



BASIC FINANCIAL STATEMENTS,
MANAGEMENT DISCUSSION AND ANALYSIS, AND
REQUIRED SUPPLEMENTAL INFORMATION

SEPTEMBER 30, 2004

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INDEPENDENT AUDITOR'S REPORT

The Honorable Members of City Council
City of Lake Worth, Texas

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregated remaining fund information of the City of Lake Worth, Texas (the "City") as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatements. 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 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the City as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, of those activities and funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Omnibus*; and GASB Statement No. 38, *Certain Financial and Note Disclosures*, during the fiscal year ended in 2004.

Management's Discussion and Analysis and the Required Supplemental Information as described in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the City's management. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT – PAGE TWO

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund financial statements and other supplementary information in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the City's management. Such information, except for those schedules noted as unaudited, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

MALCOM B. WETSEL, INC.
January 12, 2005

City of Lake Worth, Texas

Management Discussion and Analysis
For Fiscal Year Ended September 30, 2004

The Management Discussion and Analysis is intended to be a narrative overview of the financial activities for the City of Lake Worth. We encourage our readers to consider the information presented here in conjunction with additional information we have furnished on the following pages. This analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget and special issues related to funds and the economic factors affecting the City.

The City has implemented Government Accounting Standards Board Statement (GASB) #34 for the first time in fiscal year 2003/2004. As a result, some comparative data will not be available to include in this analysis.

Financial Highlights

- The assets for the City have been properly recorded in each fund reflected the following net asset values.

Governmental Funds	\$20,711,960
Business Type Funds	<u>\$ 7,303,742</u>
Total Net Assets	<u>\$28,015,702</u>

- As of the close of fiscal year 2003/2004 the City's fund governmental balance is listed below:

General Fund	\$1,813,868
Debt Service Fund	\$ 194,099
Economic Development Corporation	\$1,267,501
Other Governmental Funds	<u>\$2,903,549</u>
Combined Fund Balance	<u>\$6,179,017</u>

- As of the close of fiscal year 2003/2004, the City's General Fund unreserved or undesignated fund balance is \$1,522,369, which is 35% of the operating budget.

- Net assets for both Governmental Activities and Business-type Activities have been restated at the beginning of the fiscal year to comply with GASB 34, reflecting an (\$1,328,335) adjustment to the Business-type activities. This adjustment consisted of deleted assets not meeting the new capitalization policy and /or abandoned.

- Compensated absences for the Governmental Activities were included in the amount of \$87,298 and \$4,600 for Business-type activities.

Overview of the Financial Statements

The City's annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the City. The components of the report include the following:

- Management's Discussion and Analysis: This section of the report provides financial overview and economic factors affecting the City.

- Government-wide Financial Statements: This statement is designed to provide readers with a broad overview of the City's finances in a manner similar to private sector business.
 - 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. Overtime and increases or decreases in net assets may serve as a useful indication of whether the financial position of the City is improving or deteriorating.

City of Lake Worth, Texas

Management Discussion and Analysis For Fiscal Year Ended September 30, 2004

- 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 (i.e. uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Lake Worth include general government, public safety, development services, culture and recreation, debt service, economic development, street maintenance and crime district. The business-type activities of the City of Lake Worth include the water/sewer fund.

- 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 in two categories – governmental and proprietary.
- Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of expendable resources, 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.

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

The City maintains 5 governmental funds; they are General Fund, Debt Service Fund, Economic Development Fund, Street Maintenance Fund, and Crime Control and Prevention District Fund (CCPD).

- Proprietary Funds: The City of Lake Worth maintains only one proprietary type fund, which is the Water/Sewer Fund.

Proprietary fund financial statements 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 Water/Sewer Fund operations, which is considered to be a major source of funds for the City.

- Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.
- Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

City of Lake Worth, Texas

Management Discussion and Analysis
For Fiscal Year Ended September 30, 2004

Government-Wide Financial Analysis

As noted earlier, this is the City of Lake Worth's first year to be in compliance with GASB 34. Net adjustments to the fixed assets resulted in assets that exceed liabilities by \$28,015,702 as indicated on the Statement of Net Assets as of September 30, 2004.

The majority of the total assets comes from the addition of \$19,284,326 (49%) from the governmental fund activities of infrastructure (streets) using the modified approach. Another 17% is comprised of pooled cash, pooled investments and equivalents. Total assets were decreased by \$4,500,056 due to depreciation.

Due to the first year of GASB 34, the City is not presenting comparable columns in the various comparison and analyses for the prior year.

CITY OF LAKE WORTH NET ASSETS
(In Dollars)

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Current & Other Assets	\$ 6,616,019	\$ 732,898	\$ 7,348,917
Capital Assets	<u>25,494,950</u>	<u>6,911,294</u>	<u>32,406,244</u>
Total Assets	<u>\$ 32,110,969</u>	<u>\$ 7,644,192</u>	<u>\$ 39,755,161</u>
Long Term Liabilities	\$ 10,234,980	\$ 109,686	\$ 10,344,666
Other Liabilities	<u>1,164,029</u>	<u>230,764</u>	<u>1,394,793</u>
Total Liabilities	<u>\$ 11,399,009</u>	<u>\$ 340,450</u>	<u>\$ 11,739,459</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 14,627,661	\$ 6,818,827	\$ 21,446,488
Restricted	4,571,026	---	4,571,026
Unrestricted	<u>1,513,273</u>	<u>484,915</u>	<u>1,998,188</u>
Total Net Assets	<u>\$ 20,711,960</u>	<u>\$ 7,303,742</u>	<u>\$ 28,015,702</u>

The restricted net assets include \$2,752,223 of Capital Project funds, which represents only 14% of total net assets. In the governmental activities \$4,571,026 or 22% is restricted and only 8%, or \$1,513,273, is unrestricted. In the business-type, 7% of the total net assets is unrestricted.

The City accounts for its streets and roadways by using the modified approach using a surface rating system. The surface condition rating is a numerical scale ranging from 1 (being failed) to 10 (being excellent). When the surface condition of a street or roadway falls at 2 or below, they are placed on the list for immediate repairs. It is the City's intention to maintain its streets and roadways at condition level 2 or above. As of the first analysis prepared by the City, the City was not at their desired level of compliance for ratings 1 and 5-7. However, the City was in compliance with the ratings 2-4 and 8-10. With the voter approval of a one-quarter percent sales tax effective for sales after July 1, 2004, the City should have sufficient resources to bring all roads to their desired goal by the time the road assessment is performed for the fiscal year ended September 30, 2007.

City of Lake Worth, Texas

Management Discussion and Analysis
For Fiscal Year Ended September 30, 2004

Analysis of the City's Operations

The following table provides a summary of the City's operations for year ended September 30, 2004. Again, due to this being the City's first year in compliance with GASB 34, a comparative column is not included.

CITY OF LAKE WORTH STATEMENT OF ACTIVITIES AS OF SEPTEMBER 30, 2004

	(In Dollars)		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>Revenues</u>			
Fines/Fees/Charges for Services	\$ 882,569	\$ 1,729,702	\$ 2,612,271
Grants/Contributions	31,165	---	31,165
Taxes/Misc/ Gain on Assets	6,256,540	(309,173)	5,947,367
<u>Expenditures</u>			
General Government	(1,820,926)	---	(1,820,926)
Public Safety	(2,293,995)	---	(2,293,995)
Public Ways and Facilities	(718,657)	---	(718,657)
Health and Sanitation	(130,667)	---	(130,667)
Culture & Recreation	(436,106)	---	(436,106)
Interest and Fiscal Charges	(546,083)	---	(546,083)
Water Service	---	(833,323)	(833,323)
Solid Waste	---	(730,206)	(730,206)
Change in Net Assets	\$ 1,223,840	\$ (143,000)	\$ 1,080,840
Net Assets Beginning Balance	<u>19,488,120</u>	<u>7,446,742</u>	<u>26,934,862</u>
Net Assets as of September 30, 2004	<u>\$ 20,711,960</u>	<u>\$ 7,303,742</u>	<u>\$ 28,015,702</u>

Financial Analysis of the Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,179,017. Approximately 25% of the total amount represents undesignated balances. Total governmental fund balances increased by \$216,403 and break down as listed below.

General Fund	+\$207,501
Debt Service Fund	+ 8,050
Economic Development Fund	- 25,276
Other Funds	<u>+ 26,128</u>
Total	<u>+\$216,403</u>

Proprietary Fund: The City of Lake Worth's proprietary funds statements provide the same type of information found in the governmental statements. The City has only one proprietary fund, which is the Water/Sewer Fund.

Unrestricted net assets are \$484,915, or 7%, of the total assets. Current and non current liabilities total \$341,591, which is \$143,324 less than total assets.

City of Lake Worth, Texas

Management Discussion and Analysis
For Fiscal Year Ended September 30, 2004

The Water/Sewer Fund had total operating revenue of \$1,729,702 and operating expenses of \$1,558,444, resulting in an operating income of \$171,258. Total non operating revenue is \$78,016, reflecting a net income before contributions and transfers of \$249,274. After the inclusion of capital contributions, transfers in and transfers out, the total change in net assets is (\$143,000). A write off in the amount of \$1,286,035 in fixed assets is to balance physical inventory and accumulated depreciation and to comply with the new capitalization policy.

Budgetary Information

Changes in the General Fund budget to actual and final are as indicated below. Significant changes in the General Fund Revenue is seen in court fines and related, which came in under budget by \$47,582. However, this shortage is more than off-set with the building permit and related areas that is up by \$102,813. The transfer in/out reflects a negative of \$159,266 due to the fact some projects that required a transfer in from another source was deferred or determined not to be completed during fiscal 2003/2004. General fund expenditures had no significant budgetary variations.

	(In Dollars)			
<u>Source</u>	<u>Original</u>	<u>Final</u>	<u>Actual/Budgetary</u>	<u>Variance</u>
General Fund Revenue	\$ 6,286,119	\$ 6,926,600	\$ 6,847,833	\$ (78,767)
General Fund Expense	<u>4,735,228</u>	<u>5,063,756</u>	<u>5,033,480</u>	<u>30,276</u>
Budgetary Fund Balance	<u>\$ 1,550,891</u>	<u>\$ 1,862,844</u>	<u>\$ 1,814,353</u>	<u>\$ (48,491)</u>

Listed below are the City's assets as of September 30, 2004.

	(In Dollars)		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Land and Improvements	\$ 536,698	\$ 46,240	\$ 582,938
Buildings	4,791,170	119,938	4,911,108
Infrastructure	19,284,326	8,187,982	27,472,308
Equipment and Vehicles	1,459,198	541,393	2,000,591
Furniture and Fixtures	150,440	---	150,440
Assets under Capital Leases	864,650	732,294	1,596,944
Construction in Progress	191,971	---	191,971
Less Depreciation	<u>(1,783,503)</u>	<u>(2,716,553)</u>	<u>(4,500,056)</u>
Total	<u>\$ 25,494,950</u>	<u>\$ 6,911,294</u>	<u>\$ 32,406,244</u>

At the end of fiscal 2003/2004, the City of Lake Worth has \$10,959,756 in outstanding certificates of obligation and capitalized leases.

CITY OF LAKE WORTH LONG-TERM DEBT OBLIGATION

	(In Dollars)		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Capital Leases	\$ 662,289	\$ 92,467	\$ 754,756
1997 A Certificates of Obligation	1,920,000	---	1,920,000
1997 B Certificates of Obligation	1,125,000	---	1,125,000
1999 Certificates of Obligation	3,350,000	---	3,350,000
2001 Certificates of Obligation	<u>3,810,000</u>	<u>---</u>	<u>3,810,000</u>
Total	<u>\$ 10,867,289</u>	<u>\$ 92,467</u>	<u>\$ 10,959,756</u>

Note that certain certificates of obligation are recorded in governmental type funds. However, the annual payments are split between governmental and business-type funds.

City of Lake Worth, Texas

Management Discussion and Analysis
For Fiscal Year Ended September 30, 2004

Property Taxes

The property tax rate for the City of Lake Worth was set at .314029, generating \$755,043 in revenue. Total tax collections are at 98% leaving a balance of \$22,073 uncollected. The City of Lake Worth's intention is to remain at the 31 cent level for as long as demands allow.

Economic Factors and Next Year's Budget and Rates

The economic outlook for the City of Lake Worth remains strong. Within the next fiscal year two large developments should be at substantial completion. This addition of retail sales should increase the City's sales tax revenue significantly. This will enable the City to maintain its goal of the .31/\$100 value on the tax rate with increased property values.

With the addition of the Crime Control and Prevention District (CCPD), additional funds in next year's budget have been included to implement programs to facilitate a more pro-active law enforcement presence in the community. The CCPD revenue will be derived from one-quarter cent sales tax, investment income and donations.

Next year's budget also includes an additional one-quarter cent sales tax for street maintenance. The purchase of additional equipment and personnel will expedite the repairs on City streets by city crews.

Both the CCPD and street maintenance tax is estimated to generate approximately \$550,000 each, or 1.1 million dollars to the city coffers.

In addition the City sold six million dollars in Certificates of Obligation on January 11, 2005 at an overall interest rate of 4.11%. Proceeds from these certificates will be used to re-construct and widen an exiting major artery, improve drainage along Comanche Creek, property acquisition for future city facility expansion and other street/drainage improvements. During this process, the City's bond rating was increased to BBB+ from BBB by Standard and Poor's.

Request for Additional Information

The financial information provided in this report is designed to enable our citizens, customers, investors and creditors with a general overview of the City of Lake Worth finances. Should you have any questions concerning any portions of this report contact Vicki Mikel, Assistant City Manager/Director of Finance at 817-237-1211, ext 223 or email at vmikel@lakeworthtx.org.

CITY OF LAKE WORTH, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Pooled cash and cash equivalents	\$ 134,683	\$ 41,714	\$ 176,397
Non-pooled cash	996	400	1,396
Pooled investments	3,062,172	--	3,062,172
Non-pooled investments	2,801,437	474,613	3,276,050
Ad valorem taxes receivable - net	60,819	--	60,819
Sales taxes receivable	69,521	--	69,521
Accounts receivable - net	188,705	188,510	377,215
Miscellaneous receivable	--	551	551
Due from other governments	297,687	--	297,687
Inventories and prepaid expenses	--	27,110	27,110
Capital Assets:			
Infrastructure reported using modified approach (see page 42)	19,284,326	--	19,284,326
Not being depreciated			
Land	536,698	46,240	582,938
Construction in progress	191,971	--	191,971
Being depreciated			
Infrastructure	--	8,187,982	8,187,982
Building and improvements	4,791,170	119,938	4,911,108
Equipment and vehicles	1,459,198	541,393	2,000,591
Office furniture and fixtures	150,440	--	150,440
Assets under capital leases	864,650	732,294	1,596,944
Less accumulated depreciation	(1,783,503)	(2,716,553)	(4,500,056)
TOTAL ASSETS	\$ 32,110,970	\$ 7,644,192	\$ 39,755,162
LIABILITIES			
Accounts payable	\$ 231,546	\$ 135,191	\$ 366,737
Accrued expenses	146,329	7,868	154,197
Meter deposits -current	--	19,600	19,600
Payable to other governments	58,759	--	58,759
Internal balances	552	(552)	--
Compensated absences	94,535	5,365	99,900
Capitalized leases - current	162,309	63,292	225,601
Certificates of obligation - current	470,000	--	470,000
Non-current:			
Meter deposits	--	80,511	80,511
Capitalized leases	499,980	29,175	529,155
Certificates of obligation	9,735,000	--	9,735,000
TOTAL LIABILITIES	\$ 11,399,010	\$ 340,450	\$ 11,739,460
NET ASSETS			
Invested in capital assets, net of related debt	\$ 14,627,661	\$ 6,818,827	\$ 21,446,488
Restricted for:			
Debt service	194,099	--	194,099
Economic development	1,267,501	--	1,267,501
Special revenue crime control district	75,663	--	75,663
Special revenue street maintenance	75,663	--	75,663
Capital projects funds	2,752,223	--	2,752,223
Other	205,877	--	205,877
Unrestricted	1,513,273	484,915	1,998,188
TOTAL NET ASSETS	\$ 20,711,960	\$ 7,303,742	\$ 28,015,702

See accompanying notes to basic financial statements.

CITY OF LAKE WORTH, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental:							
General government	\$ 1,820,926	\$ 193,233	\$ ---	\$ ---	\$ (1,627,693)	\$ ---	\$ (1,627,693)
Public safety	2,293,995	554,131	6,286	---	(1,733,578)	---	(1,733,578)
Public ways and facilities	718,657	---	---	---	(718,657)	---	(718,657)
Health and sanitation	130,667	130,620	---	---	(47)	---	(47)
Culture and recreation	436,106	4,585	24,879	---	(406,642)	---	(406,642)
Interest and fiscal charges	546,083	---	---	---	(546,083)	---	(546,083)
Total Governmental Activities	<u>\$ 5,946,434</u>	<u>\$ 882,569</u>	<u>\$ 31,165</u>	<u>\$ ---</u>	<u>\$ (5,032,700)</u>	<u>\$ ---</u>	<u>\$ (5,032,700)</u>
Business-type:							
Water	\$ 833,323	\$ 940,893	\$ ---	\$ ---	\$ ---	\$ 107,570	\$ 107,570
Solid waste	730,206	788,809	---	---	---	58,603	58,603
Total Business-type Activities	<u>\$ 1,563,529</u>	<u>\$ 1,729,702</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 166,173</u>	<u>\$ 166,173</u>
Total Primary Government	<u>\$ 7,509,963</u>	<u>\$ 2,612,271</u>	<u>\$ 31,165</u>	<u>\$ ---</u>	<u>\$ (5,032,700)</u>	<u>\$ 166,173</u>	<u>\$ (4,866,527)</u>
General Revenues:							
Taxes:							
Property taxes levied for general purposes					\$ 792,472	\$ ---	\$ 792,472
Sales taxes					3,595,798	---	3,595,798
Franchise taxes					361,086	---	361,086
Other taxes					75,354	---	75,354
Grants and contributions not restricted to specific programs					2,064	---	2,064
Miscellaneous					945,051	48,630	993,681
Gain on sale of assets					92,441	34,471	126,912
Transfers					392,274	(392,274)	---
Total General Revenues and Transfers					<u>\$ 6,256,540</u>	<u>\$ (309,173)</u>	<u>\$ 5,947,367</u>
Changes in Net Assets					\$ 1,223,840	\$ (143,000)	\$ 1,080,840
Net Assets - beginning					19,488,120	7,446,742	26,934,862
Net Assets - ending					<u>\$ 20,711,960</u>	<u>\$ 7,303,742</u>	<u>\$ 28,015,702</u>

See accompanying notes to basic financial statements.

CITY OF LAKE WORTH, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004

	GENERAL	DEBT SERVICE	ECONOMIC DEVELOPMENT CORPORATION	CAPITAL PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Pooled cash and cash equivalents	\$ 127,035	\$ 1,254	\$ ---	\$ 6,394	\$ ---	\$ 134,683
Non-pooled cash and cash equivalents	275	---	720	1	---	996
Pooled investments	1,806,110	189,375	---	988,011	78,676	3,062,172
Non-pooled investments	---	---	984,225	1,817,212	---	2,801,437
Receivable:						
Taxes	50,359	10,461	---	---	---	60,820
Accounts	69,521	---	---	---	---	69,521
Other	42	25	182,002	2	---	182,071
Due from other funds - major	623	4,582	43,013	428	---	48,646
Due from other governments	150,554	---	74,483	---	72,650	297,687
TOTAL ASSETS	\$ 2,204,519	\$ 205,697	\$ 1,284,443	\$ 2,812,048	\$ 151,326	\$ 6,658,033
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 199,009	\$ 428	\$ 15,299	\$ 16,812	\$ ---	\$ 231,548
Accrued expenses	81,789	---	1,609	---	---	83,398
Deferred revenue	46,512	9,601	---	---	---	56,113
Due to other funds - major	4,582	1,569	34	43,013	---	49,198
Payable to other governments	58,759	---	---	---	---	58,759
Total Liabilities	\$ 390,651	\$ 11,598	\$ 16,942	\$ 59,825	\$ ---	\$ 479,016
Fund Balances						
Reserved for:						
Debt service	\$ ---	\$ 194,099	\$ ---	\$ ---	\$ ---	\$ 194,099
Economic development	---	---	1,267,501	---	---	1,267,501
Special revenue crime control district	---	---	---	---	75,663	75,663
Special revenue street maintenance	---	---	---	---	75,663	75,663
Capital projects funds	---	---	---	2,752,223	---	2,752,223
Other	205,877	---	---	---	---	205,877
Unreserved						
Designated						
Various	85,622	---	---	---	---	85,622
Undesignated	1,522,369	---	---	---	---	1,522,369
Total Fund Balances	\$ 1,813,868	\$ 194,099	\$ 1,267,501	\$ 2,752,223	\$ 151,326	\$ 6,179,017
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,204,519	\$ 205,697	\$ 1,284,443	\$ 2,812,048	\$ 151,326	\$ 6,658,033

See accompanying notes to basic financial statements.

CITY OF LAKE WORTH, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Total Fund Balance - Government Funds - page 11 \$ 6,179,017

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	536,698	
Infrastructure		19,284,326	
Buildings and improvements		4,791,170	
Equipment and vehicles		1,459,198	
Office furniture and fixtures		150,440	
Assets under capital leases		864,650	
Construction in progress		191,971	
Accumulated depreciation		<u>(1,783,503)</u>	
	\$	<u>25,494,950</u>	25,494,950

Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, on the accrual basis those revenues would be recognized, regardless of when they are collected.

62,747

Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Compensated absences	\$	94,535	
Accrued interest		62,930	
Capital leases		662,289	
Certificates of obligations		<u>10,205,000</u>	
	\$	<u>11,024,754</u>	<u>(11,024,754)</u>

Net Assets of Governmental Activities - page 9

\$ 20,711,960

CITY OF LAKE WORTH, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	GENERAL	DEBT SERVICE	ECONOMIC DEVELOPMENT CORPORATION	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:						
Property taxes	\$ 659,613	\$ 149,074	\$ ---	\$ ---	\$ ---	\$ 808,687
Sales taxes	2,296,378	---	1,148,174	---	151,246	3,595,798
Franchise taxes	361,086	---	---	---	---	361,086
Other taxes	75,354	---	---	---	---	75,354
Licenses and permits	206,822	---	---	---	---	206,822
Charges for services	134,231	---	---	---	---	134,231
Fine and forfeits, etc.	448,553	---	---	---	---	448,553
Miscellaneous revenues	466,525	2,349	297,121	305,166	80	1,071,241
TOTAL REVENUES	<u>\$ 4,648,562</u>	<u>\$ 151,423</u>	<u>\$ 1,445,295</u>	<u>\$ 305,166</u>	<u>\$ 151,326</u>	<u>\$ 6,701,772</u>
Expenditures:						
Current						
Mayor and council	\$ 17,606	\$ ---	\$ ---	\$ ---	\$ ---	\$ 17,606
General expense	991,808	---	129,575	---	---	1,121,383
Police department	1,563,221	---	---	---	---	1,563,221
Fire department	573,259	---	---	---	---	573,259
Street department	685,847	---	---	---	---	685,847
Library	150,354	---	---	---	---	150,354
Park department	229,673	---	---	---	---	229,673
Maintenance department	130,389	---	---	---	---	130,389
Senior Citizens program	54,724	---	---	---	---	54,724
Inspections and permits	211,258	---	---	---	---	211,258
Municipal Court	118,679	---	---	---	---	118,679
Animal control	46,224	---	---	---	---	46,224
Emergency management	3,177	---	---	---	---	3,177
Debt Service:						
Principal retirement	---	602,750	---	---	---	602,750
Interest and fiscal charges	---	550,214	---	---	---	550,214
Capital outlay	---	---	559,301	430,364	---	989,665
TOTAL EXPENDITURES	<u>\$ 4,776,219</u>	<u>\$ 1,152,964</u>	<u>\$ 688,876</u>	<u>\$ 430,364</u>	<u>\$ ---</u>	<u>\$ 7,048,423</u>
EXCESS (DEFICIENCY) OF REVENUES						
OVER EXPENDITURES	<u>\$ (127,657)</u>	<u>\$ (1,001,541)</u>	<u>\$ 756,419</u>	<u>\$ (125,198)</u>	<u>\$ 151,326</u>	<u>\$ (346,651)</u>
Other financing sources (uses):						
Transfers in	\$ 422,801	\$ 1,023,833	\$ ---	\$ ---	\$ ---	\$ 1,446,634
Transfers (out)	(257,262)	(14,242)	(782,856)	---	---	(1,054,360)
Sale of assets	92,441	---	---	---	---	92,441
Proceeds from leases	77,178	---	1,161	---	---	78,339
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 335,158</u>	<u>\$ 1,009,591</u>	<u>\$ (781,695)</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 563,054</u>
NET CHANGE IN FUND BALANCES	<u>\$ 207,501</u>	<u>\$ 8,050</u>	<u>\$ (25,276)</u>	<u>\$ (125,198)</u>	<u>\$ 151,326</u>	<u>\$ 216,403</u>
FUND BALANCE - OCTOBER 1	1,606,367	186,049	1,292,777	2,877,421	---	5,962,614
FUND BALANCE - SEPTEMBER 30	<u><u>\$ 1,813,868</u></u>	<u><u>\$ 194,099</u></u>	<u><u>\$ 1,267,501</u></u>	<u><u>\$ 2,752,223</u></u>	<u><u>\$ 151,326</u></u>	<u><u>\$ 6,179,017</u></u>

See accompanying notes to basic financial statements.

CITY OF LAKE WORTH, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Net Change in Fund Balances - Total Government Funds - page 13	\$	216,403
<p>Amounts reported by governmental activities in the statement of activities as reported on page 10 are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$820,310) exceed depreciation (\$317,965) in the current period.</p>		502,345
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p>		(16,215)
<p>Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of notes payable, capital leases and certificates of obligation principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which principal payments (\$602,750) exceeded proceeds (\$78,339).</p>		524,411
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		<u>(3,104)</u>
Change in Net Assets of Governmental Activities - page 10	\$	<u><u>1,223,840</u></u>

See accompanying notes to basic financial statements.

CITY OF LAKE WORTH, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Enterprise Fund
	Water and Sewer
ASSETS	
Current Assets:	
Pooled cash and cash equivalents	\$ 41,714
Non-pooled cash and cash equivalents	400
Non-pooled investments	474,613
Receivables, net	188,510
Miscellaneous receivable	551
Inventories	27,110
Due from other funds	1,141
Total Current Assets	\$ 734,039
Noncurrent Assets:	
Capital Assets:	
Land and improvements	\$ 46,240
Buildings	119,938
Distribution and collection systems	8,187,982
Equipment and vehicles	541,393
Assets under capital leases	732,294
Less accumulated depreciation	(2,716,553)
Total Noncurrent Assets	\$ 6,911,294
TOTAL ASSETS	\$ 7,645,333
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 135,191
Accrued expenses	7,868
Compensated absences	5,365
Due to other funds	589
Meter deposits	19,600
Capital leases payable	63,292
Total Current Liabilities	\$ 231,905
Noncurrent Liabilities:	
Meter deposits	\$ 80,511
Capital leases payable	29,175
Total Noncurrent Liabilities	\$ 109,686
TOTAL LIABILITIES	\$ 341,591
NET ASSETS	
Invested in capital assets, net of related debt	\$ 6,818,827
Unrestricted	484,915
TOTAL NET ASSETS	\$ 7,303,742

See accompanying notes to basic financial statements.

CITY OF LAKE WORTH, TEXAS
STATEMENT REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Enterprise Fund
	Water and Sewer
Operating Revenues:	
Charges for services:	
Water charges	\$ 938,213
Wastewater charges	786,262
Miscellaneous	5,227
TOTAL OPERATING INCOME	\$ 1,729,702
Operating Expenses:	
Personal services	\$ 179,402
Contractual services	285,555
Water purchased	187,048
Disposal charge - wastewater	389,081
Supplies	46,859
Maintenance	101,350
General and administrative	90,345
Depreciation	278,804
TOTAL OPERATING EXPENSES	\$ 1,558,444
OPERATING INCOME (LOSS)	\$ 171,258
Nonoperating Revenues (Expenses):	
Interest revenue	\$ 5,377
Miscellaneous income	43,253
Gain on sale of assets	34,471
Interest expense and fiscal charges	(5,085)
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ 78,016
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$ 249,274
Capital contributions	\$ ---
Transfers in	159,673
Transfers (out)	(551,947)
CHANGE IN NET ASSETS	\$ (143,000)
TOTAL NET ASSETS - BEGINNING - PREVIOUSLY STATED	\$ 8,737,377
To write off fixed assets to physical inventory of fixed assets net of accumulated depreciation	(1,286,035)
To record accrued compensated absences at beginning of year	(4,600)
TOTAL NET ASSETS - BEGINNING - RESTATED	\$ 7,446,742
TOTAL NET ASSETS - ENDING	\$ 7,303,742

See accompanying notes to basic financial statements.

CITY OF LAKE WORTH, TEXAS
STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Enterprise Fund
	Water and Sewer
Cash Flows From Operating Activities:	
Receipts from customers	\$ 1,727,957
Payments to suppliers	(1,138,767)
Payments to employees	(176,229)
Other receipts	16,628
Net Cash Provided (Used) by Operating Activities	\$ 429,589
Cash Flows From Noncapital Financing Activities:	
Transfers from other funds	\$ 192,771
Transfers to other funds	(591,070)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (398,299)
Cash Flows From Capital and Related Financing Activities:	
Proceeds capital lease	\$ 1,647
Purchase of capital assets	(10,686)
Proceeds from sale of capital asset	34,471
Payment for water tower leases, etc	43,253
Principal payments on notes payable	(13,897)
Principal payments on capital leases	(110,773)
Interest paid on notes payable and capital leases	(6,020)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (62,005)
Cash Flows From Investing Activities:	
Purchase of investments	\$ (1,046,234)
Proceeds from maturity of investments	1,072,565
Interest earned from investments	5,370
Net Cash Provided (Used) by Investing Activities	\$ 31,701
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 986
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	41,128
CASH AND CASH EQUIVALENTS END OF YEAR	\$ 42,114
Reconciliation of Operating Income (Loss) to Net Cash Provided	
By Operating Activities	
Operating income (loss)	\$ 171,258
Adjustments to reconciles operating income to net cash provided by operating activities:	
Depreciation	278,804
Change in assets and liabilities:	
Receivables - net	3,482
Miscellaneous receivable	1,651
Inventories	(12,342)
Accounts payable	(23,779)
Accrued compensated absences	765
Meter deposits	9,750
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 429,589
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Assets purchased using capital leases	\$ 82,446

See accompanying notes to basic financial statements.

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The financial statements of the City of Lake Worth, Texas are prepared in accordance with Generally Accepted Accounting Principles (GAAP) that are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The City follows all relevant GASB pronouncements. Under GASB Statement No. 20, *Accounting and Reporting for Proprietary Fund and Other Governmental Entities That Use Proprietary Fund Accounting*, all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds have the option of either: (1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or (2) continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The City has chosen not to apply future FASB standards. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The following is a summary of such significant policies.

GASB STATEMENT NO. 34 IMPLEMENTATION

In the fiscal year 2004, The City implemented GASB Statement No. 34, *Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Disclosures*.

The following table shows beginning net assets for governmental activities restated for the effects of the implementation of GASB Statement No. 34:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Fund Balances/Retained Earnings at beginning of year, as previously reported	\$ 5,962,614	\$ 8,737,377
Record capital assets	26,463,143	---
Delete asset not meeting new capitalization policy and/or abandoned	---	(1,328,335)
Record/adjust accumulated depreciation	(1,470,538)	42,300
Recognize deferred revenue	72,327	---
Accrued interest expense	(67,062)	---
Accrued compensated absences	(87,298)	(4,600)
Record/adjust long-term debt obligations	(11,385,066)	---
Net Assets Beginning of Year Restated	<u>\$ 19,488,120</u>	<u>\$ 7,446,742</u>

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY AND SERVICES

Form of Government:

As a result of the propositions approved February 1, 2003, the City operates under the Council-Manager form of government. The Council is comprised of the Mayor and seven Council members, who enact local laws, determine policies and adopt the annual budget. The Manager is appointed by the Council and is responsible for the daily management of the City.

Services:

Major services provided by general government and enterprise functions are: public safety (police and fire), highway and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, water supply, sewer disposal, and general and administrative services.

Reporting Unit:

In evaluating the City's financial reporting entity, management has considered all potential component units. The decision to include a potential component unit in the financial reporting entity was made by applying the following criteria as set forth in GASB Statement No. 14:

- 1) the organization is legally separate (can be sued in their own name);
- 2) the City holds the corporate powers of the organization;
- 3) the City appoints a voting majority of the organization's board;
- 4) the City is able to impose its will on the organization;
- 5) the organization has the potential to impose benefit/burden on the City;
- 6) there is fiscal dependency by the organization on the City.

Based on the above, the following blended component units, although legally separate from the City, are reported as part of the primary government:

The Lake Worth Development Corporation

The Lake Worth Development Corporation is governed by a seven member board of directors appointed by the City Council. Beginning July 1, 1996, a one-half cent sales tax was levied within the city limits for the purpose of benefiting and accomplishing public purposes on behalf of the City for the citizens of Lake Worth, Texas.

The City of Lake Worth Crime Control and Prevention District

The City of Lake Worth Crime Control and Prevention District is governed by an eight member board of directors appointed by the City Council. Citizens, by a vote held February 7, 2004, approved a one-quarter cent sales tax to be levied within the city limits effective July 1, 2004 for the purpose of crime control and protection of the citizens of the City of Lake Worth, Texas.

The City of Lake Worth Street Maintenance Fund

The City Lake Worth Street Maintenance Fund is for the depositing of a one-quarter cent sales tax. The levy for this sales tax was approved by a vote of the citizens held on February 7, 2004. The purpose of the levy of this sales tax is for maintaining and repairing municipal streets existing on the date of the election.

Individual audited financial statements of the component units are not issued. Management issued financial statements are available at the City's administration building.

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

Government-Wide Statements

The two government-wide financial statements, the Statement of Net Assets and the Statement of Activities, display information on all the nonfiduciary activities of the City. Material eliminations have been made to the government-wide financial statements to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific program. Indirect expenses have been allocated based on the direct expenses of the activities. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function. They also include operating and capital 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

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements, that emphasize major funds, are provided for each fund category, governmental and proprietary. To emphasize the major governmental and enterprises funds, each major fund is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Major Governmental Funds

Governmental funds are those through which most governmental functions are typically financed. The measurement focus of governmental funds is on the sources, uses and balance of financial resources. The City reports the following major governmental funds:

General Fund

This is the main operating fund of the City. The fund is used to account for all the financial resources that are not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund

This fund accounts for the accumulation of financial resources for the payment of principal, interest and related costs on long-term obligations paid primarily from taxes levied or collected by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Economic Development Corporation

This fund is a blended special revenue fund that accounts for the one-half cent sales tax levied within the city limits for the purpose of benefiting and accomplishing public purposes on behalf of the City for the citizens of Lake Worth, Texas. This money by law is restricted to certain type expenditures. Accordingly the fund balance is reserved to signify restrictions imposed by State law.

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Major Governmental Funds (continued)

Capital Project Fund

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital improvements (other than those financed by the Enterprise Fund).

Other Governmental Funds

This is a summarization of all non-major governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flows. All assets and liabilities are included in the Statement of Net Assets. The City only has one proprietary fund.

Water and Sewer Fund

This fund accounts for the provision of water and sewer service to the City's residents. Activities of the fund include administration, billing and collection activities, and the operations, maintenance, and construction of the systems. The fund also accounts for the accumulation of resources for part of the payment of long-term principal and interest for the water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the system.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Reconciliation of Government-wide and Fund Financial Statements

A summary reconciliation of the differences between total fund balances as reflected on the governmental funds balance sheet and total net assets (deficit) for governmental activities as shown on the government-wide statement of net assets is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

A summary reconciliation of the difference between net changes in fund balances as reflected on the governmental funds statement of revenues, expenditures, and changes in fund balances and change in net assets for governmental activities as shown on the government-wide statement of activities is presented in an accompanying schedule to the governmental funds statement of revenues, expenditures and changes in fund balances. The revenues and expense elements which comprise the reconciliation differences stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

The government-wide statements of net assets and statements of activities and all proprietary funds are reported and accounted for on the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these activities are included on the balance sheet. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of the related cash flows. Nonexchange transactions, in which the City either gives or receives value without directly receiving or giving equal value in exchange, include, for example, sales taxes, property taxes, grants, entitlements, and donations. On the accrual basis, revenue from sales taxes is recognized when the underlying "exchange" transactions take place. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been met.

The governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. This focus is on the determination of, and changes in financial position, generally only net assets and liabilities are included on the balance sheet. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Revenues and taxes are generally considered available if received within sixty (60) days after the fiscal year end. A sixty-day availability period is used for revenue recognition for all other governmental fund type revenue except for penalties and interest, corporation court and miscellaneous revenues which are recorded when received in cash because they are generally not considered measurable until actually received. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt and certain estimated liabilities which are recorded only when the obligation has matured and is due and payable shortly after year end as required by GASB Interpretation No. 6.

The statement of net assets, statement of activities, and financial statements of the Proprietary Funds are presented on the flow of economic resources and the accrual basis of accounting. This focus emphasizes the determination of net income, changes in net assets, and financial position. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net assets. These funds use the accrual basis of accounting whereby revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

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

CASH, CASH EQUIVALENTS AND INVESTMENTS

The City maintains one cash and two investment pools in which the primary government and component units share. Each fund's or component unit's portion of a pool is displayed on its respective balance sheet as "pooled cash and cash equivalent" or "pooled investments." In addition, non-pooled cash and investments are separately held and reflected in their respective funds or component units as "non-pooled cash and cash equivalent" and "non-pooled investments." Interest earnings are allocated based on cash amounts in individual funds in a manner consistent with budgetary and legal requirements.

The City reporting unit considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Exceptions include the Texpool and Lone Star Investment funds.

Investments are carried at fair value using selected bases. Short-term investments are reported at cost, which approximates fair value. Managed funds not listed on an established market are reported at

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amounts which reasonably estimate fair value. For the purpose of presenting the statement of cash flows, cash and cash equivalents are defined as demand deposits, pooled cash and imprest petty cash funds.

PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value as of the previous January 1 for all real and personal property. Property taxes attach as an enforceable lien on property as of January 31. Taxes are due October 1 and full payment can be made prior to the following February to avoid penalty and interest charges. Taxpayers also have the option of paying one-half of their taxes by November 30 and the second half by June 30 to avoid penalty and interest charges.

Property taxes levied for 2003 have been recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2003 and those considered "available" at September 30, 2004 (i.e. property taxes collected within 60 days of year-end) have been recognized as revenues in 2004. The remaining receivables have been reflected as deferred revenue. In the government-wide financial statements tax revenue is recognized in the year for which the levy applies. The State constitution limits the tax rate to \$2.50 per \$100 of assessed valuation including debt service.

INVENTORIES AND PREPAIDS

Inventories in the proprietary fund are stated at the lower of cost (first-in, first-out basis) or market. The governmental funds did not have any material expendable supplies on September 30, 2004.

Certain payments to vendors reflect costs applicable to future accounting periods and are reflected as prepaid items. At September 30, 2004 the City did not have any material prepaid costs.

CAPITAL ASSETS AND DEPRECIATION

The City's governmental fund has elected to use the modified approach for its infrastructure for reporting in the government-wide statements. General infrastructure assets acquired before September 30, 2003 consisting of the road network assets acquired, or that received substantial improvements, subsequent to October 1, 1980 are reported at estimated historical cost using deflated replacement cost. Under the modified approach the City does record depreciation on this infrastructure. However, it must meet the following criteria: (1) keep a listing of all infrastructure assets, (2) establish and document the condition and levels at which the assets are being preserved, (3) make annual estimates necessary to maintain and preserve the eligible infrastructure at the conditions levels, (4) perform and summarize results of condition assessments for the eligible infrastructure every three years, (5) provide reasonable assurance that eligible infrastructure is being preserved approximately at or above the condition levels established. In addition to maintenance costs (expenditures which allow an asset to continue to be used during its originally established useful life), preservation costs (expenditures made to extend the original estimated useful life) are allowed under the modified approach to be expensed. See required supplementary information on page 42 for more details.

All other governmental fund property, plant and equipment with useful lives of more than one year are stated at cost or estimated historical cost, use the depreciation method and are comprehensively reported in government-wide financial statements.

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

The City's proprietary fund property, plant, equipment and infrastructure are stated at historical costs and are reported in the government-wide statements as well as their respective financial statements. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Donated fixed assets are recorded at their estimated fair market value at the date of donation. The City generally capitalizes assets with a cost of five thousand (\$5,000) dollars or more as purchases and outlays occur. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10-15
Mains and extensions	10-65
Autos and equipment	3-10
Furniture and fixtures	3-10
Capital leases	5-10

CAPITALIZED INTEREST

Interest costs are capitalized when incurred by the proprietary fund on debt when proceeds are used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. Total interest expense for the current year was \$551,168. The major enterprise fund paid \$5,085 in interest expense which was allocated to and reported in the following expenses: water activity \$2,607 and solid waste activity \$2,478. The general government interest expense of \$546,083 is reported as interest and finance charges in the governmental activities. No interest was capitalized during the current year.

LONG-TERM OBLIGATIONS

Long-term debt and other obligations for general government purposes are recorded in the government-wide statement of net assets. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For the government-wide financial statements and proprietary funds, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported costs and amortized over the term of the related debt. In addition, gains or losses on proprietary fund bond refunding are amortized over the term of the lesser of the new bonds or the refunded bonds life using the effective interest rate method.

In the governmental fund financial statements, bond proceeds are reported as another financing source. Bond premiums and discounts in governmental funds are also recognized currently as other financing sources or uses. Issuance costs, even if withheld from actual proceeds received, are reported as debt service expenditures.

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE/NET EQUITY

The governmental fund financial statements report reserved fund balance for amounts not available for appropriations or legally restricted for specified purposes. The General Fund reserve for restricted purposes includes net assets resulting from various revenues as explained in note O.

COMPENSATED ABSENCES

City employees earn personal leave, which may be either taken or accumulated until paid upon termination or retirement. All employees are paid up to an established limit for personal leave upon termination or retirement. Accumulated vacation is accrued when incurred in the government-wide statement of net assets and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund statements, only if they have matured, for example, as a result of employee resignation and retirements in accordance with GASB Interpretation No. 6. For accrued amounts that are paid through the Proprietary Fund, an expense and liability for the total future liability is recorded. Compensated absences at September 30, 2004 consisted of the following:

Governmental Activities	\$ 94,535
Business-type Activities	5,365
	<u>\$ 99,900</u>

INTERFUND TRANSACTIONS

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

PENSION PLAN

The City has a pension plan covering all full time employees. The pension plan is funded by making annual contributions to the plan equal to the amount accrued for pension plan expense, which included the amortization of past service cost over twenty-five years (see Note C). To cover volunteer firemen, who are not City employees, the City contributes to another plan as described in Note D.

DEFERRED EXPENSES

The City had no pension asset or liability upon implementing GASB Statement 27.

NOTE B - CASH AND INVESTMENTS

DEPOSITS

State statues require that all deposits in financial institutions be fully collateralized by the U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits.

At year end the carrying value of the City's pooled and non-pooled deposits was \$176,398 and the bank balance was \$340,172. Of the bank balance \$100,720 was covered by federal depository insurance and \$239,452 was covered by securities pledged by depository.

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE B - CASH AND INVESTMENTS (CONTINUED)

DEPOSITS (CONTINUED)

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

	Bank	Category			Carrying Amount
	Balance	<u>1</u>	<u>2</u>	<u>3</u>	
Pooled Cash					
General Fund	\$ 290,089	\$ 290,089	\$ ---	\$ ---	\$ 127,035
Debt Service	1,254	1,254	---	---	1,254
Capital Projects	6,395	6,395	---	---	6,395
Proprietary Fund	41,714	41,714	---	---	41,714
Total Pooled Cash	<u>\$ 339,452</u>	<u>\$ 339,452</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 176,398</u>
Non-Pooled Cash					
Special Revenue	<u>\$ 720</u>	<u>\$ 720</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 720</u>
Total Cash	<u><u>\$ 340,172</u></u>	<u><u>\$ 340,172</u></u>	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>	<u><u>\$ 177,118</u></u>

INVESTMENTS

The City is allowed to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; (5) certificates of deposits issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; or secured by obligations that are described by subdivisions (1) through (4) of this subsection or under Article 2529b-1, Vernon's Texas Civil Statutes, and that have a market value of not less than the principal amount of the certificates; and (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by subdivision (1) of this subsection, pledged with third parties selected or approved by the City, and placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in the State of Texas.

For fiscal year 2004, the City invested in the State of Texas Texpool and Lone Star Investment Pool, and agency accounts of U.S. Trust Company of Texas, which are controlled by the escrow agent.

Texpool is duly chartered and administered by the State Treasurer's Office and the portfolio consists of U.S. T-Bills, T-Notes, collateralized certificates of deposit, and repurchase agreements. GASB Statement No. 3 requires the City to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. Texpool has not been assigned a risk category since the City is not issued securities, but rather it owns an undivided beneficial interest in the assets of Texpool.

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE B - CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

In addition, the City invests with the Lone Star Investment Pool, which is authorized by the State of Texas Vernon Civil Statutes and is administered by the Texas Association of School Boards, Inc., a non-profit corporation. These investments are in U.S. government or U.S. government agency securities. Since the City is not issued securities but rather owns an undivided beneficial interest in the assets of the Lone Star Investment Pool, a risk category has not been assigned to the Lone Star Investment Pool.

Most of the proceeds remaining from the sale of the 1997A and 1997B Certificates of Obligation are held in trust by U.S Trust Company of Texas, N.A. These funds described as escrow funds are invested in Dreyfus Treasury Prime Cash Management #761.

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

Investments are stated at cost and all investment activities are conducted through a depository bank and the City's financial advisor. During 2003-2004, the City did not invest through any security brokers or dealers. The City does not have the information necessary for disclosures required on derivatives.

<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>
Pooled Investments				
Lone Star				
Invst. Pool	\$ ---	\$ ---	\$ ---	\$ 1,334,077
Texpool	---	---	---	1,728,097
Total Pooled				
Investments	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 3,062,174</u>
Non Pooled				
Investments				
Lone Star				
Invst. Pool	\$ ---	\$ ---	\$ ---	\$ 225,804
Texpool	---	---	---	2,298,916
Escrow deposits	---	---	---	\$ 751,330
Total Non-Pooled				
Investments	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 3,276,050</u>
Total Investments	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>	<u><u>\$ 6,338,224</u></u>

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE C - PENSION PLAN - FULL TIME CITY EMPLOYEES

EMPLOYEE PENSION PLAN

The City provides pension benefits for all of its full-time employees, through a nontraditional, joint contributory, hybrid defined contribution plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 794 administered by TMRS, an agent multiple-employer public employee retirement system.

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

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

Deposit Rate: 6%

Matching Ratio (City to Employee): 2 to 1

A member is vested after: 5 years

Members can retire at certain ages, based on the years of service with the City. The service eligibility requirements for the City are: 5 years/age 60, 20years/any age

CONTRIBUTIONS

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employee and the City contributions are made monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2003 valuation is effective for rates beginning January 2005).

Additional information, i.e. plan financial statements, may be obtained from the Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas, 78714-9153; telephone number 1-800-924-8677.

CITY OF LAKE WORTH, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2004

NOTE C - PENSION PLAN - FULL TIME CITY EMPLOYEES (CONTINUED)

FUNDING POLICY

The funding obligations are established by the City within the provision established by the Texas Municipal Retirement System. The following is additional funding information:

	Effective January 1 2004	Effective January 1 2003	Effective January 1 2002
Employee Contributions (percent of earnings)	6.00%	6.00%	6.00%
City's Contribution (percent of earnings)	7.23%	6.68%	6.79%

For the fiscal year ended September 30, 2004 the City made contributions of \$336,931. Contributions are made on a monthly basis.

ANNUAL PENSION COST AND NET PENSION OBLIGATION

City year Ended September 30	2004	2003	2002
City's Annual Pension Cost	\$ 336,931	\$ 298,447	\$ 241,652
Percentage of Annual Pension Cost Contributed	100%	100%	100%
Net Pension Obligation	---	---	---

ACTUARIAL ASSUMPTIONS

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation At	None
Cost-of-Living Adjustments	None

NOTE D – VOLUNTEER FIREFIGHTER BENEFITS

PENSION

On October 1, 1990 the City adopted a pension plan to cover all active firefighters over the age of eighteen years of age and who meet all other requirements. Eligible firefighters may enter the plan on the first day of the plan year (September 30) after meeting all eligibility requirements.

CITY OF LAKE WORTH, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2004

NOTE D – VOLUNTEER FIREFIGHTER BENEFITS (CONTINUED)

PENSION (CONTINUED)

Each firefighter has zero vesting for years one through four but is 100% vested after completing ten years of service or in the case of disability the firefighter becomes 100% vested. Normal retirement age is sixty-two years of age with at least one year of participation. The monthly benefits are ten dollars (\$10.00) multiplied by the years of service which is limited to twenty (20) years. Firefighters are entitled to vested amounts prior to retirement age. No actuarial information is available to the City concerning this plan.

The plan also provides for life insurance which is limited to the greater of ten thousand dollars (\$10,000) or the present value of the member's accrued benefit. There is no actuarial information available for this plan at this time. The contribution made during the 2003-2004 budget year was \$5,272.

INSURANCE

In addition to the pension plan an insurance policy is provided by the City which provides a maximum death benefit, disability income and medical expenses.

NOTE E – RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. The City's retained loss is in the form of a deductible that ranges from \$250 to \$10,000. For insured programs there have been no significant reductions in insurance coverage. Settlements have not exceeded insurance coverage for the current year or for the three prior years except for an \$85,000 settlement in the fiscal year ended September 30, 2003.

NOTE F - LONG-TERM DEBT OBLIGATIONS

The following is a summary of certificates of obligation, notes payable, and capitalized lease transactions of the City for the year ended September 30, 2004:

	PAYABLE OCT 1, 2003	ADDITIONS	REDUCTIONS	BALANCE SEPT 30, 2004
General Long-term Debt:				
Compensated Absences	\$ 87,298	\$ 123,259	\$ 116,022	\$ 94,535
Notes Payable	12,504	---	12,504	---
Capitalized Leases	722,562	84,974	145,247	662,289
Certificates of obligation series 1997A	2,020,000	---	100,000	1,920,000
Certificates of obligation series 1997B	1,185,000	---	60,000	1,125,000
Certificates of obligation series 1999	3,490,000	---	140,000	3,350,000
Certificates of obligation series 2001	3,955,000	---	145,000	3,810,000
Water & Sewer Fund:				
Compensated Absences	4,600	5,156	4,391	5,365
Notes Payable	13,897	---	13,897	---
Capital Leases	119,147	84,093	110,773	92,467
	<u>\$ 11,610,008</u>	<u>\$ 297,482</u>	<u>\$ 847,834</u>	<u>\$ 11,059,656</u>

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE F - LONG-TERM DEBT OBLIGATIONS (CONTINUED)

The following is a schedule of annual requirements of the Water and Sewer capital leases payable:

Year Ending September 30	Capital Leases Principal	Interest	Total
2005	\$ 63,292	\$ 4,295	\$ 67,587
2006	28,295	1,364	29,659
2007	436	76	512
2008	444	25	469
	<u>\$ 92,467</u>	<u>\$ 5,760</u>	<u>\$ 98,227</u>

The following is a schedule of the annual requirements of the General Long-Term Debt:

YEAR ENDING SEPT 30	CERTIFICATES OF OBLIGATION SERIES 1997A	CERTIFICATES OF OBLIGATION SERIES 1997B	CERTIFICATES OF OBLIGATION SERIES 1999	CERTIFICATES OF OBLIGATION SERIES 2001	CAPITAL LEASES	INTEREST	TOTAL
2005	\$ 105,000	\$ 65,000	\$ 150,000	\$ 150,000	\$ 162,309	\$ 531,800	1,164,109
2006	110,000	70,000	160,000	160,000	70,858	496,530	1,067,388
2007	115,000	70,000	170,000	170,000	65,887	465,355	1,056,242
2008	120,000	75,000	180,000	175,000	62,796	434,459	1,047,255
2009	130,000	80,000	190,000	185,000	54,166	403,964	1,043,130
2010	135,000	80,000	200,000	190,000	56,977	370,178	1,032,155
2011	145,000	85,000	210,000	200,000	59,934	338,093	1,038,027
2012	155,000	90,000	220,000	210,000	63,045	303,854	1,041,899
2013	160,000	95,000	230,000	215,000	66,317	267,663	1,033,980
2014	170,000	100,000	240,000	230,000	---	233,005	973,005
2015	180,000	100,000	250,000	240,000	---	196,123	966,123
2016	190,000	105,000	265,000	250,000	---	156,909	966,909
2017	205,000	110,000	280,000	260,000	---	115,206	970,206
2018	---	---	295,000	275,000	---	80,219	650,219
2019	---	---	310,000	285,000	---	52,298	647,298
2020	---	---	---	300,000	---	30,750	330,750
2021	---	---	---	315,000	---	15,746	330,746
	<u>\$ 1,920,000</u>	<u>\$ 1,125,000</u>	<u>\$ 3,350,000</u>	<u>\$ 3,810,000</u>	<u>\$ 662,289</u>	<u>\$ 4,492,152</u>	<u>\$ 15,359,441</u>

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE F - LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Certificates of Obligation 1997A and 1997B

On September 22, 1997 the City sold to the Texas Water Development Board two series of Combination Tax and Revenue Certificates of Obligation. Series 1997A in the amount of \$2,500,000 is for water system improvements and Series 1997B in the amount of \$1,500,000 is for sanitary sewer system improvements. Net proceeds of each series are being held in an escrow account deposited with U.S. Trust Company of Texas N.A., Dallas, Texas. Upon approval of the plans by the Texas Water Development Board the proceeds will be released for the designated improvements. The Certificates of Obligation are secured by the revenue of the Water and Sewer Fund to the extent of \$1,000 per series. Also, the City is required to compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest and principal as such comes due.

To help fund these bonds the City entered into an agreement with the Lake Worth Economic Development Corporation to pledge an adequate amount of the sales taxes collected by The Lake Worth Economic Development Corporation to pay the interest and principal on the Certificates of Obligation Series 1997A and 1997B.

Certificates of Obligation Series 1999

On May 13, 1999 the City sold \$3,900,000 of Certificates of Obligations (Combination Tax and Revenue) for the construction of a new City Hall and Police complex. The Certificates of Obligations are secured by the revenue of the Water and Sewer Fund to the extent of \$1,000. Also, the City is required to compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest and principal as such comes due.

Certificates of Obligation Series 2001

On April 10, 2001 the City sold Combination Tax and Revenue Certificates of Obligation (The Certificates) in the amount of \$4,150,000.00 for the relocation of water and sewer lines along State Highway 199. The Certificates are secured by the annual levy of ad valorem taxes, within the limits prescribed by law, on all taxable property within the City and a limited pledge (not to exceed \$1,000) of surplus revenues of the City's Waterworks and Sewer System. The City has reserved the right to redeem Certificates having a stated maturity on and after September 30, 2012 in the principal amounts of \$5,000 and any integral multiple thereof and on any date thereafter at par plus accrued interest to the date of redemption.

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE G – CAPITAL ASSETS

The following is a summary of the capital assets transactions for the Governmental Activities:

	Balance 10-01-03	Increase	Decrease	Balance 9-30-04
Governmental Activities				
<u>Capital Assets Using Modified Approach:</u>				
Infrastructure using modified	\$ 18,725,025	\$ 559,301	\$ ---	\$ 19,284,326
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 536,698	\$ ---	\$ ---	536,698
Construction in progress	---	191,971	---	191,971
<i>Total Capital Assets not being depreciated</i>	<u>\$ 536,698</u>	<u>\$ 191,971</u>	<u>\$ ---</u>	<u>\$ 728,669</u>
<u>Capital Assets Being Depreciated:</u>				
Building and improvements	\$ 4,773,760	\$ 22,410	\$ 5,000	\$ 4,791,170
Equipment and vehicles	1,448,987	10,211	---	1,459,198
Office furniture and fixtures	150,440	---	---	150,440
Assets under capital lease	828,233	36,417	---	864,650
<i>Total Capital Assets being depreciated</i>	<u>\$ 7,201,420</u>	<u>\$ 69,038</u>	<u>\$ 5,000</u>	<u>\$ 7,265,458</u>
<u>Less Accumulated Depreciation:</u>				
Building and improvements	\$ 332,730	\$ 119,295	\$ 5,000	\$ 447,025
Equipment and vehicles	1,042,279	90,969	---	1,133,248
Office furniture and fixtures	57,640	21,550	---	79,190
Assets under capital lease	37,889	86,151	---	124,040
<i>Total Accumulated Depreciation</i>	<u>\$ 1,470,538</u>	<u>\$ 317,965</u>	<u>\$ 5,000</u>	<u>\$ 1,783,503</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>\$ 5,730,882</u>	<u>\$ (248,927)</u>	<u>\$ ---</u>	<u>\$ 5,481,955</u>
Total Governmental Activities capital assets, net	<u><u>\$ 24,992,605</u></u>	<u><u>\$ 502,345</u></u>	<u><u>\$ ---</u></u>	<u><u>\$ 25,494,950</u></u>

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE G – CAPITAL ASSETS (CONTINUED)

The following is a summary of the capital assets transactions for the Business-type Activities:

	Balance 10-01-03	Increase	Decrease	Balance 9-30-04
Business-type Activities:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 46,240	\$ ---	\$ ---	\$ 46,240
<i>Total Capital Assets not being depreciated</i>	<u>\$ 46,240</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 46,240</u>
<u>Capital Assets Being Depreciated:</u>				
Infrastructure-mains and extensions	\$ 9,356,820	\$ 10,686	\$ 1,179,524	\$ 8,187,982
Building and improvements	206,435	---	86,497	119,938
Equipment and vehicles	482,066	82,446	23,119	541,393
Assets under capital lease	771,488	---	39,194	732,294
<i>Total Capital Assets being depreciated</i>	<u>\$ 10,816,809</u>	<u>\$ 93,132</u>	<u>\$ 1,328,334</u>	<u>\$ 9,581,607</u>
<u>Less Accumulated Depreciation:</u>				
Infrastructure-mains and extensions	\$ 1,923,296	\$ 164,728	\$ 47,623	\$ 2,040,401
Building and improvements	73,174	3,007	65,581	10,600
Equipment and vehicles	252,093	40,191	9,582	282,702
Assets under capital lease	231,486	70,878	(80,486)	382,850
<i>Total Accumulated Depreciation</i>	<u>\$ 2,480,049</u>	<u>\$ 278,804</u>	<u>\$ 42,300</u>	<u>\$ 2,716,553</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>\$ 8,336,760</u>	<u>\$ (185,672)</u>	<u>\$ 1,286,034</u>	<u>\$ 6,865,054</u>
Total Business-type Activities capital assets, net	<u><u>\$ 8,383,000</u></u>	<u><u>\$ (185,672)</u></u>	<u><u>\$ 1,286,034</u></u>	<u><u>\$ 6,911,294</u></u>

Depreciation expense was charged as follows for the year ended September 30, 2004:

	Depreciation Expense
Governmental Activities:	
General government	\$ 110,136
Public safety	139,755
Public ways and facilities	45,114
Culture and recreation	22,960
Total Governmental Activities	<u><u>\$ 317,965</u></u>
Business-type Activities:	
Water	\$ 161,476
Sewer	117,328
Total Business-type Activities	<u><u>\$ 278,804</u></u>

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE H - WATER AND SEWER CONTRACTS

The City has a contract with the City of Fort Worth, Texas for the purchase of treated water and for sewage treatment. The contract for water is used to supplement the water wells operated by the City and is dated April 11, 1989 for a period of 20 years. The contract for sewage treatment is dated May 12, 1987 for a period of 30 years. There are no minimum payments required under the contract. Charges are incurred when actual delivery occurs and the rates are adjusted periodically.

Purchases of water by the Water and Sewer Fund were \$187,048 in the year ended September 30, 2004 and charges incurred for sewer treatment during the year ended September 30, 2004 were \$389,081.

NOTE I – GARBAGE DISPOSAL CONTRACT

The City has contracted for garbage disposal with a third party. The City bills directly the residential customers a set monthly rate and pays the contractor based on an agreed upon rate. In addition the City receives a 6% franchise fee from the contractor. The franchise fee is based upon the amount the Contractor charges the City for residential customers plus the amount billed by the Contractor to commercial customers.

NOTE J – LITIGATION

According to the City attorney, the City is involved in various legal disputes. After considering the insurance coverages, no contingent liabilities were recorded in these financial statements.

NOTE K – POST EMPLOYMENT HEALTHCARE BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the Federal government for this coverage. The full premium is paid in full by the insured on or before the twenty-fifth (25th) day of the month preceding the month of coverage.

This program is offered for a duration of eighteen (18) months after the termination date. There is no associated cost to the City under the program. Currently the City has one former employee covered by this program.

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE L – INTERFUND RECEIVABLES/PAYABLES

Amounts receivable and amounts payable between individual funds within the primary government as of September 30, 2004 are as follows:

	RECEIVABLE			PAYABLE		
	Major	Non-major	Business-type	Major	Non-major	Business-type
	General Fund	General Fund	Fund	General Fund	General Fund	Fund
<i>Major General Funds:</i>						
General Fund:						
Water and Sewer Fund	\$ ---	\$ ---	\$ 589	\$ ---	\$ ---	\$ ---
Economic Development	34	---	---	---	---	---
Debt Service Fund	---	---	---	4,582	---	---
Total	<u>\$ 34</u>	<u>\$ ---</u>	<u>\$ 589</u>	<u>\$ 4,582</u>	<u>\$ ---</u>	<u>\$ ---</u>
Debt Service Fund:						
General Fund	\$ 4,582	\$ ---	\$ ---	\$ 428	\$ ---	\$ ---
Water and Sewer Fund	---	---	---	---	---	1,141
Total	<u>4,582</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 428</u>	<u>\$ ---</u>	<u>\$ 1,141</u>
Economic Development:						
Construction Fund	\$ ---	\$ 43,013	\$ ---	\$ 34	\$ ---	\$ ---
General Fund	---	---	---	---	---	---
Total	<u>\$ ---</u>	<u>\$ 43,013</u>	<u>\$ ---</u>	<u>\$ 34</u>	<u>\$ ---</u>	<u>\$ ---</u>
<i>Non-major General Fund:</i>						
Construction Fund						
General Fund	\$ 428	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Economic Development	---	---	---	43,013	---	---
Total	<u>\$ 428</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 43,013</u>	<u>\$ ---</u>	<u>\$ ---</u>
<i>Business-type Funds:</i>						
Water & Sewer Fund:						
General Fund	\$ ---	\$ ---	\$ ---	\$ 589	\$ ---	\$ ---
Debt Service Fund	1,141	---	---	---	---	---
Total	<u>\$ 1,141</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 589</u>	<u>\$ ---</u>	<u>\$ ---</u>
TOTAL ALL FUNDS	<u>\$ 6,185</u>	<u>\$ 43,013</u>	<u>\$ 589</u>	<u>\$ 48,646</u>	<u>\$ ---</u>	<u>\$ 1,141</u>

Due to and from other accounts are the short-term portion of the advances to and advances from other funds. They are used when one fund pays an expenditure for another fund or when one fund receives revenue for another fund. They are cleared within in a short period of time. The only significant amount owed between funds was the amount the construction fund owed the Economic Development Corporation for constructions costs incurred for water line improvements. At year end there was no long-term repayment or loan agreements between funds that had not been fulfilled.

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE M – INTERFUND TRANSFERS

Interfund transfers made during the year are summarized below:

TRANSFERS IN:	TRANSFERS OUT:					TOTALS	
	Major Governmental Funds			Nonmajor Governmental	Major Business-type		
	General Fund	Debt Service Fund	Economic Development Corporation	Construction Fund	Water and Sewer Fund		
	Fund	Fund	Fund	Fund	Fund		
<i>Major Governmental</i>							
General Fund	\$ ---	\$ ---	\$ 131,650	\$ ---	\$ 291,151	\$ 422,801	
Debt Service	257,262		505,775		260,796	1,023,833	
Economic Dev. Corp.	---	---	---	---	---	---	
<i>Nonmajor Governmental</i>							
Construction	---	---	---	---	---	---	
<i>Major Business-type</i>							
Water and Sewer Fund	---	14,242	145,431	---	---	159,673	
TOTALS	\$ 257,262	\$ 14,242	\$ 782,856	\$ ---	\$ 551,947	\$ 1,606,307	

NOTE N – ECONOMIC DEPENDENCY

Since the City’s largest revenue in the General Fund is sales tax, the City’s revenue may vary according to the strength of the economy of the Dallas-Fort Worth metropolitan area.

In the Enterprise Fund the City contracts with the City of Fort Worth, Texas for sanitary sewer treatment. The total cost of the service for the current fiscal year was \$389,081 which represents 24.97% of the City’s total operating expenses. In addition the City purchases water from the City of Fort Worth, Texas to supplement the amounts produced from City wells. During the current fiscal year the City paid \$187,048 for treated water which is 12.0% of the City’s total operating expenses. In total, the City paid to the City of Fort Worth, Texas \$576,129 which is 36.97% of the City’s total operating expenses.

NOTE O – FUND BALANCE RESTRICTED/ RESERVED/DESIGNATED

RESTRICTED/RESERVED

The following have been classified as other restricted net assets in the governmental activities column of the government-wide statement of net assets and as reserved fund balances in the governmental funds statement.

Police Training	\$	2,307
Firemen Training		3,012
Child Safety		1,338
Court Technology		17,143
Court Security		35,436
Confiscated Property		9,780
Hotel Tax		136,861
	\$	205,877

CITY OF LAKE WORTH, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2004

NOTE O– FUND BALANCE RESTRICTED/ RESERVED/DESIGNATED (CONTINUED)

RESTRICTED/RESERVED (CONTINUED)

Police Training: The City receives money for the training of police officers that may not be expended in the same year as the revenue is received. The designated fund balance represents revenue received which has not been spent for officer training.

Firemen Training: The City receives money for the training of firemen that may not be expended in the same year as the revenue is received. The designated fund balance represents revenue received which has not been spent for firemen training.

Child Safety: Citations written for offenses in school zones and passing school buses are assessed a fee that may be used for guards at school zones and other expenditures permitted by law.

Court Technology: On all citations written after the Ordinance adopted by the City a fee is assessed that may be used to purchase or enhance most court technological equipment, software, devices, apparatus and any other expenditures legally permitted by law.

Court Security: All citations are assessed a fee that may be used for court security services, equipment, devices and other expenditures legally permitted by law.

Confiscated Property: Assets confiscated from various police activities are sold and the proceeds are placed in a designated fund for use in future police activities.

Hotel Tax: The City receives a tax based upon room rentals collected by lodging establishments within the city limits of Lake Worth, Texas. These taxes are restricted to certain types of expenditures by state statutes.

DESIGNATED

The following have been reflected as unreserved designated fund balances on the governmental funds balance sheet.

Park Improvements:		
Park - dollar donation	\$	5,153
Park - Grand Lake		9,590
Park - Navajo		15,000
Asbestos removal		26,129
Shawnee bridge		29,750
	\$	85,622

Park Improvement: Each month a dollar donation is placed on the water and sewer bill of each customer. The customer is not required to pay the dollar donation. The money received from the voluntary donations is accumulated in an account which is designated for park improvements. In addition the City has received various donations for park improvements. The accumulated amount not expended from this account is carried as a designated fund balance.

CITY OF LAKE WORTH, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE O– FUND BALANCE RESTRICTED/ RESERVED/DESIGNATED (CONTINUED)

DESIGNATED (CONTINUED)

Asbestos Removal: Money was received from a class action suit against W. R. Grace & Co. for the removal of asbestos. These funds have not been expended.

Shawnee Bridge: This money has been designated to cover the City's estimated participation costs for the State's reconstruction of the Shawnee Bridge.

NOTE P – CONTINGENT LIABILITY

The Lake Worth Development Corporation entered into an agreement dated October 22, 2003 with a developer whereby The Lake Worth Development Corporation would make payments not to exceed \$1,100,000 to be paid as follows (1) \$165,000 upon the issuance the building permit for the Target store, (2) \$385,000 upon issuance of the certificate of occupancy for the Target store and (3) \$550,000 upon the issuance of certificates of occupancy for 75,000 square feet of retail users.

Since none of the events outlined above occurred before September 30, 2004, no liability for any of the aforementioned was recorded in the financial statements of The Lake Worth Economic Development

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LAKE WORTH, TEXAS
 REQUIRED SUPPLEMENTAL INFORMATION
 TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN
 SCHEDULE OF FUNDING IN PROGRESS
 SEPTEMBER 30, 2004

Valuation Dated December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Unfunded Actuarial Accrued Liability [1-2]	(4) Funded Ratio [1/2]	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability As Percentage of Covered Payroll [3/5]
1995	\$ 1,687,429	\$ 1,830,186	\$ 142,757	92.20%	\$ 1,235,862	11.55%
1996	1,926,863	2,023,232	96,369	95.24%	1,323,585	7.28%
1997	2,096,636	2,176,739	80,103	96.32%	1,573,819	5.09%
1998	2,404,240	2,522,364	118,124	95.32%	1,540,896	7.67%
1999	2,585,784	2,667,523	81,739	96.94%	1,712,856	4.77%
2000	2,840,019	2,948,992	108,973	96.30%	1,577,834	6.91%
2001	3,025,231	3,158,605	133,374	95.78%	1,887,748	7.07%
2002	3,485,043	3,736,044	251,001	93.28%	2,281,178	11.00%
2003	3,287,992	3,914,353	626,361	84.00%	2,395,926	26.14%

The above amounts are computed as of December 31 which precedes the fiscal year end of September 30.
 (i.e. December 31, 2003 is reflected for the fiscal year ended September 30, 2004).

Condition Rating	Goal	Square Feet of Roadway	
		2004	
		Number	Percentage
At least 1	1%	40,704	0.6940%
At least 2-4	30%	2,688,490	45.8394%
At least 5-7	60%	2,119,266	36.1340%
At least 8-10	10%	1,016,559	17.3326%

The City's goal for surface condition rating 2-4 and rating of 8-10 were met. However, the rating of 1 and rating of 5-7 were not met. The City adopted a one-quarter sales tax effective July 1, 2005 to help keep their roads in compliance with their goals. Since this is the first year GASB Statement No. 34 was adopted, no prior information was available for comparison purposes.

Comparison of Estimated-to-Actual Maintenance/Preservation

	2004
Estimated	\$ 555,180
Actual	\$ 536,493

three years the City will perform an examination of their roads and rate status of their roads according to the following criteria:

Surface Rating	Visible Distress	General Condition Treatment Measure:	Surface Rating	Visible Distress	General Condition Treatment Measures
Excellent	None	New Construction	4 Fair	Severe surface raveling.	Significant aging and first signs of need for strengthening. Would benefit from recycling or overlay
Excellent	None	Recently overlay, like new		Multiple longitudinal and transverse cracking with slight raveling.	
Very Good	No longitudinal cracks except reflection of paving joints. Occasional transverse cracks, widely spread (40' or greater).	Recent seal coat or new road mix. Little or no maintenance required		Block cracking (over 25-50% of surface) Patching in fair condition. Slight rutting or distortions (1" deep or less)	
Good	Very slight or no raveling, surface shows some traffic wear. Longitudinal cracks (open 1/4") spaced due to reflection or paving joints. Transverse cracks (open 1/4") spaced 10 feet or more apart little or slight cracking. No patching or very few patches in excellent condition.	First signs of aging. Maintain with routing crack filling.	3 Poor	Closely spaced longitudinal and transverse cracks often showing raveling and crack erosion Block cracking over 50% of surface Some alligator cracking (less than 25% of surface). Patches in fair to poor condition. Moderate rutting or distortion (1" or 2" deep). Occasional potholes.	Need patching and major overlay or complete recycling
Good	Slight raveling (loss of line) and traffic wear. Longitudinal cracks (open 1/4" - 1/2") due to reflection and paving joints. Transverse cracks (open 1/4" - 1/2") some spaced less than 10 feet. Slight to moderate flushing or polishing. Occasional patching in good condition.	Show signs of aging, sound structural condition Could extend life with seal coat.		2 Very poor	
Fair	Moderate to severe raveling (loss of lines and coarse aggregate). Longitudinal cracks (open 1/2") show some slight raveling and secondary cracks. First signs of longitudinal cracks near wheel path or edge. Transverse cracking and first signs of block cracking Slight crack raveling (open 1/2"). Extensive to severe flushing or polishing. Some patching or edge wedging in good condition.	Surface aging, sound structural condition, needs seal coating or non-structural overlay	1 Failed	Severe distress with extensive loss of surface integrity.	Failed, needs total reconstruction

CITY OF LAKE WORTH, TEXAS
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Budgetary Fund Balance - October 1	\$ 1,606,367	\$ 1,606,367	\$ 1,606,367	\$ ---
Resources (inflows):				
Taxes	3,352,712	3,417,712	3,392,915	(24,797)
Fines and forfeits	496,135	496,135	448,553	(47,582)
Licenses and permits	103,770	103,770	206,822	103,052
Charges for services	139,465	139,465	134,231	(5,234)
Miscellaneous revenues	74,869	420,350	466,525	46,175
Loan proceeds	---	---	77,178	77,178
Sale of assets	---	---	92,441	\$ 92,441
Transfers from other funds	512,801	742,801	422,801	(320,000)
Amounts Available For Appropriations	<u>\$ 6,286,119</u>	<u>\$ 6,926,600</u>	<u>\$ 6,847,833</u>	<u>\$ (78,767)</u>
Charges to Appropriations (outflows):				
General Government:				
Mayor and council	\$ 19,890	\$ 19,890	\$ 17,606	\$ 2,284
General expense	723,740	977,724	991,807	(14,083)
Police department	1,615,689	1,615,689	1,563,221	52,468
Fire department	556,202	556,202	573,259	(17,057)
Street department	667,293	667,293	685,847	(18,554)
Library	152,141	152,141	150,354	1,787
Park department	183,458	241,458	229,673	11,785
Maintenance department	132,704	132,704	130,389	2,315
Senior Citizens	60,842	60,842	54,724	6,118
Municipal Court	114,757	119,007	118,679	328
Animal control	51,839	51,839	46,224	5,615
Inspections and permits	214,778	214,778	211,258	3,520
Emergency management	5,812	5,812	3,177	2,635
Nondepartmental:				
Transfer (out)	236,083	248,377	257,262	(8,885)
Total Charges To Appropriations	<u>\$ 4,735,228</u>	<u>\$ 5,063,756</u>	<u>\$ 5,033,480</u>	<u>\$ 30,276</u>
Budgetary Fund Balance, September 30	<u>\$ 1,550,891</u>	<u>\$ 1,862,844</u>	<u>\$ 1,814,353</u>	<u>\$ (48,491)</u>

CITY OF LAKE WORTH, TEXAS
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE – MAJOR GOVERNMENTAL FUNDS BESIDES GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

	DEBT SERVICE FUND				ECONOMIC DEVELOPMENT CORPORATION			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL			ORIGINAL	FINAL		
Budgetary Fund Balance - October 1	\$ 186,049	\$ 186,049	\$ 186,049	\$ ---	\$ 1,292,777	\$ 1,292,777	\$ 1,292,777	\$ ---
Resources (inflows):								
Taxes	148,255	148,255	149,094	839	1,133,000	1,133,000	1,148,174	15,174
Fines and forfeits	---	---	---	---	---	---	---	---
Licenses and permits	---	---	---	---	---	---	---	---
Charges for services	---	---	---	---	---	---	---	---
Miscellaneous revenues	3,000	3,000	2,349	(651)	13,390	285,390	297,121	11,731
Loan proceeds	---	---	---	---	---	---	1,161	1,161
Sale of assets	---	---	---	---	---	---	---	---
Transfers from other funds	843,451	939,553	1,023,833	84,280	---	---	---	---
Amounts Available For Appropriations	<u>\$ 994,706</u>	<u>\$ 1,276,857</u>	<u>\$ 1,361,325</u>	<u>\$ 84,468</u>	<u>\$ 2,439,167</u>	<u>\$ 2,711,167</u>	<u>\$ 2,739,233</u>	<u>\$ 28,066</u>
Charges to Appropriations (outflows):								
General Government:								
General expense	\$ 960,579	\$ 968,833	\$ 968,408	\$ 425	\$ 131,221	\$ 631,221	\$ 688,875	\$ (57,654)
Police department	13,385	32,581	32,958	(377)	---	---	---	---
Fire department	---	20,923	90,858	(69,935)	---	---	---	---
Street department	---	37,901	37,667	234	---	---	---	---
Park department	---	1,897	2,081	(184)	---	---	---	---
Maintenance department	---	768	841	(73)	---	---	---	---
Municipal Court	---	---	12,294	(12,294)	---	---	---	---
Inspections and permits	---	7,163	7,858	(695)	---	---	---	---
Nondepartmental:								
Transfer (out)	14,242	14,242	14,242	---	994,988	994,988	782,856	212,132
Total Charges To Appropriations	<u>\$ 988,206</u>	<u>\$ 1,084,308</u>	<u>\$ 1,167,207</u>	<u>\$ (82,899)</u>	<u>\$ 1,126,209</u>	<u>\$ 1,626,209</u>	<u>\$ 1,471,731</u>	<u>\$ 154,478</u>
Budgetary Fund Balance, September 30	<u>\$ 6,500</u>	<u>\$ 192,549</u>	<u>\$ 194,118</u>	<u>\$ 1,569</u>	<u>\$ 1,312,958</u>	<u>\$ 1,084,958</u>	<u>\$ 1,267,502</u>	<u>\$ 182,544</u>

CITY OF LAKE WORTH, TEXAS
 REQUIRED SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND AND MAJOR GOVERNMENTAL FUNDS

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND
 OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

FOR THE YEAR ENDED SEPTEMBER 30, 2004

FOR THE YEAR ENDED SEPTEMBER 30, 2004

	General Fund	Debt Service Fund	Economic Development Corporation
Sources/Inflows of Resources			
Actual amounts (budgetary basis) "Available for Appropriation" from the budgetary comparison schedule. See pages 43 and 44.	\$ 6,847,833	\$ 1,361,325	\$ 2,739,233
Differences			
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(1,606,367)	(186,049)	(1,292,777)
Transfers from other funds are inflows of budgetary resources but are not <i>revenues</i> for financial reporting purposes.	(422,801)	(1,023,833)	---
The proceeds from the sale of assets are budgetary resources but are not regarded as a <i>special item</i> , rather than revenue, for financial reporting purposes.	(92,441)	---	---
The proceeds from capital lease are budgetary resources but are not regarded as a <i>special item</i> , rather than revenue, for financial reporting purposes.	(77,178)	---	(1,161)
For Budgetary purposes property taxes are reported on the cash basis rather than the available resource method.	(484)	(20)	---
	\$ 4,648,562	\$ 151,423	\$ 1,445,295
Total revenues reported on the statement of revenues, expenditures, and changes in fund balances -- governmental funds. See page 13.			
Uses/Outflows of Resources			
Actual amount (budgetary basis) "Total Charges to Appropriations" from the budgetary comparison schedule. See pages 43 and 44.	\$ 5,033,480	\$ 1,167,207	\$ 1,471,731
Differences --budget to GAAP:			
Transfers to other funds are outflows of budgetary resources but are not <i>expenditures</i> for financial reporting purposes.	(257,261)	(14,242)	(782,855)
	\$ 4,776,219	\$ 1,152,965	\$ 688,876
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances -- governmental funds. See page13.			

CITY OF LAKE WORTH, TEXAS
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2004

NOTE 1 – BUDGETARY STEWARDSHIP

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual budget and have a keen interest in following the actual financial progress of their governments over the course of the year. The City may revise its budget over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change is the requirement to add the government's original budget to the current comparison of final budget and actual results.

The City adheres to the following procedures in establishing the operating budget reflected in the general purpose financial statements.

On or before August 15 of each year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted. The budget is legally enacted by the City Council through the passage of an appropriation and tax levying ordinance prior to September 30 and is published under a separate cover.

An annual budget for the General Fund and Debt service fund is legally adopted on the basis of cash for ad valorem taxes and modified accrual for the remaining revenue and expenditures. The Lake Worth Economic Development Corporation has a legally adopted budget. This budget must first be approved by a seven member board of directors appointed by the City Council and then is legally enacted by the City Council prior to September 30. The Lake Worth Economic Development Corporation Board of Directors as well as the City Council must approve any transfer of appropriation balances or portions thereof from one department to another. At the close of each fiscal year the appropriated balance in the Lake Worth Economic Development Corporation lapses. The construction fund does not adopt a legal budget. Since the other special revenue funds reported in the supplemental information in the Combining Financial Statements did not have any revenues until August 2004, no legally adopted appropriations were made for the year ended September 30, 2004. Management control and the legal level of control for the General Fund budget are maintained at the department level.

The City Council must approve any transfers of appropriation balances or portions thereof from one department to another. The City Manager has the authority, without City Council approval, to transfer appropriation balances from one expenditure to another within a single department of the City. The reported budgetary data includes supplemental appropriations of \$328,528 and is reflected in the reported budgetary data presented.

At the close of each fiscal year, any appropriated balance in the General Fund lapses to the unreserved fund balance.

NOTE 2 – EXCESS EXPENDITURES OVER APPROPRIATIONS

The debt service fund had excess expenditures over appropriations of \$82,899 which was offset by additional revenues.

SUPPLEMENTARY SCHEDULES

CITY OF LAKE WORTH, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2004

	SPECIAL REVENUE FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	CRIME CONTROL AND PREVENTION DISTRICT	STREET MAINTENANCE	TOTAL	
ASSETS				
Pooled cash and cash equivalents	\$ ---	\$ ---	\$ ---	\$ ---
Non-pooled cash and cash equivalents	---	---	---	---
Pooled investments	39,338	39,338	78,676	78,676
Non-pooled investments	---	---	---	---
Receivable:				
Taxes	---	---	---	---
Accounts	---	---	---	---
Other	---	---	---	---
Due from other funds	---	---	---	---
Due from other governments	36,325	36,325	72,650	72,650
 TOTAL ASSETS	 <u>\$ 75,663</u>	 <u>\$ 75,663</u>	 <u>\$ 151,326</u>	 <u>\$ 151,326</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ ---	\$ ---	\$ ---	\$ ---
Due to other funds	---	---	---	---
 TOTAL LIABILITIES	 <u>\$ ---</u>	 <u>\$ ---</u>	 <u>\$ ---</u>	 <u>\$ ---</u>
Fund Balances				
Unreserved	\$ 75,663	\$ 75,663	\$ 151,326	\$ 151,326
 TOTAL FUND BALANCES	 <u>\$ 75,663</u>	 <u>\$ 75,663</u>	 <u>\$ 151,326</u>	 <u>\$ 151,326</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 75,663</u>	 <u>\$ 75,663</u>	 <u>\$ 151,326</u>	 <u>\$ 151,326</u>

CITY OF LAKE WORTH, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2004

	SPECIAL REVENUE FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	CRIME CONTROL AND PREVENTION DISTRICT	STREET MAINTENANCE	TOTAL	
	\$	\$	\$	
Revenues:				
Sales taxes	75,623	75,623	151,246	151,246
Miscellaneous revenues	40	40	80	80
TOTAL REVENUES	\$ 75,663	\$ 75,663	\$ 151,326	\$ 151,326
Expenditures:				
Current				
None	---	---	---	---
Debt Service:				
Principal retirement	---	---	---	---
Interest and fiscal charges	---	---	---	---
Capital outlay	---	---	---	---
TOTAL EXPENDITURES	\$ ---	\$ ---	\$ ---	\$ ---
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 75,663	\$ 75,663	\$ 151,326	\$ 151,326
Other financing sources (uses):				
Transfers in	---	---	---	---
Transfers (out)	---	---	---	---
Sale of assets	---	---	---	---
Proceeds from leases	---	---	---	---
TOTAL OTHER FINANCING SOURCES (USES)	\$ ---	\$ ---	\$ ---	\$ ---
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER / (UNDER) EXPENDITURES AND OTHER USES	\$ 75,663	\$ 75,663	\$ 151,326	\$ 151,326
FUND BALANCE - OCTOBER 1	---	---	---	---
FUND BALANCE - SEPTEMBER 30	\$ 75,663	\$ 75,663	\$ 151,326	\$ 151,326

CITY OF LAKE WORTH, TEXAS
SCHEDULE OF SUPPLEMENTAL TAX INFORMATION
SEPTEMBER 30, 2004

NOTE A: The following table sets out detailed information in connection with assessments and collections, including collection of taxes.

	<u>ASSESSMENTS</u>	<u>ADJUSTMENTS AND COLLECTIONS</u>	<u>UNCOLLECTED SEPT. 30, 2004</u>
2003	\$ 777,116	\$ 755,044	\$ 22,072
2002	722,560	711,521	11,039
2001	628,586	622,358	6,228
2000	562,840	560,583	2,257
1999	529,760	528,065	1,695
1998	500,954	499,347	1,607
1997	501,397	499,644	1,753
1996	521,142	519,293	1,849
1995	517,511	515,736	1,775
1994	502,281	500,377	1,904
1993	485,672	484,234	1,438
1992	462,828	461,295	1,533
1991	444,865	444,074	791
1990	450,454	449,542	912
1989	425,399	424,440	959
1988	404,847	403,882	965
1987	377,332	376,857	475
1986	356,802	356,287	515
1985	282,156	281,778	378
1984	255,559	255,353	206
1983	236,671	236,551	120
1982	212,007	211,896	111
1981	226,486	226,416	70
1980	165,001	164,949	52
1979	158,191	158,156	35
1978	147,532	147,497	35
1977	143,552	143,517	35
1976	142,261	142,251	10
			<u>\$ 60,819</u>

CITY OF LAKE WORTH, TEXAS
 COMBINED SCHEDULE OF CERTIFICATES OF OBLIGATION
 AND CAPITAL LEASES
 SEPTEMBER 30, 2004
WATER AND SEWER FUND

	<u>INTEREST RATE</u>	<u>DATED</u>
<u>CAPITAL LEASES</u>		
Consolidated Financial Resources, Inc	4.23%	January 2, 2003
Consolidated Financial Resources, Inc	4.95%	November 6, 2001
Community Bank of Louisiana	4.47%	March 9, 2004
Dell Computer	11.09%	August 22, 2004
TOTAL CAPITAL LEASES		

GENERAL LONG-TERM DEBT

	<u>INTEREST RATE</u>	<u>DATED</u>
<u>COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION</u>		
Series 1997A	4.40% to 6.00%	September 1, 1997
Series 1997B	3.35% to 4.80%	September 1, 1997
Series 1999	3.60% to 5.10%	April 1, 1999
Series 2001	4.10% to 5.00%	April 1, 2001
TOTAL CERTIFICATES OF OBLIGATION		

<u>CAPITAL LEASES</u>		
Consolidated Financial Resources, Inc	6.30%	March 12, 2002
Consolidated Financial Resources, Inc	4.23%	January 2, 2003
Consolidated Financial Resources, Inc	4.95%	November 6, 2001
Oshkosh Capital	5.10%	December 26, 2002
Community Bank of Louisiana	4.47%	March 9, 2004
Governmental Capital Corp	11.09%	December 9, 2003
Dell Computers	11.09%	August 22, 2004

<u>PAYMENTS</u>	<u>NUMBER OF PAYMENTS</u>	<u>AMOUNT BORROWED</u>	<u>REPAID</u>	<u>OUTSTANDING</u>
\$16,397.10 annually	3	46,292	30,573	15,719
\$ 21,532.99 annually	4	78,625	58,107	20,518
\$29,146.36 annually	3	82,446	27,836	54,610
\$42.64 monthly	48	1,647	27	1,620
		<u>\$ 209,010</u>	<u>\$ 116,543</u>	<u>\$ 92,467</u>

<u>PAYMENTS</u>	<u>NUMBER OF PAYMENTS</u>	<u>AMOUNT BORROWED</u>	<u>REPAID</u>	<u>OUTSTANDING</u>
Annual Payments 1998 thru 2017	20	\$ 2,500,000	\$ 580,000	\$ 1,920,000
Annual Payments 1998 thru 2017	20	1,500,000	375,000	1,125,000
Annual Payments 2000 thru 2019	20	3,900,000	550,000	3,350,000
Annual Payments 2002 thru 2021	20	4,150,000	340,000	3,810,000
		<u>\$ 12,050,000</u>	<u>\$ 1,845,000</u>	<u>\$ 10,205,000</u>

\$12,293.86 annually	3	33,700	22,135	11,565
\$56,410.82 annually	3	159,258	105,180	54,078
\$31,293.01 annually	4	114,263	84,445	29,818
\$69,758.65 annually	10	535,968	44,304	491,664
\$9,540.08 annually	3	26,981	9,111	17,870
\$6,488.58 annually	3	16,070	---	16,070
\$1,085.38 monthly	48	41,922	698	41,224
		<u>\$ 928,162</u>	<u>\$ 265,873</u>	<u>\$ 662,289</u>

CITY OF LAKE WORTH
 SCHEDULE OF INSURANCE IN FORCE – UNAUDITED
 SEPTEMBER 30, 2004

COMPANY AND TYPE OF INSURANCE	POLICY NUMBER	POLICY PERIOD	
		FROM	TO
A. Texas Multi-Peril			
1. Texas Political Subdivision			
Property/Casualty Joint			
Self-Insurance Fund	3927-03	10/01/03	10/1/2004

<u>COVERAGE</u>	<u>AMOUNT</u>
General Liability -	
General Aggregate Limit	\$ 2,000,000
Each Occurrence	\$ 1,000,000
Sudden events involving pollution - each occurrence	\$ 1,000,000
Deductible - each occurrence	\$ 1,000
Property Coverage -	
Real and personal property (\$250 deductible)	\$ 10,860,359
Flood and earthquake (\$25,000 deductible)	\$ 10,860,359
Acts of Terrorism	\$ 10,000,000
Mobile equipment (\$250 deductible)	\$ 399,547
Leasehold interest	\$ 50,000
Business income and extra expenses	\$ 50,000
Valuable papers and records	\$ 150,000
Accounts receivable	\$ 50,000
Outdoor trees and shrubs	\$ 10,000
Personal property of employees and officials	\$ 5,000
Deductible per occurrence	\$ 250
Boiler and machinery (\$1000 deductible)	\$ 4,220,563
Municipal Offices:	
Old City Hall & Pump House at 6720 Telephone Road	
Fire & Extended Coverage (90% co-insurance)	
Building	\$ 151,078
Contents (including machinery	\$ 15,000
3801 Adam Grubb Street	
Public Library	
Fire & Extended Coverage (90% co-insurance)	
Building	\$ 384,900
Contents	\$ 440,000
6720-G Telephone Road	
Garage	
Fire & Extended Coverage (90% co-insurance)	
Building	\$ 37,591
Contents	\$ 20,000
4004-08 Merrett Drive	
Fire Department	
Fire & Extended Coverage (90% co-insurance)	
Building	\$ 750,000
Contents	\$ 96,000
City Hall and Police Station	
Fire & Extended Coverage (90% co-insurance)	
Building	\$ 3,500,000
Contents	\$ 500,000
3501 Roberts Cut-Off	
Seniors Citizens Building	
Fire & Extended Coverage (90% co-insurance)	
Metal poles & lights	\$ 42,400
Building	\$ 216,872
Contents	\$ 25,000
Baseball scoreboards	\$ 13,500
Football scoreboard	\$ 7,000

CITY OF LAKE WORTH
 SCHEDULE OF INSURANCE IN FORCE – UNAUDITED – CONTINUED
 SEPTEMBER 30, 2004

COMPANY AND TYPE OF INSURANCE	POLICY NUMBER	POLICY PERIOD	
		FROM	TO
A. Texas Multi-Peril - (Continued)			
1. Texas Political Subdivision			
Property/Casualty Joint			
Self-Insurance Fund	3927-03	10/01/03	10/1/2004

<u>COVERAGE</u>	<u>AMOUNT</u>
Property Coverage (Continued) -	
4200C Fewell Dr.	
Public Works/ Maintenance Facility	
Fire & Extended Coverage (90% co-insurance)	
Building	\$ 200,000
Contents	\$ 50,000
3501-B Roberts Cut-Off	
Concession Stand	
Fire & Extended Coverage (90% co-insurance)	
Building	\$ 38,601
Contents	\$ 5,000
3501-A Roberts Cut-Off	
Maintenance Building	
Fire & Extended Coverage (90% co-insurance)	
Building	\$ 52,951
Contents	\$ 5,000
4200A Fewell Dr.	
Dog Pound	
Fire & Extended Coverage (90% co-insurance)	
Building	\$ 25,407
Contents	\$ 5,000
6720-C Telephone Road	
Storage Warehouse	
Fire & Extended Coverage (90% co-insurance)	
Building	\$ 8,900
Contents	\$ 10,000
6720-D Telephone Road	
Storage Warehouse	
Fire & Extended Coverage (90% co-insurance)	
Building	\$ 60,000
Contents	\$ 5,000
4200B Fewell Road	
Storage Warehouse	
Fire & Extended Coverage (90% co-insurance)	
Building	\$ 20,813
Contents	\$ 205,500
6720 Telephone Road	
Water Storage	
Fire & Extended Coverage (90% co-insurance)	
Ground Water Tank	\$ 404,000
Elevated Water Tank	\$ 400,000
Azle Avenue	
Water Storage	
Fire & Extended Coverage (90% co-insurance)	
Ground Water Tank	\$ 60,000
Elevated Water Tank	\$ 400,000
Boat Club Road	
Water Storage	
Fire & Extended Coverage (90% co-insurance)	
Elevated Water Tank	\$ 400,000
3601 Mohawk	
Water storage	
Fire & Extended Coverage (90% co-insurance)	
Ground Water Tank	\$ 76,750

CITY OF LAKE WORTH
 SCHEDULE OF INSURANCE IN FORCE – UNAUDITED – CONTINUED
 SEPTEMBER 30, 2004

COMPANY AND TYPE OF INSURANCE	POLICY NUMBER	POLICY PERIOD	
		FROM	TO
A. Texas Multi-Peril - (Continued)			
1. Texas Political Subdivision			
Property/Casualty Joint			
Self-Insurance Fund	3927-03	10/01/03	10/1/2004

<u>COVERAGE</u>	<u>AMOUNT</u>
Property Coverage (Continued) -	
6001C Azle Avenue	
Pump Station	
Fire & Extended Coverage (90% co-insurance)	
Building	\$ 60,000
Contents	\$ 25,000
3601 Mohawk	
Pump Station	
Fire & Extended Coverage (90% co-insurance)	
Building	\$ 7,000
Contents	\$ 25,000
6720 Telephone Road	
Well Site	
Fire & Extended Coverage (90% co-insurance)	
City Hall A	\$ 60,000
City Hall B	\$ 60,000
4200C Boat Club Road	
Ground Storage/ Pump Station	
Fire & Extended Coverage (90% co-insurance)	\$ 272,000
6001D Azle Road	
Well Site	
Fire & Extended Coverage (90% co-insurance)	\$ 60,000
3601 Mohawk	
Well Site	
Fire & Extended Coverage (90% co-insurance)	\$ 60,000
300 Shady Dell	
Metering Station	
Fire & Extended Coverage (90% co-insurance)	
Building	\$ 15,000
Contents	\$ 10,000
Lift Stations	
Fire & Extended Coverage (90% co-insurance)	
Marina - 3800 Marina	
Building	\$ 12,506
Contents	\$ 120,000
Caddo - 7033 Navejo	\$ 85,000
Edgemere - 7100 Edgemere	\$ 85,000
Clarke - 4512 Clarke	\$ 85,000
Lakewood - 4150 Lakewood	\$ 85,000
Charbonneau - 6750 Charbonneau	\$ 500,000

CITY OF LAKE WORTH
SCHEDULE OF INSURANCE IN FORCE – UNAUDITED – CONTINUED
SEPTEMBER 30, 2004

COMPANY AND TYPE OF INSURANCE	POLICY NUMBER	POLICY PERIOD	
		FROM	TO
A. Texas Multi-Peril - (Continued)			
1. Texas Political Subdivision			
Property/Casualty Joint			
Self-Insurance Fund	3927-03	10/01/03	10/1/2004
B. Workmen's Compensation			
1. Texas Political Subdivision	3927-03	10/01/03	10/1/2004
Workers Compensation			
Joint Insurance Fund			
C. Fidelity and Surety - Lake Worth Crime Control District			
1. Hartford Casualty Insurance Company	61BSBCV3612	4/5/2004	4/5/2005
D. Scheduled Mobile Equipment			
1. Texas Political Subdivision			
Property/Casualty Joint			
Self-Insurance Fund	3927-03	10/01/03	10/1/2004

CITY OF LAKE WORTH
SCHEDULE OF INSURANCE IN FORCE – UNAUDITED – CONTINUED
SEPTEMBER 30, 2004

<u>COVERAGE</u>	<u>AMOUNT</u>
Property Coverage (Continued) -	
3500 Marina Drvie - Reynolds Park	
Fire & Extended Coverage (90% co-insurance)	
Playground Equipment	\$ 17,000
Fencing	\$ 8,000
4200 Hodkins Road - Hodgkins Park	
Fire & Extended Coverage (90% co-insurance)	
Playground Equipment	\$ 17,000
Pavilion	\$ 10,000
Fencing / Foot Bridge	\$ 12,000
Apache & Delaware	
Fire & Extended Coverage (90% co-insurance)	
Fencing and Windmill	\$ 30,000
Fencing, picnic tables and benches	\$ 30,000
6801 Charbonneau	
Fire & Extended Coverage (90% co-insurance)	
Gazebo and fencing	\$ 40,000
Statutory	Statutory
Fidelity and Surety Bond	
Directors Lake Worth Crime Control District	
Coverage for each	\$ 5,000
Aggregate	\$ 35,000
1987 John Deere backhoe 310C	\$ 20,000
1974 John Deere motor grader 5700	\$ 25,000
1986 John Deere wheel loader	\$ 49,000
1991 John Deere tractor 3012	\$ 22,500
1974 John Deere tractor 301	\$ 9,000
1994 John Deere backhoe 3100	\$ 39,660
John Deere F710 riding mower	\$ 6,000
1995 Cimline	\$ 16,500
1995 Big Ben	\$ 32,000
1992 Mauldin roller	\$ 4,625
Kiori tractor	\$ 10,500
Kiori Loader	\$ 3,250
Bauer Compressor	\$ 14,000
1992 Mauldin roller	\$ 8,800
1990 Grimmer Schmidt Air Compressor	\$ 2,000
2002 Stalker Radar	\$ 11,985
2001 Tiger Mower	\$ 10,000

CITY OF LAKE WORTH
 SCHEDULE OF INSURANCE IN FORCE – UNAUDITED – CONTINUED
 SEPTEMBER 30, 2004

COMPANY AND TYPE OF INSURANCE	POLICY NUMBER	POLICY PERIOD	
		FROM	TO
E. Public Employees Blanket Bond			
1. Texas Political Subdivision Property/Casualty Joint Self-Insurance Fund	3927-03	10/01/03	10/1/2004
F. Errors and Omission			
1. Texas Political Subdivision Property/Casualty Joint Self-Insurance Fund	3927-03	10/01/03	10/1/2004
G. Law Enforcement			
1. Texas Political Subdivision Property/Casualty Joint Self-Insurance Fund	3927-03	10/01/03	10/1/2004
H. Automobile Policy			
1. Texas Political Subdivision Property/Casualty Joint Self-Insurance Fund	3927-03	10/01/03	10/1/2004

<u>COVERAGE</u>	<u>AMOUNT</u>
Public Employee Dishonesty - \$500 Deductible	\$ 100,000
Forgery or Alteration	\$ 100,000
Each Wrongful Act	\$ 1,000,000
Annual Aggregate	\$ 2,000,000
Deductible	\$ 10,000
Each person/each occurrence	\$ 1,000,000
Annual Aggregate	\$ 2,000,000
Deductible	\$ 10,000
Combined Liability - \$1,000 Deductible	\$ 500,000
Physical damage	ACV-\$1000 deductib
Medical - each occurrence	\$ 25,000
1974 Chevrolet rescue van	1980 GMC Value Van
1981 Chevrolet 3/4 ton pickup	1983 Chevy dump truck
1985 Pontiac	1984 Ford mini-pumper fire truck
1988 Ford pickup	1984 Ford pickup
1988 Chevrolet 3/4 ton pickup	1986 Ford pickup
1988 Chevrolet 3/4 ton pickup	1987 Spartan fire truck
1989 Chevrolet Super Van utility	1987 Ford Pickup
1989 Ford Crown Victoria	1988 Trailer
1990 Shop made trailer	1989 GMC dump truck
1993 Chevrolet Silverado pickup	1989 Spartan Chassis/Sentenal pumper
1994 Ford pickup 3/4 ton	1989 Chevrolet 3/4 ton pickup
1994 Ford pickup 3/4 ton	1991 Oldsmobile
1994 Ford Crown Victoria	1992 Ford pickup 1/2 ton
1994 Ford F150 1/2 ton	1992 Trailer
1996 Ford Crown Victoria	1996 Ford Crown Victoria
1998 Bragg Trailer	1996 Ford Crown Victoria
1999 Ford Crown Victoria	1998 Ford Crown Victoria
1999 Ford Ranger pickup	1998 Ford Crown Victoria
1999 Ford Explorer	1999 Ford Crown Victoria
2000 Ford Crown Victoria	1999 Ford Explorer
2000 Ford Crown Victoria	2000 Ford F250 3/4 ton
2000 Ford Explorer	2000 Ford F250 3/4 ton
2001 Ford dump truck	2000 Ford F150 1/2 ton
2001 Trailer	2000 Ford F150 1/2 ton
2002 Ford Crown Victoria	2001 Ford Crown Victoria
2002 Big Tex Trailer	2002 Ford Crown Victoria
2003 Ford Expedition	2002 Big Tex Trailer
2003 Ford F150 1/2 ton	