100       | 2,235       |
| Index Crimes per 1,000 Population        | 53.54       | 52.16       | 47.78       | 43.73       | 40.00       | 42.58       | 47.05       | 50.00       | 47.80       | 46.24       |
| Fire                                     |             |             |             |             |             |             |             |             |             |             |
| Total Calls for Service (Fire & EMS)     | 5,198       | 5,298       | 5,566       | 6,517       | 6,976       | 7,004       | 6,884       | 7,038       | 7,248       | 6,700       |
| Total Structural Inspections             | 2,534       | 1,291       | 1,349       | 1,473       | 701         | 1,349       | 1,404       | 832         | 1,035       | 742         |
| Public Services                          |             |             |             |             |             |             |             |             |             |             |
| Utility Cuts Repaired                    | 106         | 127         | 142         | 142         | 89          | 104         | 112         | 115         | 186         | 125         |
| Sidewalk Repaired (Square Feet)          | 5,605       | 7,731       | 7,358       | 7,358       | 7,729       | 13,618      | 12,815      | 11,576      | 2,231       | 9,000       |
| Parks and Recreation                     |             |             |             |             |             |             |             |             |             |             |
| Program Participation Hours              | 20,000      | 18,000      | 13,648      | 13,648      | 18,623      | 17,829      | 18,231      | 21,120      | 25,119      | 14,843      |
| Number of Annual Passes Sold             | 1,261       | 2,758       | 1,437       | 1,314       | 1,949       | 1,981       | 2,774       | 2,000       | 2,664       | 1,900       |
| Library                                  |             |             |             |             |             |             |             |             |             |             |
| Volumes in Collection                    | 72,748      | 78,812      | 76,138      | 89,814      | 97,648      | 102,807     | 106,076     | 105,571     | 105,710     | 111,018     |
| Total Volumes Borrowed                   | 181,255     | 195,658     | 168,892     | 165,262     | 174,676     | 173,101     | 176,325     | 169,602     | 160,642     | 171,000     |
| Water/Wastewater                         |             |             |             |             |             |             |             |             |             |             |
| Water Main Breaks                        | 46          | 39          | 41          | 41          | 35          | 29          | 33          | 30          | 36          | 30          |
| Number of Gallons of Water Pumped (000s) | 2,165,850   | 2,023,335   | 1,875,701   | 1,949,561   | 2,196,549   | 1,683,823   | 1,907,801   | 2,000,000   | 1,726,380   | 1,900,000   |
| Average Daily Consumption (MGD)          | 5.9         | 5.5         | 5.1         | 5.3         | 6.0         | 4.6         | 5.2         | 6.0         | 4.7         | 5.75        |
| Miles of Sewer Mains Cleaned             | 10.63       | 14.49       | 12.46       | 8.73        | 4.80        | 5.70        | 3.75        | 8.00        | 2.12        | 14.5        |

Source: City of Duncanville, Texas Annual Budgets

**City of Duncanville**

**Schedule 18**

**Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years  
(Unaudited)**

| <b>Fiscal Year</b>                   | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Function/Program</b>              |             |             |             |             |             |             |             |             |             |             |
| Public Safety                        |             |             |             |             |             |             |             |             |             |             |
| Emergency Vehicles (Police & Fire)   | 30          | 31          | 29          | 29          | 36          | 34          | 34          | 34          | 33          | 31          |
| Public Works                         |             |             |             |             |             |             |             |             |             |             |
| Streets - Paved (Miles)              | 155.98      | 155.98      | 155.98      | 155.98      | 155.98      | 156.05      | 156.05      | 156.05      | 156.05      | 156.05      |
| Alleys - Paved (Miles)               | 40.07       | 40.07       | 40.28       | 40.28       | 40.28       | 36.11       | 36.11       | 36.11       | 36.11       | 36.11       |
| Traffic Signals                      | 36          | 36          | 36          | 36          | 36          | 34          | 34          | 34          | 34          | 34          |
| Street Signs                         | 1,921       | 1,921       | 1,926       | 1,926       | 1,928       | 1,966       | 1,966       | 1,966       | 1,966       | 1,966       |
| Regulatory & Non-regulatory Signs    | 4,227       | 4,227       | 4,337       | 4,337       | 4,416       | 9,850       | 9,920       | 9,920       | 9,940       | 9,929       |
| Non-Emergency Vehicles               | 70          | 70          | 38          | 68          | 72          | 79          | 79          | 81          | 84          | 82          |
| Parks and Recreation                 |             |             |             |             |             |             |             |             |             |             |
| Park Acres                           | 216.0       | 222.0       | 228.0       | 228.0       | 228.0       | 237.4       | 237.0       | 237.0       | 242.0       | 239.0       |
| Playgrounds                          | 10          | 10          | 10          | 10          | 10          | 12          | 12          | 12          | 12          | 12          |
| Total Athletic Facilities Maintained | 54          | 54          | 54          | 54          | 54          | 56          | 54          | 54          | 54          | 54          |
| Water/Wastewater                     |             |             |             |             |             |             |             |             |             |             |
| Miles of Water Mains                 | 182.83      | 184.37      | 186.92      | 186.92      | 187.35      | 188.01      | 189.50      | 189.50      | 189.50      | 189.80      |
| Fire Hydrants                        | 1,183       | 1,204       | 1,283       | 1,296       | 1,306       | 1,341       | 1,355       | 1,360       | 1,364       | 1,366       |
| Sanitary Sewer Lines (Miles)         | 150.76      | 152.33      | 152.35      | 152.35      | 153.45      | 154.06      | 153.60      | 153.60      | 153.64      | 153.65      |
| Sanitary Sewer Laterals (Miles)      | 76.60       | 76.86       | 76.86       | 76.86       | 77.25       | 77.46       | 77.30       | 77.30       | 77.30       | 77.30       |

Source: City of Duncanville, Texas Annual Budgets

