



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

SEPTEMBER 30, 2005

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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, 2005, 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, 2005, 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.

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 inquiries 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 are 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 17, 2006

**Management Discussion and Analysis  
For Fiscal Year Ended September 30, 2005**

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.

Financial Highlights

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

|                     |                     |
|---------------------|---------------------|
| Governmental Funds  | \$ 20,996,375       |
| Business Type Funds | <u>\$ 7,313,005</u> |
| Total Net Assets    | \$ 28,309,380       |

- As of the close of fiscal year 2004/2005 the City's fund governmental balance is listed below:

|                                  |                     |
|----------------------------------|---------------------|
| General Fund                     | \$ 1,567,152        |
| Debt Service Fund                | \$ 201,418          |
| Economic Development Corporation | \$ 916,471          |
| Other Governmental Funds         | <u>\$ 7,367,557</u> |
| Combined Fund Balance            | \$ 10,052,598       |

- As of the close of fiscal year 2004/2005, the City's General Fund unreserved or undesignated fund balance is \$1,238,943, which is 22% of the operating budget.
- Compensated absences for the Governmental Activities were included in the amount of \$114,081 and \$5,414 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. Over time increases or decreases in net assets may serve as a useful indication of whether the financial position of the City is improving for deteriorating.

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

Government-Wide Financial Analysis

The total net assets at September 30, 2005 were \$45,891,537. The governmental type activities account for 83% and the business type activities the remaining 17%. Accumulated depreciation is \$4,782,664. The governmental activities represent 43% of the accumulated depreciation while the business type activities represent 57%. Pooled cash represents 21%.

CITY OF LAKE WORTH NET ASSETS  
AS OF SEPTEMBER 30, 2005 and 2004  
(In Dollars)

|  | <u>Governmental Type Activities</u> |              | <u>Business Type Activities</u> |             | <u>Totals</u> |              |
|--|-------------------------------------|--------------|---------------------------------|-------------|---------------|--------------|
|  | <u>2004</u>                         | <u>2005</u>  | <u>2004</u>                     | <u>2005</u> | <u>2004</u>   | <u>2005</u>  |
| Current & Other Assets                       | \$6,616,019                         | \$10,633,082 | \$732,898                       | \$915,478   | \$7,348,917   | \$11,548,560 |
| Capital Assets                               | \$25,494,950                        | \$27,579,139 | \$6,911,294                     | \$6,763,838 | \$32,406,244  | \$34,342,977 |
| Total Assets                                 | \$32,110,969                        | \$38,212,221 | \$7,644,192                     | \$7,679,316 | \$39,755,161  | \$45,891,537 |
| Long Term Liabilities                        | \$10,234,980                        | \$15,709,518 | \$109,686                       | \$282,451   | \$10,344,666  | \$15,991,969 |
| Other Liabilities                            | \$1,164,029                         | \$1,506,329  | \$230,764                       | \$80,860    | \$1,394,793   | \$1,587,189  |
| Total Liabilities                            | \$11,399,009                        | \$17,215,847 | \$340,450                       | \$363,311   | \$11,739,459  | \$17,579,158 |
| Net Assets:                                  |                                     |              |                                 |             |               |              |
| Invested in capital assets, net related debt | \$14,627,661                        | \$16,638,585 | \$6,818,827                     | \$6,738,806 | \$21,446,488  | \$23,377,391 |
| Restricted                                   | \$4,571,026                         | \$3,293,577  | \$0                             | \$0         | \$4,571,026   | \$3,293,577  |
| Unrestricted                                 | \$1,513,273                         | \$1,064,213  | \$484,915                       | \$574,199   | \$1,998,188   | \$1,638,412  |
| Total Net Assets                             | \$20,711,960                        | \$20,996,375 | \$7,303,742                     | \$7,313,005 | \$28,015,702  | \$28,309,380 |

The restricted assets include \$6,858,240 of Capital Project funds, which represents 33% of the \$20,996,375 in total net assets in the governmental activities. Sixteen percent (16%) are restricted and only 5%, or \$1,064,213 are unrestricted. In the business-type, 2% of the total net assets is unrestricted.



Analysis of the City's Operations

The following table provides a summary of the City's operations for years ended September 30, 2005 and 2004:

CITY OF LAKE WORTH STATEMENT OF ACTIVITIES FOR YEARS ENDED  
SEPTEMBER 30, 2005 and 2004  
(In Dollars)

|  | <b>Governmental Type</b> |               | <b>Business Type Activities</b> |             | <b>Totals</b> |               |
|--|--------------------------|---------------|---------------------------------|-------------|---------------|---------------|
|  | <u>2004</u>              | <u>2005</u>   | <u>2004</u>                     | <u>2005</u> | <u>2004</u>   | <u>2005</u>   |
| Fines/Fees/Charges for Services        | \$882,569                | \$1,105,792   | \$1,729,702                     | \$1,972,773 | \$2,612,271   | \$3,078,565   |
| Grants/Contributions                   | \$31,165                 | \$26,318      | \$0                             | \$56,308    | \$31,165      | \$82,626      |
| Taxes/Miscellaneous/<br>Gain on Assets | \$6,256,540              | \$6,982,312   | (\$309,173)                     | (\$318,930) | \$5,947,367   | \$6,663,382   |
| Expenditures:                          |                          |               |                                 |             |               |               |
| General Government                     | (\$1,820,926)            | (\$2,830,781) | \$0                             | \$0         | (\$1,820,926) | (\$2,830,781) |
| Public Safety                          | (\$2,293,995)            | (\$2,754,174) | \$0                             | \$0         | (\$2,293,995) | (\$2,754,174) |
| Public Ways/Facilities                 | (\$718,657)              | (\$939,192)   | \$0                             | \$0         | (\$718,657)   | (\$939,192)   |
| Health & Sanitation                    | (\$130,667)              | (\$148,330)   | \$0                             | \$0         | (\$130,667)   | (\$148,330)   |
| Culture & Recreation                   | (\$436,106)              | (\$425,122)   | \$0                             | \$0         | (\$436,106)   | (\$425,122)   |
| Interest & Fiscal                      |                          |               |                                 |             |               |               |
| Charges                                | (\$546,083)              | (\$732,408)   | \$0                             | \$0         | (\$546,083)   | (\$732,408)   |
| Water Service                          | \$0                      | \$0           | (\$833,323)                     | (\$994,302) | (\$833,323)   | (\$994,302)   |
| Solid Waste                            | \$0                      | \$0           | (\$730,206)                     | (\$706,586) | (\$730,206)   | (\$706,580)   |
| Change in Net Assets                   | \$1,223,840              | \$284,415     | (\$143,000)                     | (\$9,263)   | \$1,080,840   | \$293,678     |
| Net Assets Beginning Balance           | \$19,488,120             | \$20,711,960  | \$7,446,742                     | \$7,303,742 | \$26,934,862  | \$28,015,702  |
| Net Assets as of September 30, 2005    | \$20,711,960             | \$20,996,375  | \$7,303,742                     | \$7,313,005 | \$28,015,702  | \$28,309,380  |

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 \$10,052,898. Approximately 12% of the total amount represents undesignated balances. Excluding Capital Project Fund, combined ending fund balance is \$3,194,658 with undesignated being approximately 39%. Total governmental fund balances increased by \$3,873,881 and breaks down as listed below.

|                           | <u>2004</u>      | <u>2005</u>      |
|---------------------------|------------------|------------------|
| General Fund              | \$1,813,868      | \$1,567,152      |
| Debt Service Fund         | \$194,099        | \$201,418        |
| Economic Development Fund | \$1,267,501      | \$916,471        |
| Capital Projects Fund     | \$2,752,223      | \$6,858,240      |
| Other Funds               | <u>\$151,326</u> | <u>\$509,617</u> |
| Total                     | \$6,179,017      | \$10,052,898     |

Proprietary Fund: The City of Lake Worth's proprietary fund's 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 is \$574,199 or 2%% of the total assets. Current and non current liabilities total \$363,311, \$210,888 less than total unrestricted net assets.

The water/sewer fund had total operating revenue of \$1,972,773 and operating expenses of \$1,697,724, resulting in an operating income of \$275,049. Total non operating revenue is \$91,915, reflecting a net income before contributions and transfers of \$366,964. After the inclusion of capital contributions, transfers in and transfers out, the total change in net assets is \$9,263.

Budgetary Information as of September 30, 2005  
(In Dollars)

| <u>Source</u>             | <u>Original</u>    | <u>Final</u>       | <u>Actual<br/>Budgetary</u> |
|---------------------------|--------------------|--------------------|-----------------------------|
| General Fund Revenue      | \$4,886,039        | \$5,427,727        | \$5,610,136                 |
| General Fund Expenditures | <u>\$4,771,724</u> | <u>\$5,671,779</u> | <u>\$5,725,131</u>          |
| Budgetary Balance         | \$114,315          | (\$244,052)        | (\$114,995)                 |

Listed below are the City's assets as of September 30, 2005  
(In Dollars)

|                                    | <u>Governmental</u>  | <u>Business Type</u> | <u>Total</u>         |
|------------------------------------|----------------------|----------------------|----------------------|
| Land                               | \$592,971            | \$46,240             | \$639,211            |
| Infrastructure                     | \$19,720,835         | \$0                  | \$19,720,835         |
| Buildings and Improvements         | \$4,812,513          | \$119,938            | \$4,932,451          |
| Distribution and Collection System | \$0                  | \$8,318,430          | \$8,318,430          |
| Equipment and Vehicles             | \$1,635,282          | \$541,393            | \$2,176,675          |
| Office Furniture                   | \$166,372            | \$0                  | \$166,372            |
| Assets Under Capital Leases        | \$1,001,807          | \$732,294            | \$1,734,001          |
| Construction In Progress           | \$1,715,470          | \$0                  | \$1,715,470          |
| Accumulated Depreciation           | <u>(\$2,066,111)</u> | <u>(\$2,994,457)</u> | <u>(\$5,060,568)</u> |
| Total                              | \$27,579,139         | \$6,763,838          | \$34,342,977         |

At the end of fiscal 2004/2005, the City of Lake Worth has \$16,392,183 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                    | \$635,151           | \$22,032             | \$657,183          |
| 1997 A Certificates of Obligation | \$1,815,000         | \$0                  | \$1,815,000        |
| 1997 B Certificates of Obligation | \$1,060,000         | \$0                  | \$1,060,000        |
| 1999 Certificates of Obligation   | \$3,200,000         | \$0                  | \$3,200,000        |
| 2001 Certificates of Obligation   | \$3,660,000         | \$0                  | \$3,660,000        |
| 2005 Certificates of Obligation   | <u>\$6,000,000</u>  | <u>\$0</u>           | <u>\$6,000,000</u> |
| Total                             | \$16,370,151        | \$22,032             | \$16,392,183       |

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

#### Property Taxes

The property tax rate for the City of Lake Worth was set at .314029, generating \$809,889 in revenue. Total tax collections are at 98% leaving a balance of \$17,618 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 last fiscal year one large development is substantially completed, with another large development starting on phase 2. 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.

The Crime Control and Prevention District (CCPD), will add funds in next year's budget 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.

The one-quarter cent sales tax for street maintenance allowed \$575,523 of street improvements to be made in 2004/2005. Both the CCPD and street maintenance are estimated to generate approximately \$688,484 each or 1.3 million dollars to the city coffers.

#### 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](mailto:vmikel@lakeworthtx.org).

CITY OF LAKE WORTH, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2005

|   | Primary Government         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                |
| <b>ASSETS</b>   |                            |                             |                      |
| Pooled cash and cash equivalents                              | \$ 96,141                  | \$ 4,443                    | \$ 100,584           |
| Non-pooled cash   | 5,547                      | 400                         | 5,947                |
| Pooled investments  | 9,204,179                  | ---                         | 9,204,179            |
| Non-pooled investments  | 840,258                    | 658,572                     | 1,498,830            |
| Ad valorem taxes receivable - net                             | 61,015                     | ---                         | 61,015               |
| Sales taxes receivable  | 328,619                    | ---                         | 328,619              |
| Accounts receivable - net                                     | 96,642                     | 221,639                     | 318,281              |
| Miscellaneous receivable                                      | 681                        | 665                         | 1,346                |
| Due from other governments                                    | ---                        | ---                         | ---                  |
| Inventories and prepaid expenses                              | ---                        | 29,759                      | 29,759               |
| Capital Assets:   |                            |                             |                      |
| Infrastructure reported using modified approach (see page 44) | 19,720,835                 | ---                         | 19,720,835           |
| Not being depreciated   |                            |                             |                      |
| Land  | 592,971                    | 46,240                      | 639,211              |
| Construction in progress                                      | 1,715,470                  | ---                         | 1,715,470            |
| Being depreciated   |                            |                             |                      |
| Infrastructure  | ---                        | 8,318,430                   | 8,318,430            |
| Building and improvements                                     | 4,812,513                  | 119,938                     | 4,932,451            |
| Equipment and vehicles  | 1,635,282                  | 541,393                     | 2,176,675            |
| Office furniture and fixtures                                 | 166,372                    | ---                         | 166,372              |
| Assets under capital leases                                   | 1,001,807                  | 732,294                     | 1,734,101            |
| Less accumulated depreciation                                 | (2,066,111)                | (2,994,457)                 | (5,060,568)          |
| <b>TOTAL ASSETS</b>   | <b>\$ 38,212,221</b>       | <b>\$ 7,679,316</b>         | <b>\$ 45,891,537</b> |
| <b>LIABILITIES</b>  |                            |                             |                      |
| Accounts payable  | \$ 368,805                 | \$ 172,802                  | \$ 541,607           |
| Accrued expenses  | 353,638                    | 6,902                       | 360,540              |
| Meter deposits - current                                      | ---                        | 32,470                      | 32,470               |
| Payable to other governments                                  | 52,003                     | ---                         | 52,003               |
| Internal balances   | (42,831)                   | 42,831                      | ---                  |
| Compensated absences  | 114,081                    | 5,414                       | 119,495              |
| Capitalized leases - current                                  | 130,633                    | 22,032                      | 152,665              |
| Certificates of obligation - current                          | 530,000                    | ---                         | 530,000              |
| Non-current:  |                            |                             |                      |
| Meter deposits  | ---                        | 80,860                      | 80,860               |
| Capitalized leases  | 504,518                    | ---                         | 504,518              |
| Certificates of obligation                                    | 15,205,000                 | ---                         | 15,205,000           |
| <b>TOTAL LIABILITIES</b>                                      | <b>\$ 17,215,847</b>       | <b>\$ 363,311</b>           | <b>\$ 17,579,158</b> |
| <b>NET ASSETS</b>   |                            |                             |                      |
| Invested in capital assets, net of related debt               | \$ 16,638,585              | \$ 6,738,806                | \$ 23,377,391        |
| Restricted for:   |                            |                             |                      |
| Debt service  | 201,418                    | ---                         | 201,418              |
| Economic development  | 916,471                    | ---                         | 916,471              |
| Special revenue crime control district                        | 328,054                    | ---                         | 328,054              |
| Special revenue street maintenance                            | 181,563                    | ---                         | 181,563              |
| Capital projects funds  | 1,428,643                  | ---                         | 1,428,643            |
| Other   | 237,428                    | ---                         | 237,428              |
| Unrestricted  | 1,064,213                  | 574,199                     | 1,638,412            |
| <b>TOTAL NET ASSETS</b>                                       | <b>\$ 20,996,375</b>       | <b>\$ 7,313,005</b>         | <b>\$ 28,309,380</b> |

See accompanying notes to basic financial statements.

CITY OF LAKE WORTH, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

| Activities   | Expenses            | Program Revenues                           |  |  | Net (Expense) Revenue and<br>Changes in Net Assets |                             |                       |
|--|---------------------|--|--|--|--|-----------------------------|-----------------------|
|  |                     | Fines, Fees and<br>Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                         | Business-type<br>Activities | Total                 |
| Primary Government:  |                     |  |  |  |  |                             |                       |
| Governmental:  |                     |  |  |  |  |                             |                       |
| General government   | \$ 2,830,781        | \$ 335,044                                 | \$ ---                                   | \$ ---                                 | \$ (2,495,737)                                     | \$ ---                      | \$ (2,495,737)        |
| Public safety  | 2,754,174           | 620,029                                    | 449                                      | ---                                    | (2,133,696)  | ---                         | (2,133,696)           |
| Public ways and facilities                                   | 939,192             | ---  | ---                                      | ---                                    | (939,192)  | ---                         | (939,192)             |
| Health and sanitation  | 148,330             | 139,224                                    | ---                                      | ---                                    | (9,106)  | ---                         | (9,106)               |
| Culture and recreation                                       | 425,122             | 11,495                                     | 25,869                                   | ---                                    | (387,758)  | ---                         | (387,758)             |
| Interest and fiscal charges                                  | 732,408             | ---  | ---                                      | ---                                    | (732,408)  | ---                         | (732,408)             |
| Total Governmental Activities                                | <u>\$ 7,830,007</u> | <u>\$ 1,105,792</u>                        | <u>\$ 26,318</u>                         | <u>\$ ---</u>                          | <u>\$ (6,697,897)</u>                              | <u>\$ ---</u>               | <u>\$ (6,697,897)</u> |
| Business-type:   |                     |  |  |  |  |                             |                       |
| Water  | \$ 994,302          | \$ 1,148,163                               | \$ ---                                   | \$ 56,308                              | \$ ---   | \$ 210,169                  | \$ 210,169            |
| Solid waste  | 706,586             | 824,610                                    | ---                                      | ---                                    | ---  | 118,024                     | 118,024               |
| Total Business-type Activities                               | <u>\$ 1,700,888</u> | <u>\$ 1,972,773</u>                        | <u>\$ ---</u>                            | <u>\$ 56,308</u>                       | <u>\$ ---</u>                                      | <u>\$ 328,193</u>           | <u>\$ 328,193</u>     |
| Total Primary Government                                     | <u>\$ 9,530,895</u> | <u>\$ 3,078,565</u>                        | <u>\$ 26,318</u>                         | <u>\$ 56,308</u>                       | <u>\$ (6,697,897)</u>                              | <u>\$ 328,193</u>           | <u>\$ (6,369,704)</u> |
| General Revenues:  |                     |  |  |  |  |                             |                       |
| Taxes:   |                     |  |  |  |  |                             |                       |
| Property taxes levied for general purposes                   |                     |  |  | \$ 836,426                             | \$ ---   | \$ 836,426                  |                       |
| Sales taxes  |                     |  |  | 4,747,174                              | ---  | 4,747,174                   |                       |
| Franchise taxes  |                     |  |  | 365,155                                | ---  | 365,155                     |                       |
| Other taxes  |                     |  |  | 105,674                                | ---  | 105,674                     |                       |
| Grants and contributions not restricted to specific programs |                     |  |  | 72,318                                 | ---  | 72,318                      |                       |
| Miscellaneous  |                     |  |  | 447,973                                | 95,079   | 543,052                     |                       |
| Gain on sale (loss) of assets                                |                     |  |  | (6,417)                                | ---  | (6,417)                     |                       |
| Transfers  |                     |  |  | 414,009                                | (414,009)  | ---                         |                       |
| Total General Revenues and Transfers                         |                     |  |  | <u>\$ 6,982,312</u>                    | <u>\$ (318,930)</u>                                | <u>\$ 6,663,382</u>         |                       |
| Changes in Net Assets  |                     |  |  | \$ 284,415                             | \$ 9,263   | \$ 293,678                  |                       |
| Net Assets - beginning                                       |                     |  |  | 20,711,960                             | 7,303,742  | 28,015,702                  |                       |
| Net Assets - ending  |                     |  |  | <u>\$ 20,996,375</u>                   | <u>\$ 7,313,005</u>                                | <u>\$ 28,309,380</u>        |                       |

See accompanying notes to basic financial statements.

CITY OF LAKE WORTH, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2005

|  | GENERAL             | DEBT<br>SERVICE   | ECONOMIC<br>DEVELOPMENT<br>CORPORATION | CAPITAL<br>PROJECT<br>FUND | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|---------------------|-------------------|--|----------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                                      |                     |                   |  |                            |                                |                                |
| Pooled cash and cash equivalents                   | \$ 82,523           | \$ 8,817          | \$ ---                                 | \$ 1,475                   | \$ 3,326                       | \$ 96,141                      |
| Non-pooled cash and cash equivalents               | 275                 | ---               | 720                                    | ---                        | 4,552                          | 5,547                          |
| Pooled investments                                 | 1,585,599           | 158,200           | ---                                    | 7,004,034                  | 456,346                        | 9,204,179                      |
| Non-pooled investments                             | ---                 | ---               | 840,258                                | ---                        | ---                            | 840,258                        |
| Receivable:  |                     |                   |  |                            |                                |                                |
| Taxes  | 49,445              | 11,570            | ---                                    | ---                        | ---                            | 61,015                         |
| Accounts   | 96,642              | ---               | ---                                    | ---                        | ---                            | 96,642                         |
| Other  | 394                 | 41                | ---                                    | 8                          | 238                            | 681                            |
| Due from other funds - major                       | 18,457              | 64,079            | ---                                    | ---                        | ---                            | 82,536                         |
| Due from other governments                         | 166,187             | ---               | 81,696                                 | ---                        | 80,736                         | 328,619                        |
| <b>TOTAL ASSETS</b>                                | <u>\$ 1,999,522</u> | <u>\$ 242,707</u> | <u>\$ 922,674</u>                      | <u>\$ 7,005,517</u>        | <u>\$ 545,198</u>              | <u>\$ 10,715,618</u>           |
| <b>LIABILITIES AND FUND BALANCES</b>               |                     |                   |  |                            |                                |                                |
| <b>Liabilities:</b>                                |                     |                   |  |                            |                                |                                |
| Accounts payable                                   | \$ 219,675          | \$ ---            | \$ 4,037                               | \$ 117,335                 | \$ 27,758                      | \$ 368,805                     |
| Accrued expenses                                   | 102,354             | ---               | 2,138                                  | 29,942                     | 7,823                          | 142,257                        |
| Deferred revenue                                   | 48,603              | 11,347            | ---                                    | ---                        | ---                            | 59,950                         |
| Due to other funds - major                         | 9,735               | 29,942            | 28                                     | ---                        | ---                            | 39,705                         |
| Payable to other governments                       | 52,003              | ---               | ---                                    | ---                        | ---                            | 52,003                         |
| <b>Total Liabilities</b>                           | <u>\$ 432,370</u>   | <u>\$ 41,289</u>  | <u>\$ 6,203</u>                        | <u>\$ 147,277</u>          | <u>\$ 35,581</u>               | <u>\$ 662,720</u>              |
| <b>Fund Balances</b>                               |                     |                   |  |                            |                                |                                |
| <b>Reserved for:</b>                               |                     |                   |  |                            |                                |                                |
| Debt service                                       | \$ ---              | \$ 201,418        | \$ ---                                 | \$ ---                     | \$ ---                         | \$ 201,418                     |
| Economic development                               | ---                 | ---               | 916,471                                | ---                        | ---                            | 916,471                        |
| Special revenue crime control district             | ---                 | ---               | ---                                    | ---                        | 328,054                        | 328,054                        |
| Special revenue street maintenance                 | ---                 | ---               | ---                                    | ---                        | 181,563                        | 181,563                        |
| Capital projects funds                             | ---                 | ---               | ---                                    | 6,858,240                  | ---                            | 6,858,240                      |
| Other  | 237,428             | ---               | ---                                    | ---                        | ---                            | 237,428                        |
| <b>Unreserved</b>                                  |                     |                   |  |                            |                                |                                |
| Designated   |                     |                   |  |                            |                                |                                |
| Various  | 90,781              | ---               | ---                                    | ---                        | ---                            | 90,781                         |
| Undesignated                                       | 1,238,943           | ---               | ---                                    | ---                        | ---                            | 1,238,943                      |
| <b>Total Fund Balances</b>                         | <u>\$ 1,567,152</u> | <u>\$ 201,418</u> | <u>\$ 916,471</u>                      | <u>\$ 6,858,240</u>        | <u>\$ 509,617</u>              | <u>\$ 10,052,898</u>           |
| <b>TOTAL LIABILITIES AND<br/>    FUND BALANCES</b> | <u>\$ 1,999,522</u> | <u>\$ 242,707</u> | <u>\$ 922,674</u>                      | <u>\$ 7,005,517</u>        | <u>\$ 545,198</u>              | <u>\$ 10,715,618</u>           |

See accompanying notes to basic financial statements.

CITY OF LAKE WORTH, TEXAS  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 AS OF SEPTEMBER 30, 2005

Total Fund Balance - Government Funds - page 11 \$ 10,052,898

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                          | \$ | 592,971            |            |
| Infrastructure                |    | 19,720,835         |            |
| Buildings and improvements    |    | 4,812,513          |            |
| Equipment and vehicles        |    | 1,635,282          |            |
| Office furniture and fixtures |    | 166,372            |            |
| Assets under capital leases   |    | 1,001,807          |            |
| Construction in progress      |    | 1,715,470          |            |
| Accumulated depreciation      |    | <u>(2,066,111)</u> |            |
|                               | \$ | <u>27,579,139</u>  | 27,579,139 |

Some expenditures in the governmental funds represent the purchase of capital assets which are included in the listing of capital assets above

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. 59,951

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        | \$ | 114,081           |                     |
| Accrued interest            |    | 211,381           |                     |
| Capital leases              |    | 635,151           |                     |
| Certificates of obligations |    | <u>15,735,000</u> |                     |
|                             | \$ | <u>16,695,613</u> | <u>(16,695,613)</u> |

Net Assets of Governmental Activities - page 9 \$ 20,996,375

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, 2005

|  | GENERAL             | DEBT<br>SERVICE       | ECONOMIC<br>DEVELOPMENT<br>CORPORATION | CAPITAL<br>PROJECTS<br>FUND | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|---------------------|-----------------------|--|-----------------------------|--------------------------------|--------------------------------|
| Revenues:  |                     |                       |  |                             |                                |                                |
| Property taxes   | \$ 644,677          | \$ 187,912            | \$ ---                                 | \$ ---                      | \$ ---                         | \$ 832,589                     |
| Sales taxes  | 2,399,181           | ---                   | 1,199,591                              | ---                         | 1,148,402                      | 4,747,174                      |
| Franchise taxes  | 365,155             | ---                   | ---                                    | ---                         | ---                            | 365,155                        |
| Other taxes  | 105,674             | ---                   | ---                                    | ---                         | ---                            | 105,674                        |
| Licenses and permits   | 361,434             | ---                   | ---                                    | ---                         | ---                            | 361,434                        |
| Charges for services   | 142,104             | ---                   | ---                                    | ---                         | ---                            | 142,104                        |
| Fine and forfeits, etc.                                      | 493,335             | ---                   | ---                                    | ---                         | ---                            | 493,335                        |
| Miscellaneous revenues                                       | 436,857             | 6,238                 | 28,439                                 | 180,758                     | 11,490                         | 663,782                        |
| <b>TOTAL REVENUES</b>  | <b>\$ 4,948,417</b> | <b>\$ 194,150</b>     | <b>\$ 1,228,030</b>                    | <b>\$ 180,758</b>           | <b>\$ 1,159,892</b>            | <b>\$ 7,711,247</b>            |
| Expenditures:  |                     |                       |  |                             |                                |                                |
| Current  |                     |                       |  |                             |                                |                                |
| Mayor and council  | \$ 43,666           | \$ ---                | \$ ---                                 | \$ ---                      | \$ ---                         | \$ 43,666                      |
| General expense  | 1,114,079           | ---                   | 134,813                                | ---                         | ---                            | 1,248,892                      |
| Police department  | 1,567,251           | ---                   | ---                                    | ---                         | 195,130                        | 1,762,381                      |
| Fire department  | 784,669             | ---                   | ---                                    | ---                         | ---                            | 784,669                        |
| Street department  | 1,029,790           | ---                   | ---                                    | ---                         | 317,503                        | 1,347,293                      |
| Library  | 171,221             | ---                   | ---                                    | ---                         | ---                            | 171,221                        |
| Park department  | 256,636             | ---                   | ---                                    | ---                         | ---                            | 256,636                        |
| Maintenance department                                       | 143,440             | ---                   | ---                                    | ---                         | ---                            | 143,440                        |
| Senior Citizens program                                      | 66,153              | ---                   | ---                                    | ---                         | ---                            | 66,153                         |
| Inspections and permits                                      | 192,740             | ---                   | ---                                    | ---                         | ---                            | 192,740                        |
| Municipal Court  | 133,137             | ---                   | ---                                    | ---                         | ---                            | 133,137                        |
| Information technology                                       | 123,283             | ---                   | ---                                    | ---                         | ---                            | FALSE                          |
| Animal control   | 44,570              | ---                   | ---                                    | ---                         | ---                            | 44,570                         |
| Emergency management   | 1,148               | ---                   | ---                                    | ---                         | ---                            | 1,148                          |
| Debt Service:  |                     |                       |  |                             |                                |                                |
| Principal retirement   | ---                 | 709,415               | ---                                    | ---                         | ---                            | 709,415                        |
| Issuance costs   | ---                 | ---                   | ---                                    | 51,565                      | ---                            | 51,565                         |
| Interest and fiscal charges                                  | ---                 | 532,393               | ---                                    | ---                         | ---                            | 532,393                        |
| Capital outlay   | ---                 | ---                   | 559,126                                | 1,971,378                   | 360,664                        | 2,891,168                      |
| <b>TOTAL EXPENDITURES</b>                                    | <b>\$ 5,671,783</b> | <b>\$ 1,241,808</b>   | <b>\$ 693,939</b>                      | <b>\$ 2,022,943</b>         | <b>\$ 873,297</b>              | <b>\$ 10,503,770</b>           |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>\$ (723,366)</b> | <b>\$ (1,047,658)</b> | <b>\$ 534,091</b>                      | <b>\$ (1,842,185)</b>       | <b>\$ 286,595</b>              | <b>\$ (2,792,523)</b>          |

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, 2005

|   | GENERAL             | DEBT<br>SERVICE     | ECONOMIC<br>DEVELOPMENT<br>CORPORATION | CAPITAL<br>PROJECTS<br>FUND | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|---|---------------------|---------------------|--|-----------------------------|--------------------------------|--------------------------------|
| Other financing sources (uses):                 |                     |                     |  |                             |                                |                                |
| Transfers in                                    | \$ 663,963          | \$ 1,054,977        | \$ ---                                 | \$ ---                      | \$ ---                         | \$ 1,718,940                   |
| Transfers (out)                                 | (207,220)           | ---                 | (885,121)                              | (51,798)                    | (160,793)                      | (1,304,932)                    |
| Sale of assets                                  | 15,201              | ---                 | ---                                    | ---                         | 26,537                         | 41,738                         |
| Proceeds from certificates of obligation        | ---                 | ---                 | ---                                    | 6,000,000                   | ---                            | 6,000,000                      |
| Proceeds from leases                            | 4,706               | ---                 | ---                                    | ---                         | 205,952                        | 210,658                        |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b> | <b>\$ 476,650</b>   | <b>\$ 1,054,977</b> | <b>\$ (885,121)</b>                    | <b>\$ 5,948,202</b>         | <b>\$ 71,696</b>               | <b>\$ 6,666,404</b>            |
| <b>NET CHANGE IN FUND BALANCES</b>              | <b>\$ (246,716)</b> | <b>\$ 7,319</b>     | <b>\$ (351,030)</b>                    | <b>\$ 4,106,017</b>         | <b>\$ 358,291</b>              | <b>\$ 3,873,881</b>            |
| FUND BALANCE - OCTOBER 1                        | 1,813,868           | 194,099             | 1,267,501                              | 2,752,223                   | 151,326                        | 6,179,017                      |
| FUND BALANCE - SEPTEMBER 30                     | <u>\$ 1,567,152</u> | <u>\$ 201,418</u>   | <u>\$ 916,471</u>                      | <u>\$ 6,858,240</u>         | <u>\$ 509,617</u>              | <u>\$ 10,052,898</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, 2005

|  |    |                  |
|--|----|------------------|
| Net Change in Fund Balances - Total Government Funds - page 14   | \$ | 3,873,881        |
| <p>Amounts reported by governmental activities in the statement of activities as reported on page 10 are different because:</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 (\$2,463,593) exceed depreciation (\$331,249) in the current period.   |    | 2,132,344        |
| In the statement of activities, only the gain (loss) from the sale of fixed assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs in the change in fund balance by the net cost of the assets sold.   |    | (48,155)         |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.  |    | (4,416)          |
| Certificate of obligations and capital leases 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 governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This the amount by which preceeds(\$6,210,658) exceeds principal payments (\$709,415). |    | (5,501,243)      |
| 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.  |    | <u>(167,996)</u> |
| Change in Net Assets of Governmental Activities - page 10  | \$ | <u>284,415</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, 2005

|   | Enterprise Fund    |
|---|--------------------|
|   | Water and<br>Sewer |
| <b>ASSETS</b>                                   |                    |
| Current Assets:                                 |                    |
| Pooled cash and cash equivalents                | \$ 4,443           |
| Non-pooled cash and cash equivalents            | 400                |
| Non-pooled investments                          | 658,572            |
| Receivables, net                                | 221,639            |
| Miscellaneous receivable                        | 665                |
| Inventories                                     | 29,759             |
| Due from other funds                            | ---                |
| Total Current Assets                            | \$ 915,478         |
| Noncurrent Assets:                              |                    |
| Capital Assets:                                 |                    |
| Land and improvements                           | \$ 46,240          |
| Buildings                                       | 119,938            |
| Distribution and collection systems             | 8,318,430          |
| Equipment and vehicles                          | 541,393            |
| Assets under capital leases                     | 732,294            |
| Less accumulated depreciation                   | (2,997,457)        |
| Total Noncurrent Assets                         | \$ 6,760,838       |
| TOTAL ASSETS                                    | \$ 7,676,316       |
| <b>LIABILITIES</b>                              |                    |
| Current Liabilities:                            |                    |
| Accounts payable                                | \$ 172,802         |
| Accrued expenses                                | 6,902              |
| Compensated absences                            | 5,414              |
| Due to other funds                              | 42,831             |
| Meter deposits                                  | 32,470             |
| Capital leases payable                          | 22,032             |
| Total Current Liabilities                       | \$ 282,451         |
| Noncurrent Liabilities:                         |                    |
| Meter deposits                                  | \$ 80,860          |
| Capital leases payable                          | ---                |
| Total Noncurrent Liabilities                    | \$ 80,860          |
| TOTAL LIABILITIES                               | \$ 363,311         |
| <b>NET ASSETS</b>                               |                    |
| Invested in capital assets, net of related debt | \$ 6,738,806       |
| Unrestricted                                    | 574,199            |
| TOTAL NET ASSETS                                | \$ 7,313,005       |

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, 2005

|   | Enterprise Fund    |
|---|--------------------|
|   | Water and<br>Sewer |
| Operating Revenues:                                 |                    |
| Charges for services:                               |                    |
| Water charges                                       | \$ 1,145,280       |
| Wastewater charges                                  | 821,950            |
| Miscellaneous                                       | 5,543              |
| TOTAL OPERATING INCOME                              | \$ 1,972,773       |
| Operating Expenses:                                 |                    |
| Personal services                                   | \$ 202,219         |
| Contractual services                                | 258,330            |
| Water purchased                                     | 275,559            |
| Disposal charge - wastewater                        | 378,819            |
| Supplies  | 53,557             |
| Maintenance   | 156,366            |
| General and administrative                          | 91,970             |
| Depreciation  | 280,904            |
| TOTAL OPERATING EXPENSES                            | \$ 1,697,724       |
| OPERATING INCOME (LOSS)                             | \$ 275,049         |
| Nonoperating Revenues (Expenses):                   |                    |
| Interest revenue                                    | \$ 15,397          |
| Miscellaneous income                                | 79,682             |
| Gain on sale of assets                              | ---                |
| Interest expense and fiscal charges                 | (3,164)            |
| TOTAL NONOPERATING REVENUES (EXPENSES)              | \$ 91,915          |
| INCOME (LOSS) BEFORE CONTRIBUTIONS<br>AND TRANSFERS | \$ 366,964         |
| Capital contributions                               | \$ 56,308          |
| Transfers in  | 152,743            |
| Transfers (out)                                     | (566,752)          |
| CHANGE IN NET ASSETS                                | \$ 9,263           |
| TOTAL NET ASSETS - BEGINNING                        | \$ 7,303,742       |
| TOTAL NET ASSETS - ENDING                           | \$ 7,313,005       |

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, 2005

|  | Enterprise Fund    |
|--|--------------------|
|  | Water and<br>Sewer |
| Cash Flows From Operating Activities:  |                    |
| Receipts from customers  | \$ 1,932,672       |
| Payments to suppliers  | (1,179,639)        |
| Payments to employees  | (202,167)          |
| Other receipts   | 20,087             |
| Net Cash Provided (Used) by Operating Activities   | \$ 570,953         |
| Cash Flows From Noncapital Financing Activities:   |                    |
| Transfers from other funds   | \$ 196,715         |
| Transfers to other funds   | (567,341)          |
| Net Cash Provided (Used) by Noncapital Financing Activities                              | \$ (370,626)       |
| Cash Flows From Capital and Related Financing Activities:                                |                    |
| Proceeds capital lease   | \$ ---             |
| Purchase of capital assets   | (75,760)           |
| Proceeds from sale of capital asset  | ---                |
| Payment for water tower leases, etc  | 79,682             |
| Principal payments on notes payable  | ---                |
| Principal payments on capital leases   | (68,815)           |
| Interest paid on notes payable and capital leases  | (4,133)            |
| Net Cash Provided (Used) by Capital and Related Financing Activities                     | \$ (69,026)        |
| Cash Flows From Investing Activities:  |                    |
| Purchase of investments  | \$ (1,280,402)     |
| Proceeds from maturity of investments  | 1,096,444          |
| Interest earned from investments   | 15,386             |
| Net Cash Provided (Used) by Investing Activities   | \$ (168,572)       |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                                     | \$ (37,271)        |
| CASH AND CASH EQUIVALENTS BEGINNING OF YEAR  | 42,114             |
| CASH AND CASH EQUIVALENTS END OF YEAR  | \$ 4,843           |
| Reconciliation of Operating Income (Loss) to Net Cash Provided                           |                    |
| By Operating Activities  |                    |
| Operating income (loss)  | \$ 275,049         |
| Adjustments to reconciles operating income to net cash provided by operating activities: |                    |
| Depreciation   | 280,904            |
| Change in assets and liabilities:  |                    |
| Receivables - net  | (34,558)           |
| Miscellaneous receivable   | 1,325              |
| Inventories  | (2,649)            |
| Accounts payable   | 37,611             |
| Accrued wages  | 3                  |
| Accrued compensated absences   | 49                 |
| Meter deposits   | 13,219             |
| NET CASH PROVIDED BY OPERATING ACTIVITIES  | \$ 570,953         |
| NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:                                   |                    |
| Assets contributed   | \$ 54,688          |
| Assumption of capital lease  | 1,620              |

See accompanying notes to basic financial statements.

**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.

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:*

As required by GAAP, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable.

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

CITY OF LAKE WORTH, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The financial statements of the following component units have been "blended" with those of the City because (i) their governing bodies are substantially the same as the governing body of the City or (ii) the component unit provides services entirely for the City.

*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.

The City has no component units reported discretely.

**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.

CITY OF LAKE WORTH, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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 enterprise 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.

*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.



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

BASIS OF PRESENTATION (CONTINUED)

*Major Governmental Funds (continued)*

*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.

**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.

CITY OF LAKE WORTH, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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 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 2004 have been recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2004 and those considered "available" at September 30, 2005 (i.e. property taxes collected within 60 days of year-end) have been recognized as revenues in 2005. 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, 2005.

Certain payments to vendors reflect costs applicable to future accounting periods and are reflected as prepaid items. At September 30, 2005 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 43 for more details.

CITY OF LAKE WORTH, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

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.

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 \$735,572. The major enterprise fund paid \$3,164 in interest expense which was allocated to and reported in the following expenses: water activity \$1,714 and solid waste activity \$1,453. The general government interest expense of \$732,408 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.

CITY OF LAKE WORTH, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

LONG-TERM OBLIGATIONS (CONTINUED)

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.

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 earned 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, 2005 consisted of the following:

|                          |                   |
|--------------------------|-------------------|
| Governmental Activities  | \$ 114,081        |
| Business-type Activities | 5,414             |
|                          | <u>\$ 119,495</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.

CITY OF LAKE WORTH, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

ACCOUNTING PRONOUNCEMENTS

The City has not completed the process of evaluating the impact that will result from adopting Statements of Governmental Accounting Standards Board (GASB) No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, No. 44 *Economic Condition Reporting: The Statistical Section*, and No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The City is therefore unable to disclose the impact, if any, that adopting those statements will have on its financial position and results of operations when such statements are adopted.

**NOTE B - CASH AND INVESTMENTS**

DEPOSITS

State statutes 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 \$101,964 and the bank balance was \$159,108. Of the bank balance \$100,720 was covered by federal depository insurance and \$58,388 was covered by securities pledged by depository.

| <u>Depository Account</u>                                      | <u>Reported<br/>Amount</u> | <u>Bank<br/>Balance</u> |
|--|----------------------------|-------------------------|
| Insured  | \$ 100,720                 | \$ 100,720              |
| Collateralized:  |                            |                         |
| Held by pledging bank's trust<br>department in the City's name | 569                        | 58,388                  |
|  | <u>\$ 101,289</u>          | <u>\$ 159,108</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 2005, the City invested in the State of Texas Texpool, Lone Star Investment Pool, and TexSTAR .

CITY OF LAKE WORTH, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

**NOTE B - CASH AND INVESTMENTS (CONTINUED)**

INVESTMENTS (CONTINUED)

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.

Lone Star Investment Pool 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.

TexSTAR is a local government investment pool created under the Interlocal Code for state and local governments of Texas. The pool must maintain a credit rating of no lower than AAA, AAA-m, or the equivalent by at least one nationally recognized rating agency. Since the City is not issued securities but rather owns an undivided beneficial interest in the asset, a risk category has not been assigned to the TexSTAR.

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 2004-2005, the City did not invest through any security brokers or dealers. The City does not have the information necessary for disclosures required on derivatives.

UNCATEGORIZED INVESTMENTS

| <u>Description</u>              | <u>Carrying<br/>Amount</u> | <u>Market<br/>Value</u> |
|---------------------------------|----------------------------|-------------------------|
| Pooled Investments              |                            |                         |
| Lone Star                       |                            |                         |
| Invst. Pool                     | \$ 1,334,077               | \$ 1,334,077            |
| Texpool                         | 1,728,097                  | 1,728,097               |
| TexSTAR                         | <u>2,970,133</u>           | <u>2,970,133</u>        |
| Total Pooled                    |                            |                         |
| Investments                     | <u>\$ 6,032,307</u>        | <u>\$ 6,032,307</u>     |
| Non Pooled                      |                            |                         |
| Investments                     |                            |                         |
| Lone Star                       |                            |                         |
| Invst. Pool                     | \$ 231,607                 | \$ 231,607              |
| Texpool                         | <u>1,267,223</u>           | <u>1,267,223</u>        |
| Total Non-Pooled                |                            |                         |
| Investments                     | <u>\$ 1,498,830</u>        | <u>\$ 1,498,830</u>     |
| Total Uncategorized Investments | <u>\$ 7,531,137</u>        | <u>\$ 7,531,137</u>     |

**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 801 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, 2004 valuation is effective for rates beginning January 2006).

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, 2005

**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<br>January 1<br>2005 | Effective<br>January 1<br>2004 | Effective<br>January 1<br>2003 |
|---|--------------------------------|--------------------------------|--------------------------------|
| Employee Contributions<br>(percent of earnings) | 6.00%                          | 6.00%                          | 6.00%                          |
| City's Contribution<br>(percent of earnings)    | 7.84%                          | 7.23%                          | 6.68%                          |

For the fiscal year ended September 30, 2005 the City made contributions of \$401,935. Contributions are made on a monthly basis.

ANNUAL PENSION COST AND NET PENSION OBLIGATION

| City year Ended September 30                     | 2005       | 2004       | 2003       |
|--|------------|------------|------------|
| City's Annual Pension Cost                       | \$ 401,935 | \$ 336,931 | \$ 298,447 |
| Percentage of Annual Pension<br>Cost Contributed | 100%       | 100%       | 100%       |
| Net Pension Obligation                           | ---        | ---        | ---        |

CITY OF LAKE WORTH, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

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

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         | 3.50%                    |
| 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.

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 2004-2005 budget year was \$4,683.

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.

CITY OF LAKE WORTH, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

**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, 2005:

|   | PAYABLE<br>OCT 1, 2004 | ADDITIONS           | REDUCTIONS        | BALANCE<br>SEPT 30, 2005 |
|---|------------------------|---------------------|-------------------|--------------------------|
| <b>General Long-term Debt:</b>          |                        |                     |                   |                          |
| Compensated Absences                    | \$ 94,535              | \$ 67,833           | \$ 48,287         | \$ 114,081               |
| Capitalized Leases                      | 662,289                | 212,278             | 239,416           | 635,151                  |
| Certificates of obligation series 1997A | 1,920,000              | ---                 | 105,000           | 1,815,000                |
| Certificates of obligation series 1997B | 1,125,000              | ---                 | 65,000            | 1,060,000                |
| Certificates of obligation series 1999  | 3,350,000              | ---                 | 150,000           | 3,200,000                |
| Certificates of obligation series 2001  | 3,810,000              | ---                 | 150,000           | 3,660,000                |
| Certificates of obligation series 2005  | ---                    | 6,000,000           | ---               | 6,000,000                |
| <b>Water &amp; Sewer Fund:</b>          |                        |                     |                   |                          |
| Compensated Absences                    | 5,365                  | 10,762              | \$ 10,713         | 5,414                    |
| Capital Leases                          | 92,467                 | ---                 | 70,435            | 22,032                   |
|   | <u>\$ 11,059,656</u>   | <u>\$ 6,290,873</u> | <u>\$ 838,851</u> | <u>\$ 16,511,678</u>     |

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

| Year Ending<br>September 30 | Capital<br>Leases<br>Principal | Interest        | Total            |
|-----------------------------|--------------------------------|-----------------|------------------|
| 2006                        | <u>\$ 22,032</u>               | <u>\$ 1,243</u> | <u>\$ 23,275</u> |

CITY OF LAKE WORTH, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

**NOTE F - LONG-TERM DEBT OBLIGATIONS (CONTINUED)**

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

| YEAR<br>ENDING<br>SEPT 30 | CERTIFICATES OF OBLIGATION |                     |                     |                     |                     | CAPITAL           |                     | TOTAL                |
|---------------------------|----------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|----------------------|
|                           | SERIES 1997A               | SERIES 1997B        | SERIES 1999         | SERIES 2001         | SERIES 2005         | LEASES            | INTEREST            |                      |
| 2006                      | \$ 110,000                 | \$ 70,000           | \$ 160,000          | \$ 160,000          | \$ 30,000           | \$ 130,633        | \$ 888,922          | \$ 1,549,555         |
| 2007                      | 115,000                    | 70,000              | 170,000             | 170,000             | 210,000             | 137,273           | 706,943             | 1,579,216            |
| 2008                      | 120,000                    | 75,000              | 180,000             | 175,000             | 220,000             | 65,556            | 667,250             | 1,502,806            |
| 2009                      | 130,000                    | 80,000              | 190,000             | 185,000             | 225,000             | 55,416            | 629,808             | 1,495,224            |
| 2010                      | 135,000                    | 80,000              | 200,000             | 190,000             | 240,000             | 56,977            | 591,560             | 1,493,537            |
| 2011                      | 145,000                    | 85,000              | 210,000             | 200,000             | 250,000             | 59,934            | 551,228             | 1,501,162            |
| 2012                      | 155,000                    | 90,000              | 220,000             | 210,000             | 260,000             | 63,045            | 507,775             | 1,505,820            |
| 2013                      | 160,000                    | 95,000              | 230,000             | 215,000             | 270,000             | 66,317            | 461,354             | 1,497,671            |
| 2014                      | 170,000                    | 100,000             | 240,000             | 230,000             | 280,000             | ---               | 411,780             | 1,431,780            |
| 2015                      | 180,000                    | 100,000             | 250,000             | 240,000             | 295,000             | ---               | 362,298             | 1,427,298            |
| 2016                      | 190,000                    | 105,000             | 265,000             | 250,000             | 305,000             | ---               | 312,316             | 1,427,316            |
| 2017                      | 205,000                    | 110,000             | 280,000             | 260,000             | 320,000             | ---               | 259,175             | 1,434,175            |
| 2018                      | ---                        | ---                 | 295,000             | 275,000             | 330,000             | ---               | 211,869             | 1,111,869            |
| 2019                      | ---                        | ---                 | 310,000             | 285,000             | 345,000             | ---               | 170,913             | 1,110,913            |
| 2020                      | ---                        | ---                 | ---                 | 300,000             | 360,000             | ---               | 135,393             | 795,393              |
| 2021                      | ---                        | ---                 | ---                 | 315,000             | 375,000             | ---               | 105,453             | 795,453              |
| 2022                      | ---                        | ---                 | ---                 | ---                 | 395,000             | ---               | 73,765              | 468,765              |
| 2023                      | ---                        | ---                 | ---                 | ---                 | 410,000             | ---               | 56,780              | 466,780              |
| 2024                      | ---                        | ---                 | ---                 | ---                 | 430,000             | ---               | 38,945              | 468,945              |
| 2025                      | ---                        | ---                 | ---                 | ---                 | 450,000             | ---               | 20,025              | 470,025              |
|                           | <u>\$ 1,815,000</u>        | <u>\$ 1,060,000</u> | <u>\$ 3,200,000</u> | <u>\$ 3,660,000</u> | <u>\$ 6,000,000</u> | <u>\$ 635,151</u> | <u>\$ 7,163,552</u> | <u>\$ 21,659,188</u> |

*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.

CITY OF LAKE WORTH, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

**NOTE F - LONG-TERM DEBT OBLIGATIONS (CONTINUED)**

*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.

*Certificates of Obligation Series 2001*

On February 15, 2005 the City sold Combination Tax and Revenue Certificates of Obligation (The Certificates) in the amount of \$6,000,000 for the (a) construction and improvement to various City streets, (b) constructing, expanding and improving drainage and flood control facilities, and (c) acquisition of land for expansion of City facilities. 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 February 15, 2015 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, 2005

**NOTE G – CAPITAL ASSETS**

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

|  | Balance<br>9-30-04          | Increase                   | Decrease                | Balance<br>9-30-05          |
|--|-----------------------------|----------------------------|-------------------------|-----------------------------|
| <b>Governmental Activities</b>                               |                             |                            |                         |                             |
| <u>Capital Assets Using Modified Approach:</u>               |                             |                            |                         |                             |
| Infrastructure using modified                                | \$ 19,284,326               | \$ 436,509                 | \$ ---                  | \$ 19,720,835               |
| <u>Capital Assets Not Being Depreciated:</u>                 |                             |                            |                         |                             |
| Land   | \$ 536,698                  | \$ 56,273                  | \$ ---                  | \$ 592,971                  |
| Construction in progress                                     | 191,971                     | 1,523,499                  | ---                     | 1,715,470                   |
| <i>Total Capital Assets not being depreciated</i>            | <u>\$ 728,669</u>           | <u>\$ 1,579,772</u>        | <u>\$ ---</u>           | <u>\$ 2,308,441</u>         |
| <u>Capital Assets Being Depreciated:</u>                     |                             |                            |                         |                             |
| Building and improvements                                    | \$ 4,791,170                | \$ 21,343                  | \$ ---                  | \$ 4,812,513                |
| Equipment and vehicles                                       | 1,459,198                   | 252,533                    | 76,449                  | 1,635,282                   |
| Office furniture and fixtures                                | 150,440                     | 15,932                     | ---                     | 166,372                     |
| Assets under capital lease                                   | 864,650                     | 157,504                    | 20,347                  | 1,001,807                   |
| <i>Total Capital Assets being depreciated</i>                | <u>\$ 7,265,458</u>         | <u>\$ 447,312</u>          | <u>\$ 96,796</u>        | <u>\$ 7,615,974</u>         |
| <u>Less Accumulated Depreciation:</u>                        |                             |                            |                         |                             |
| Building and improvements                                    | \$ 447,799                  | \$ 121,625                 | \$ ---                  | \$ 569,424                  |
| Equipment and vehicles                                       | 1,132,475                   | 80,530                     | 44,439                  | 1,168,566                   |
| Office furniture and fixtures                                | 79,190                      | 22,001                     | ---                     | 101,191                     |
| Assets under capital lease                                   | 124,040                     | 107,093                    | 4,203                   | 226,930                     |
| <i>Total Accumulated Depreciation</i>                        | <u>\$ 1,783,504</u>         | <u>\$ 331,249</u>          | <u>\$ 48,642</u>        | <u>\$ 2,066,111</u>         |
| <i>Total Capital Assets,<br/>being depreciated, net</i>      | <u>\$ 5,481,954</u>         | <u>\$ 116,063</u>          | <u>\$ 48,154</u>        | <u>\$ 5,549,863</u>         |
| <b>Total Governmental Activities<br/>capital assets, net</b> | <u><u>\$ 25,494,949</u></u> | <u><u>\$ 2,132,344</u></u> | <u><u>\$ 48,154</u></u> | <u><u>\$ 27,579,139</u></u> |

CITY OF LAKE WORTH, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

**NOTE G – CAPITAL ASSETS (CONTINUED)**

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

|   | Balance<br>9-30-04  | Increase            | Decrease      | Balance<br>9-30-05  |
|---|---------------------|---------------------|---------------|---------------------|
| <b>Business-type Activities:</b>                              |                     |                     |               |                     |
| <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                           | \$ 8,187,982        | \$ 130,448          | \$ ---        | \$ 8,318,430        |
| Building and improvements                                     | 119,938             | ---                 | ---           | 119,938             |
| Equipment and vehicles  | 541,393             | ---                 | ---           | 541,393             |
| Assets under capital lease                                    | 732,294             | ---                 | ---           | 732,294             |
| <i>Total Capital Assets being depreciated</i>                 | <u>\$ 9,581,607</u> | <u>\$ 130,448</u>   | <u>\$ ---</u> | <u>\$ 9,712,055</u> |
| <u>Less Accumulated Depreciation:</u>                         |                     |                     |               |                     |
| Infrastructure-mains and extensions                           | \$ 2,040,401        | \$ 165,843          | \$ ---        | \$ 2,206,244        |
| Building and improvements                                     | 10,600              | 2,998               | ---           | 13,598              |
| Equipment and vehicles  | 282,702             | 45,358              | ---           | 328,060             |
| Assets under capital lease                                    | 382,850             | 66,705              | ---           | 449,555             |
| <i>Total Accumulated Depreciation</i>                         | <u>\$ 2,716,553</u> | <u>\$ 280,904</u>   | <u>\$ ---</u> | <u>\$ 2,997,457</u> |
| <i>Total Capital Assets,<br/>being depreciated, net</i>       | <u>\$ 6,865,054</u> | <u>\$ (150,456)</u> | <u>\$ ---</u> | <u>\$ 6,714,598</u> |
| <b>Total Business-type Activities<br/>capital assets, net</b> | <u>\$ 6,911,294</u> | <u>\$ (150,456)</u> | <u>\$ ---</u> | <u>\$ 6,760,838</u> |

Depreciation expense was charged as follows for the year ended September 30, 2005:

|                                       | Depreciation<br>Expense |
|---------------------------------------|-------------------------|
| <b>Governmental Activities:</b>       |                         |
| General government                    | \$ 112,759              |
| Public safety                         | 142,349                 |
| Public ways and facilities            | 42,434                  |
| Culture and recreation                | 33,707                  |
| <b>Total Governmental Activities</b>  | <u>\$ 331,249</u>       |
| <b>Business-type Activities:</b>      |                         |
| Water                                 | \$ 159,512              |
| Sewer                                 | 121,392                 |
| <b>Total Business-type Activities</b> | <u>\$ 280,904</u>       |

CITY OF LAKE WORTH, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

**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 \$275,559 in the year ended September 30, 2005 and charges incurred for sewer treatment during the year ended September 30, 2005 were \$378,819

**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 (25<sup>th</sup>) 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, 2005

**NOTE L – INTERFUND RECEIVABLES/PAYABLES**

Amounts receivable and amounts payable between individual funds within the primary government as of September 30, 2005 are as follows:

|                                | RECEIVABLE            |                           |                       | PAYABLE               |                           |                       |
|--------------------------------|-----------------------|---------------------------|-----------------------|-----------------------|---------------------------|-----------------------|
|                                | Major<br>General Fund | Non-major<br>General Fund | Business-type<br>Fund | Major<br>General Fund | Non-major<br>General Fund | Business-type<br>Fund |
| <u>Major General Funds:</u>    |                       |                           |                       |                       |                           |                       |
| General Fund:                  |                       |                           |                       |                       |                           |                       |
| Water and Sewer Fund           | \$ ---                | \$ ---                    | \$ 15,344             | \$ ---                | \$ ---                    | \$ ---                |
| Economic Development           | ---                   | ---                       | ---                   | ---                   | ---                       | ---                   |
| Debt Service Fund              | ---                   | ---                       | ---                   | ---                   | ---                       | ---                   |
| Total                          | \$ ---                | \$ ---                    | \$ 15,344             | \$ ---                | \$ ---                    | \$ ---                |
| Debt Service Fund:             |                       |                           |                       |                       |                           |                       |
| General Fund                   | \$ ---                | \$ ---                    | \$ ---                | \$ ---                | \$ ---                    | \$ ---                |
| Water and Sewer Fund           | ---                   | ---                       | 27,487                | ---                   | ---                       | ---                   |
| Total                          | \$ ---                | \$ ---                    | 27,487                | \$ ---                | \$ ---                    | \$ ---                |
| Economic Development:          |                       |                           |                       |                       |                           |                       |
| Construction Fund              | \$ ---                | \$ ---                    | \$ ---                | \$ ---                | \$ ---                    | \$ ---                |
| General Fund                   | ---                   | ---                       | ---                   | ---                   | ---                       | ---                   |
| Total                          | \$ ---                | \$ ---                    | \$ ---                | \$ ---                | \$ ---                    | \$ ---                |
| <u>Non-major General Fund:</u> |                       |                           |                       |                       |                           |                       |
| Construction Fund              |                       |                           |                       |                       |                           |                       |
| General Fund                   | \$ ---                | \$ ---                    | \$ ---                | \$ ---                | \$ ---                    | \$ ---                |
| Economic Development           | ---                   | ---                       | ---                   | ---                   | ---                       | ---                   |
| Total                          | \$ ---                | \$ ---                    | \$ ---                | \$ ---                | \$ ---                    | \$ ---                |
| <u>Business-type Funds:</u>    |                       |                           |                       |                       |                           |                       |
| Water & Sewer Fund:            |                       |                           |                       |                       |                           |                       |
| General Fund                   | \$ ---                | \$ ---                    | \$ ---                | \$ 15,344             | \$ ---                    | \$ ---                |
| Debt Service Fund              | ---                   | ---                       | ---                   | 27,487                | ---                       | ---                   |
| Total                          | \$ ---                | \$ ---                    | \$ ---                | \$ 42,831             | \$ ---                    | \$ ---                |

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, 2005

**NOTE M – INTERFUND TRANSFERS**

Interfund transfers made during the year are summarized below:

|                              | <b>TRANFERS OUT:</b>     |                      |                             |                   |                                |                            |               | <b>TOTALS</b>       |
|------------------------------|--------------------------|----------------------|-----------------------------|-------------------|--------------------------------|----------------------------|---------------|---------------------|
|                              | Major Governmental Funds |                      |                             |                   | Non-Major<br>Gov'tal<br>Funds  | Major<br>Business-type     |               |                     |
|                              | General<br>Fund          | Debt Service<br>Fund | Econ.<br>Develop't<br>Corp. | Construc.<br>Fund | Crime<br>Control/<br>St. Maint | Water<br>and Sewer<br>Fund |               |                     |
| <b>TRANFERS IN:</b>          |                          |                      |                             |                   |                                |                            |               |                     |
| <i>Major Governmental</i>    |                          |                      |                             |                   |                                |                            |               |                     |
| General Fund                 | \$ ---                   | \$ ---               | \$ ---                      | \$ ---            | \$ ---                         | \$ ---                     | \$ ---        | \$ ---              |
| Debt Service                 | ---                      | 207,220              | ---                         | ---               | ---                            | ---                        | ---           | 207,220             |
| Economic Dev. Corp.          | 225,227                  | 507,151              | ---                         | ---               | ---                            | \$ 152,743                 | ---           | 885,121             |
| Construction                 | 51,797                   | ---                  | ---                         | ---               | ---                            | ---                        | ---           | 51,797              |
| <i>Nonmajor Governmental</i> |                          |                      |                             |                   |                                |                            |               |                     |
| Crime Control Pre. Dis.      | 81,993                   | 51,868               | ---                         | ---               | ---                            | ---                        | ---           | 133,861             |
| Street Maint.                | ---                      | 26,932               | ---                         | ---               | ---                            | ---                        | ---           | 26,932              |
| <i>Major Business-type</i>   |                          |                      |                             |                   |                                |                            |               |                     |
| Water and Sewer Fund         | 304,946                  | 261,806              | ---                         | ---               | ---                            | ---                        | ---           | 566,752             |
| <b>TOTALS</b>                | <u>\$ 663,963</u>        | <u>\$ 1,054,977</u>  | <u>\$ ---</u>               | <u>\$ ---</u>     | <u>\$ ---</u>                  | <u>\$ 152,743</u>          | <u>\$ ---</u> | <u>\$ 1,871,683</u> |

**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 \$378,819 which represents 22.31% 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 \$275,559 for treated water which is 16.23% of the City's total operating expenses. In total, the City paid to the City of Fort Worth, Texas \$654,378 which is 38.54% of the City's total operating expenses.

CITY OF LAKE WORTH, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

**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      | \$        | 4,255          |
| Firemen Training     |           | 1,895          |
| Child Safety         |           | 1,641          |
| Court Technology     |           | 14,599         |
| Court Security       |           | 27,440         |
| Confiscated Property |           | 14,841         |
| Hotel Tax            |           | 172,757        |
|                      | <u>\$</u> | <u>237,428</u> |

*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.

CITY OF LAKE WORTH, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

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

**DESIGNATED**

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

|                        |                  |
|------------------------|------------------|
| Park Improvements:     |                  |
| Park - dollar donation | \$ 19,600        |
| Park - Grand Lake      | 9,590            |
| Park - Navajo          | 16,382           |
| Park - Charbonneau     | 2,575            |
| Park - Rayl            | 4,394            |
| Transportation         | (17,639)         |
| Asbestos removal       | 26,129           |
| Shawnee bridge         | 29,750           |
|                        | <u>\$ 90,781</u> |

*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.

*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. Under the terms of this agreement \$550,000 was disbursed during the year ended September 30, 2005, which leaves an unfulfilled commitment of \$550,000. Since the third condition for issuing the remaining \$550,000 has not been met, the contingent liability has not been recorded on the books of the Lake Worth Development Corporation.

As an economic development incentive, the City entered into an agreement with Kohl's Texas, L.P., a Texas Limited Partnership (Kohl's) whereby the City will pay to "Kohl's" forty percent of the City's one percent (1%) sales tax collected beginning on the day "Kohl's" opens for business and ending on the twelfth (12<sup>th</sup>) anniversary of the calendar year in which the store opens for business or until Kohl's has received a total of six hundred thousand dollars (\$600,000) whichever occurs first. The refund for the prior calendar year shall be made on July 1 of the following year.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LAKE WORTH, TEXAS  
 REQUIRED SUPPLEMENTAL INFORMATION  
 TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN  
 SCHEDULE OF FUNDING IN PROGRESS  
 SEPTEMBER 30, 2005

| Valuation<br>Dated<br>December 31 | (1)<br>Actuarial<br>Value of<br>Assets | (2)<br>Actuarial<br>Accrued<br>Liability | (3)<br>Unfunded<br>Actuarial<br>Accrued<br>Liability<br>[ 1-2 ] | (4)<br>Funded<br>Ratio<br>[ 1/2 ] | (5)<br>Annual<br>Covered<br>Payroll | (6)<br>Unfunded<br>Actuarial<br>Accrued<br>Liability As<br>Percentage of<br>Covered Payroll<br>[ 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%   |
| 2004                              | 3,508,662                              | 3,989,349                                | 480,687   | 87.95%                            | 2,748,308                           | 17.49%   |

The above amounts are computed as of December 31 which precedes the fiscal year end of September 30.  
 (i.e. December 31, 2004 is reflected for the fiscal year ended September 30, 2005).

CITY OF LAKE WORTH, TEXAS  
 REQUIRED SUPPLEMENTAL INFORMATION  
 FOR GOVERNMENTS USING THE MODIFIED APPROACH FOR INFRASTRUCTURE  
 SEPTEMBER 30, 2005

| Condition Rating | Percentage | Goal | Square Feet of Roadway |            |
|------------------|------------|------|------------------------|------------|
|                  |            |      | 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 review following the adoption of GASB Statement No. 34 was adopted, prior information is not available for comparison purposes.

**Comparison of Estimated-to-Actual Maintenance/Preservation**

|           | 2004       | 2005         |
|-----------|------------|--------------|
| Estimated | \$ 555,180 | \$ 1,575,895 |
| Actual    | \$ 536,493 | \$ 1,578,711 |

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

| Surface Rating | Visible Distress   | General Condition Treatment Measures  | Surface Rating | Visible Distress   | General Condition Treatment Measures   |
|----------------|--|---|----------------|--|--|
| 10 Excellent   | None   | New Construction  | 4 Fair         | Severe surface raveling.<br>Multiple longitudinal and transverse cracking with slight raveling.<br>Block cracking (over 25-50% of surface)<br>Patching in fair condition.<br>Slight rutting or distortions (1" deep or less)   | Significant aging and first signs of need for strengthening. Would benefit from recycling or overlay |
| 9 Excellent    | None   | Recently overlay, like new  |                |  |  |
| 8 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                     |                |  |  |
| 7 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<br>Block cracking over 50% of surface<br>Some alligator cracking (less than 25% of surface).<br>Patches in fair to poor condition.<br>Moderate rutting or distortion (1" or 2" deep).<br>Occasional potholes. | Need patching and major overlay or complete recycling  |
| 6 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    | Alligator cracking (over 25% of surface)<br>Severe distortions (over 2" deep)<br>Extensive patching in poor condition<br>Potholes.   | Severe deterioration, need reconstruction with extensive base repair                                 |
| 5 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, 2005

|                                       | BUDGETED AMOUNTS    |                     | ACTUAL<br>AMOUNTS<br>(BUDGETARY<br>BASIS) | VARIANCE<br>WITH FINAL<br>BUDGET<br>POSITIVE<br>(NEGATIVE) |
|---------------------------------------|---------------------|---------------------|---|--|
|                                       | ORIGINAL            | FINAL               |   |  |
| Budgetary Fund Balance - October 1    | \$ 1,813,868        | \$ 1,813,868        | \$ 1,813,868                              | \$ ---   |
| Resources (inflows):                  |                     |                     |   |  |
| Taxes                                 | 3,488,011           | 3,493,015           | 3,517,347                                 | 24,332   |
| Fines and forfeits                    | 517,710             | 541,710             | 493,335                                   | (48,375)   |
| Licenses and permits                  | 183,270             | 337,045             | 361,434                                   | 24,389   |
| Charges for services                  | 135,390             | 135,390             | 142,104                                   | 6,714  |
| Miscellaneous revenues                | 141,500             | 348,542             | 436,857                                   | 88,315   |
| Loan proceeds                         | ---                 | ---                 | 4,706                                     | 4,706  |
| Sale of assets                        | ---                 | 1,001               | 15,201                                    | 14,200   |
| Transfers from other funds            | 813,232             | 938,844             | 663,963                                   | (274,881)  |
| Amounts Available For Appropriations  | <u>\$ 7,092,981</u> | <u>\$ 7,609,415</u> | <u>\$ 7,448,815</u>                       | <u>\$ (160,600)</u>  |
| Charges to Appropriations (outflows): |                     |                     |   |  |
| General Government:                   |                     |                     |   |  |
| Mayor and council                     | \$ 28,042           | \$ 45,745           | \$ 43,666                                 | \$ 2,079   |
| General expense                       | 1,051,931           | 1,059,908           | 1,114,075                                 | (54,167)   |
| Police department                     | 1,514,912           | 1,602,932           | 1,567,251                                 | 35,681   |
| Fire department                       | 753,594             | 769,766             | 784,669                                   | (14,903)   |
| Street department                     | 726,171             | 1,021,557           | 1,029,790                                 | (8,233)  |
| Library                               | 156,158             | 173,298             | 171,221                                   | 2,077  |
| Park department                       | 213,235             | 289,475             | 256,636                                   | 32,839   |
| Maintenance department                | 149,722             | 150,705             | 143,440                                   | 7,265  |
| Senior Citizens                       | 65,597              | 68,716              | 66,153                                    | 2,563  |
| Municipal Court                       | 101,549             | 147,668             | 133,137                                   | 14,531   |
| Animal control                        | 54,276              | 53,941              | 44,570                                    | 9,371  |
| Inspections and permits               | 198,127             | 200,607             | 192,740                                   | 7,867  |
| Information technology                | 131,856             | 138,063             | 123,283                                   | 14,780   |
| Emergency management                  | 7,550               | 2,750               | 1,148                                     | 1,602  |
| Nondepartmental:                      |                     |                     |   |  |
| Transfer (out)                        | ---                 | 185,411             | 207,220                                   | (21,809)   |
| Total Charges To Appropriations       | <u>\$ 5,152,720</u> | <u>\$ 5,910,542</u> | <u>\$ 5,878,999</u>                       | <u>\$ 31,543</u>   |
| Budgetary Fund Balance, September 30  | <u>\$ 1,940,261</u> | <u>\$ 1,698,873</u> | <u>\$ 1,569,816</u>                       | <u>\$ (129,057)</u>  |



CITY OF LAKE WORTH, TEXAS  
 REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE – MAJOR GOVERNMENTAL FUNDS BESIDES GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

|                                      | DEBT SERVICE FUND   |                     |                     |                            | ECONOMIC DEVELOPMENT CORPORATION |                     |                     |                            |
|--------------------------------------|---------------------|---------------------|---------------------|----------------------------|----------------------------------|---------------------|---------------------|----------------------------|
|                                      | BUDGETED AMOUNTS    |                     | ACTUAL AMOUNTS      | VARIANCE WITH FINAL BUDGET | BUDGETED AMOUNTS                 |                     | ACTUAL AMOUNTS      | VARIANCE WITH FINAL BUDGET |
|                                      | ORIGINAL            | FINAL               | (BUDGETARY BASIS)   | POSITIVE (NEGATIVE)        | ORIGINAL                         | FINAL               | (BUDGETARY BASIS)   | POSITIVE (NEGATIVE)        |
| udgetary Fund Balance - October 1    | \$ 194,099          | \$ 194,099          | \$ 194,066          | \$                         | \$ 1,267,501                     | \$ 1,267,501        | \$ 1,267,501        | \$                         |
| ources (inflows):                    |                     |                     |                     |                            |                                  |                     |                     |                            |
| Taxes                                | 191,971             | 191,971             | 188,892             | (3,079)                    | 1,166,990                        | 1,166,990           | 1,199,591           | 32,601                     |
| Fines and forfeits                   | ---                 | ---                 | ---                 | ---                        | ---                              | ---                 | ---                 | ---                        |
| Licenses and permits                 | ---                 | ---                 | ---                 | ---                        | ---                              | ---                 | ---                 | ---                        |
| Charges for services                 | ---                 | ---                 | ---                 | ---                        | ---                              | ---                 | ---                 | ---                        |
| Miscellaneous revenues               | 3,000               | 5,500               | 6,238               | 738                        | 13,390                           | 24,388              | 28,439              | 4,051                      |
| Loan proceeds                        | ---                 | ---                 | ---                 | ---                        | ---                              | ---                 | ---                 | ---                        |
| Sale of assets                       | ---                 | ---                 | ---                 | ---                        | ---                              | ---                 | ---                 | ---                        |
| Transfers from other funds           | 870,736             | 943,046             | 1,054,977           | 111,931                    | ---                              | ---                 | ---                 | ---                        |
| Amounts Available For Appropriations | <u>\$ 1,259,806</u> | <u>\$ 1,334,616</u> | <u>\$ 1,444,173</u> | <u>\$ 109,590</u>          | <u>\$ 2,447,881</u>              | <u>\$ 2,458,879</u> | <u>\$ 2,495,531</u> | <u>\$ 36,652</u>           |
| arges to Appropriations (outflows):  |                     |                     |                     |                            |                                  |                     |                     |                            |
| General Government:                  |                     |                     |                     |                            |                                  |                     |                     |                            |
| General expense                      | \$ 1,021,523        | \$ 1,093,834        | \$ 1,118,922        | \$ (25,088)                | \$ 134,299                       | \$ 149,299          | 134,815             | \$ 14,484                  |
| Police department                    | 10,058              | 10,058              | 9,540               | 518                        | ---                              | ---                 | ---                 | ---                        |
| Fire department                      | ---                 | ---                 | 69,758              | (69,758)                   | ---                              | ---                 | ---                 | ---                        |
| Street department                    | ---                 | ---                 | ---                 | ---                        | ---                              | ---                 | ---                 | ---                        |
| Park department                      | ---                 | ---                 | ---                 | ---                        | ---                              | ---                 | ---                 | ---                        |
| Maintenance department               | 28,526              | 28,526              | 31,293              | (2,767)                    | ---                              | ---                 | ---                 | ---                        |
| Municipal Court                      | ---                 | ---                 | 12,293              | (12,293)                   | ---                              | ---                 | ---                 | ---                        |
| Inspections and permits              | ---                 | ---                 | ---                 | ---                        | ---                              | ---                 | ---                 | ---                        |
| Special project                      | ---                 | ---                 | ---                 | ---                        | 165,000                          | 559,125             | 559,126             | (1)                        |
| Nondepartmental:                     |                     |                     |                     |                            |                                  |                     |                     |                            |
| Transfer (out)                       | ---                 | ---                 | ---                 | ---                        | 805,121                          | 880,121             | 885,121             | (5,000)                    |
| Total Charges To Appropriations      | <u>\$ 1,060,107</u> | <u>\$ 1,132,418</u> | <u>\$ 1,241,806</u> | <u>\$ (109,388)</u>        | <u>\$ 1,104,420</u>              | <u>\$ 1,588,545</u> | <u>\$ 1,579,062</u> | <u>\$ 9,483</u>            |
| udgetary Fund Balance, September 30  | <u>\$ 199,699</u>   | <u>\$ 202,198</u>   | <u>\$ 202,367</u>   | <u>\$ 202</u>              | <u>\$ 1,343,461</u>              | <u>\$ 870,334</u>   | <u>\$ 916,469</u>   | <u>\$ 46,135</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, 2005

|   | Fund                | Fund                | Corporation         |
|---|---------------------|---------------------|---------------------|
| <b>Resources/Inflows of Resources</b>   |                     |                     |                     |
| Actual amounts (budgetary basis) "Available for Appropriation" from the budgetary comparison schedule. See pages 45 and 46.   | \$ 7,448,815        | \$ 1,444,173        | \$ 2,495,531        |
| <b>Differences</b>  |                     |                     |                     |
| The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes                            | (1,813,868)         | (194,066)           | (1,267,501)         |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.  | (663,963)           | (1,054,977)         | ---                 |
| 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. | (15,201)            | -                   | ---                 |
| 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.      | (4,706)             | -                   | ---                 |
| For Budgetary purposes property taxes are reported on the cash basis rather than the available resource method.   | (2,660)             | (980)               | ---                 |
| Total revenues reported on the statement of revenues, expenditures, and changes in fund balances -- governmental funds. See page 13.                                | <u>\$ 4,948,417</u> | <u>\$ 194,150</u>   | <u>\$ 1,228,030</u> |
| <b>Uses/Outflows of Resources</b>   |                     |                     |                     |
| Actual amount (budgetary basis) "Total Charges to Appropriations" from the budgetary comparison schedule. See pages 45 and 46.                                      | \$ 5,878,999        | \$ 1,241,806        | \$ 1,579,062        |
| <b>Differences --budget to GAAP:</b>  |                     |                     |                     |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.   | (207,220)           | -                   | (885,121)           |
| Rounding  | 4                   | 2                   | (2)                 |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances -- governmental funds. See page 13.                          | <u>\$ 5,671,783</u> | <u>\$ 1,241,808</u> | <u>\$ 693,939</u>   |

**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, The City of Lake Worth Crime Control and Prevention District and The City of Lake Worth Street Maintenance Fund have legally adopted budgets. This budget for these special taxing authorities must first be approved by the respective board of directors of each authority which has been appointed by the City Council and then is legally enacted by the City Council prior to September 30. The Board of Directors of each authority 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, The City of Lake Worth Crime Control and Prevention District and The City of Lake Worth Street Maintenance Fund lapses. The construction fund does not adopt a legal budget. 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 \$657,822 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 \$109,388 which was offset by additional revenues.

SUPPLEMENTARY SCHEDULES

CITY OF LAKE WORTH, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2005

|  | SPECIAL REVENUE FUNDS                       |                       |                   | TOTAL<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS |
|--|---|-----------------------|-------------------|--|
|  | CRIME CONTROL<br>AND PREVENTION<br>DISTRICT | STREET<br>MAINTENANCE | TOTAL             |  |
| <b>ASSETS</b>                                  |   |                       |                   |  |
| Pooled cash and cash equivalents               | \$ 16                                       | \$ 3,310              | \$ 3,326          | \$ 3,326                                   |
| Non-pooled cash and cash equivalents           | 4,552                                       | ---                   | 4,552             | 4,552                                      |
| Pooled investments                             | 305,646                                     | 150,700               | 456,346           | 456,346                                    |
| Non-pooled investments                         | ---   | ---                   | ---               | ---  |
| Receivable:                                    |   |                       |                   |  |
| Taxes  | ---   | ---                   | ---               | ---  |
| Accounts                                       | ---   | ---                   | ---               | ---  |
| Other  | 223   | 15                    | 238               | 238  |
| Due from other funds                           | ---   | 546                   | 546               | 546  |
| Due from other governments                     | 40,368                                      | 40,368                | 80,736            | 80,736                                     |
| <b>TOTAL ASSETS</b>                            | <b>\$ 350,805</b>                           | <b>\$ 194,939</b>     | <b>\$ 545,744</b> | <b>\$ 545,744</b>                          |
| <b>LIABILITIES AND FUND BALANCES</b>           |   |                       |                   |  |
| Liabilities:                                   |   |                       |                   |  |
| Accounts payable                               | \$ 15,530                                   | \$ 12,228             | \$ 27,758         | \$ 27,758                                  |
| Accrued expenses                               | 6,675                                       | 1,148                 | 7,823             | 7,823                                      |
| Due to other funds                             | 546   | ---                   | 546               | ---  |
| <b>TOTAL LIABILITIES</b>                       | <b>\$ 22,751</b>                            | <b>\$ 13,376</b>      | <b>\$ 36,127</b>  | <b>\$ 35,581</b>                           |
| Fund Balances                                  |   |                       |                   |  |
| Unreserved                                     |   |                       |                   |  |
| Designated                                     |   |                       |                   |  |
| Storage facility                               | \$ 15,000                                   | \$ ---                | \$ 15,000         | \$ 15,000                                  |
| Undesignated                                   | 313,054                                     | 181,563               | 494,617           | 494,617                                    |
| <b>TOTAL FUND BALANCES</b>                     | <b>\$ 328,054</b>                           | <b>\$ 181,563</b>     | <b>\$ 509,617</b> | <b>\$ 509,617</b>                          |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 350,805</b>                           | <b>\$ 194,939</b>     | <b>\$ 545,744</b> | <b>\$ 545,744</b>                          |

CITY OF LAKE WORTH, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2005

|  | SPECIAL REVENUE FUNDS           |                       |                     | TOTAL<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS |
|--|---------------------------------|-----------------------|---------------------|--|
|  | CRIME CONTROL<br>AND PREVENTION | STREET<br>MAINTENANCE | TOTAL               |  |
|  | DISTRICT                        | MAINTENANCE           | TOTAL               |  |
| Revenues:  |                                 |                       |                     |  |
| Sales taxes  | \$ 574,201                      | \$ 574,201            | \$ 1,148,402        | \$ 1,148,402                               |
| Miscellaneous revenues   | 7,181                           | 4,309                 | 11,490              | 11,490                                     |
| TOTAL REVENUES   | <u>\$ 581,382</u>               | <u>\$ 578,510</u>     | <u>\$ 1,159,892</u> | <u>\$ 1,159,892</u>                        |
| Expenditures:  |                                 |                       |                     |  |
| Current  |                                 |                       |                     |  |
| Personal services  | \$ 141,840                      | \$ 33,923             | \$ 175,763          | \$ 175,763                                 |
| Supplies   | 18,850                          | 47,035                | 65,885              | 65,885                                     |
| Maintenance - structures   | ---                             | 217,657               | 217,657             | 217,657                                    |
| Maintenance - equipment  | 419                             | 15,986                | 16,405              | 16,405                                     |
| Contractual services   | 34,021                          | 2,676                 | 36,697              | 36,697                                     |
| Sundry charges   | ---                             | 226                   | 226                 | 226  |
| Capital outlay   | 129,246                         | 231,418               | 360,664             | 360,664                                    |
| TOTAL EXPENDITURES   | <u>\$ 324,376</u>               | <u>\$ 548,921</u>     | <u>\$ 873,297</u>   | <u>\$ 873,297</u>                          |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES   | <u>\$ 257,006</u>               | <u>\$ 29,589</u>      | <u>\$ 286,595</u>   | <u>\$ 286,595</u>                          |
| Other financing sources (uses):  |                                 |                       |                     |  |
| Transfers in   | \$ ---                          | \$ ---                | \$ ---              | \$ ---                                     |
| Transfers (out)  | (133,861)                       | (26,932)              | (160,793)           | (160,793)                                  |
| Sale of assets   | ---                             | 26,537                | 26,537              | 26,537                                     |
| Proceeds from leases   | 129,246                         | 76,706                | 205,952             | 205,952                                    |
| TOTAL OTHER FINANCING<br>SOURCES (USES)  | <u>\$ (4,615)</u>               | <u>\$ 76,311</u>      | <u>\$ 71,696</u>    | <u>\$ 71,696</u>                           |
| EXCESS OF REVENUES AND<br>OTHER FINANCING SOURCES<br>OVER / (UNDER) EXPENDITURES<br>AND OTHER USES | <u>\$ 252,391</u>               | <u>\$ 105,900</u>     | <u>\$ 358,291</u>   | <u>\$ 358,291</u>                          |
| JND BALANCE - OCTOBER 1  | 75,663                          | 75,663                | 151,326             | 151,326                                    |
| JND BALANCE - SEPTEMBER 30   | <u>\$ 328,054</u>               | <u>\$ 181,563</u>     | <u>\$ 509,617</u>   | <u>\$ 509,617</u>                          |

CITY OF LAKE WORTH, TEXAS  
SCHEDULE OF SUPPLEMENTAL TAX INFORMATION  
SEPTEMBER 30, 2005

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

|      | <u>ASSESSMENTS</u> | <u>ADJUSTMENTS<br/>AND<br/>COLLECTIONS</u> | <u>UNCOLLECTED<br/>SEPT. 30, 2005</u> |
|------|--------------------|--|---------------------------------------|
| 2004 | 824,507            | 806,889                                    | 17,618                                |
| 2003 | 777,116            | 766,036                                    | 11,080                                |
| 2002 | 722,560            | 714,704                                    | 7,856                                 |
| 2001 | 628,586            | 625,480                                    | 3,106                                 |
| 2000 | 562,840            | 560,700                                    | 2,140                                 |
| 1999 | 529,760            | 528,072                                    | 1,688                                 |
| 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            | 484,235                                    | 1,437                                 |
| 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>\$ 61,015</u>                      |

CITY OF LAKE WORTH, TEXAS  
 COMBINED SCHEDULE OF CERTIFICATES OF OBLIGATION  
 AND CAPITAL LEASES  
 SEPTEMBER 30, 2005

**WATER AND SEWER FUND**

|                                       | INTEREST<br>RATE | DATED            |
|---------------------------------------|------------------|------------------|
| <b><u>CAPITAL LEASES</u></b>          |                  |                  |
| 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    |
| TOTAL CAPITAL LEASES                  |                  |                  |

**GENERAL LONG-TERM DEBT**

|  | INTEREST<br>RATE  | DATED             |
|--|-------------------|-------------------|
| <b><u>COMBINATION TAX AND REVENUE<br/>CERTIFICATES OF OBLIGATION</u></b> |                   |                   |
| Series 1997A   | 4.40% to<br>6.00% | September 1, 1997 |
| Series 1997B   | 3.35% to<br>4.80% | September 1, 1997 |
| Series 1999  | 3.60% to<br>5.10% | April 1, 1999     |
| Series 2001  | 4.10% to<br>5.00% | April 1, 2001     |
| Series 2005  | 3.00% to<br>4.50% | January 1, 2005   |
| TOTAL CERTIFICATES OF OBLIGATION   |                   |                   |

|                                       |               |                   |
|---------------------------------------|---------------|-------------------|
| <b><u>CAPITAL LEASES</u></b>          |               |                   |
| 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 (including additions)  | 11.09%/18.24% | October 15, 2005  |
| Old National Bank                     | 3.37%         | November 1, 2004  |



| <u>PAYMENTS</u>       | <u>NUMBER OF<br/>PAYMENTS</u> | <u>AMOUNT<br/>BORROWED</u> | <u>REPAID</u>     | <u>OUTSTANDING</u> |
|-----------------------|-------------------------------|----------------------------|-------------------|--------------------|
| \$16,397.10 annually  | 3                             | \$ 46,292                  | \$ 46,292         | \$ ---             |
| \$ 21,532.99 annually | 4                             | 78,625                     | 78,625            | ---                |
| \$29,146.36 annually  | 3                             | 82,446                     | 60,414            | 22,032             |
|                       |                               | <u>\$ 207,363</u>          | <u>\$ 185,331</u> | <u>\$ 22,032</u>   |

| <u>PAYMENTS</u>                   | <u>NUMBER OF<br/>PAYMENTS</u> | <u>AMOUNT<br/>BORROWED</u> | <u>REPAID</u>       | <u>OUTSTANDING</u>   |
|-----------------------------------|-------------------------------|----------------------------|---------------------|----------------------|
| Annual Payments<br>1998 thru 2017 | 20                            | \$ 2,500,000               | \$ 685,000          | \$ 1,815,000         |
| Annual Payments<br>1998 thru 2017 | 20                            | 1,500,000                  | 440,000             | 1,060,000            |
| Annual Payments<br>2000 thru 2019 | 20                            | 3,900,000                  | 700,000             | 3,200,000            |
| Annual Payments<br>2002 thru 2021 | 20                            | 4,150,000                  | 490,000             | 3,660,000            |
| Annual Payments<br>2006 thru 2025 | 20                            | 6,000,000                  | ---                 | 6,000,000            |
|                                   |                               | <u>\$ 18,050,000</u>       | <u>\$ 2,315,000</u> | <u>\$ 15,735,000</u> |

|                      |    |                     |                   |                   |
|----------------------|----|---------------------|-------------------|-------------------|
| \$12,293.86 annually | 3  | \$ 33,700           | \$ 33,700         | \$ ---            |
| \$56,410.82 annually | 3  | 159,258             | 159,258           | ---               |
| \$31,293.01 annually | 4  | 114,263             | 114,263           | ---               |
| \$69,758.65 annually | 10 | 535,968             | 88,545            | 447,423           |
| \$9,540.08 annually  | 3  | 26,981              | 26,981            | ---               |
| \$6,488.58 annually  | 3  | 16,070              | 4,971             | 11,099            |
| \$1,266.86 monthly   | 48 | 48,248              | 9,285             | 38,963            |
| \$72,310.63 annually | 3  | 205,952             | 68,286            | 137,666           |
|                      |    | <u>\$ 1,140,440</u> | <u>\$ 437,003</u> | <u>\$ 635,151</u> |

CITY OF LAKE WORTH  
 SCHEDULE OF INSURANCE IN FORCE – UNAUDITED  
 SEPTEMBER 30, 2005

| 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            | 3927-04       | 10/1/2004     | 10/1/2005 |

CITY OF LAKE WORTH  
SCHEDULE OF INSURANCE IN FORCE – UNAUDITED – CONTINUED  
SEPTEMBER 30, 2005

| COVERAGE  | AMOUNT        |
|---|---------------|
| <b>General Liability -</b>                          |               |
| Annual Aggregate Limit                              | \$ 2,000,000  |
| Each Occurrence                                     | \$ 1,000,000  |
| Sudden events involving pollution - each occurrence | \$ 1,000,000  |
| Deductible - each occurrence                        | \$ 1,000      |
| <b>Property Coverage -</b>                          |               |
| Real and personal property (\$250 deductible)       | \$ 10,549,262 |
| Flood and earthquake (\$25,000 deductible)          | \$ 10,549,262 |
| Acts of Terrorism                                   | \$ ---        |
| Mobile equipment (\$250 deductible)                 | \$ 437,169    |
| 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                            | \$ ---        |
| Personal property of employees and officials        | \$ 5,000      |
| Deductible per occurrence                           | \$ ---        |
| Boiler and machinery (\$1000 deductible)            | \$ 4,220,563  |
| <b>Municipal Offices:</b>                           |               |
| Old City Hall & Pump House at 6720 Telephone Road   |               |
| Fire & Extended Coverage (90% co-insurance)         |               |
| Building  | \$ 176,500    |
| Contents (including machinery)                      | \$ 15,000     |
| 3801 Adam Grubb Street                              |               |
| Public Library                                      |               |
| Fire & Extended Coverage (90% co-insurance)         |               |
| Building  | \$ 471,700    |
| Contents  | \$ 440,000    |
| 6720-G Telephone Road                               |               |
| Garage  |               |
| Fire & Extended Coverage (90% co-insurance)         |               |
| Building  | \$ 41,600     |
| Contents  | \$ 20,000     |
| 4004-08 Merrett Drive                               |               |
| Fire Department                                     |               |
| Fire & Extended Coverage (90% co-insurance)         |               |
| Building  | \$ 1,428,100  |
| Contents  | \$ 96,000     |
| City Hall and Police Station                        |               |
| Fire & Extended Coverage (90% co-insurance)         |               |
| Building  | \$ 2,122,600  |
| Contents  | \$ 519,466    |
| GPS system - Police                                 | \$ 11,427     |
| Parking shelters                                    | \$ 17,900     |
| 3501 Roberts Cut-Off                                |               |
| Seniors Citizens Building                           |               |
| Fire & Extended Coverage (90% co-insurance)         |               |
| Metal poles & lights                                | \$ 75,000     |
| Building  | \$ 249,300    |
| Contents  | \$ 25,000     |
| Baseball scoreboards                                | \$ 13,500     |
| Football scoreboard                                 | \$ 7,000      |

CITY OF LAKE WORTH  
 SCHEDULE OF INSURANCE IN FORCE – UNAUDITED – CONTINUED  
 SEPTEMBER 30, 2005

| 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                | 3927-04       | 10/1/2004     | 10/1/2005 |

CITY OF LAKE WORTH  
SCHEDULE OF INSURANCE IN FORCE – UNAUDITED – CONTINUED  
SEPTEMBER 30, 2005

| <u>COVERAGE</u>                             | <u>AMOUNT</u> |
|---|---------------|
| Property Coverage (Continued) -             |               |
| 4200C Fewell Dr.                            |               |
| Public Works/ Maintenance Facility          |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Building                                    | \$ 198,700    |
| Equipment shed                              | \$ 21,900     |
| Contents                                    | \$ 50,000     |
| 3501-B Roberts Cut-Off                      |               |
| Concession Stand                            |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Building                                    | \$ 43,100     |
| Contents                                    | \$ 5,000      |
| 3501-A Roberts Cut-Off                      |               |
| Maintenance Building                        |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Building                                    | \$ 58,600     |
| Contents                                    | \$ 5,000      |
| 4200A Fewell Dr.                            |               |
| Dog Pound                                   |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Building                                    | \$ 28,800     |
| Contents                                    | \$ 5,000      |
| 6720-C Telephone Road                       |               |
| Storage Warehouse                           |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Building                                    | \$ 8,400      |
| Contents                                    | \$ 10,000     |
| 6720-D Telephone Road                       |               |
| Storage Warehouse                           |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Building                                    | \$ 190,900    |
| Contents                                    | \$ 5,000      |
| 4200B Fewell Road                           |               |
| Storage Warehouse                           |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Building                                    | \$ 23,000     |
| Contents                                    | \$ 205,500    |
| 6720 Telephone Road                         |               |
| Water Storage                               |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Ground Water Tank                           | \$ 382,000    |
| Elevated Water Tank                         | \$ 283,600    |
| Azle Avenue                                 |               |
| Water Storage                               |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Ground Water Tank                           | \$ 68,700     |
| Elevated Water Tank                         | \$ 267,100    |
| Boat Club Road                              |               |
| Water Storage                               |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Elevated Water Tank                         | \$ 267,100    |
| 3601 Mohawk                                 |               |
| Water storage                               |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Ground Water Tank                           | \$ 17,300     |

CITY OF LAKE WORTH  
 SCHEDULE OF INSURANCE IN FORCE – UNAUDITED – CONTINUED  
 SEPTEMBER 30, 2005

| 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                | 3927-04       | 10/1/2004     | 10/1/2005 |

CITY OF LAKE WORTH  
SCHEDULE OF INSURANCE IN FORCE – UNAUDITED – CONTINUED  
SEPTEMBER 30, 2005

| <u>COVERAGE</u>   | <u>AMOUNT</u> |         |
|---|---------------|---------|
| Property Coverage (Continued) -   |               |         |
| 6001C Azle Avenue<br>Pump Station<br>Fire & Extended Coverage (90% co-insurance)                    |               |         |
| Building  | \$            | 60,000  |
| Contents  | \$            | 25,000  |
| 3601 Mohawk<br>Pump Station<br>Fire & Extended Coverage (90% co-insurance)                          |               |         |
| Building  | \$            | 7,000   |
| Contents  | \$            | 25,000  |
| 6720 Telephone Road<br>Well Site<br>Fire & Extended Coverage (90% co-insurance)                     |               |         |
| City Hall A   | \$            | 60,000  |
| City Hall B   | \$            | 60,000  |
| 4200C Boat Club Road<br>Ground Storage/ Pump Station<br>Fire & Extended Coverage (90% co-insurance) | \$            | 272,000 |
| 6001D Azle Road<br>Well Site<br>Fire & Extended Coverage (90% co-insurance)                         | \$            | 60,000  |
| 3601 Mohawk<br>Well Site<br>Fire & Extended Coverage (90% co-insurance)                             | \$            | 60,000  |
| 300 Shady Dell<br>Metering Station<br>Fire & Extended Coverage (90% co-insurance)                   |               |         |
| Building  | \$            | 15,000  |
| Contents  | \$            | 10,000  |
| Lift Stations<br>Fire & Extended Coverage (90% co-insurance)  |               |         |
| Marina - 3800 Marina  |               |         |
| Building  | \$            | 13,900  |
| Contents  | \$            | 120,000 |
| Caddo - 7033 Navajo   | \$            | 85,000  |
| Edgemere - 7100 Edgemere  | \$            | 85,000  |
| Clarke - 4512 Clarke  | \$            | 85,000  |
| Lakewood - 4150 Lakewood  | \$            | 85,000  |
| Charbonneau - 6705 Charbonneau  | \$            | 500,000 |
| Lift stations (2)   | \$            | 31,000  |

CITY OF LAKE WORTH  
 SCHEDULE OF INSURANCE IN FORCE – UNAUDITED – CONTINUED  
 SEPTEMBER 30, 2005

| COMPANY AND TYPE OF INSURANCE  | POLICY NUMBER | POLICY PERIOD |           |
|--|---------------|---------------|-----------|
|  |               | FROM          | TO        |
| A. Texas Multi-Peril - (Continued)   |               |               |           |
| 1. Texas Political Subdivision<br>Property/Casualty Joint<br>Self-Insurance Fund | 3927-04       | 10/1/2004     | 10/1/2005 |
|  |               |               |           |
| B. Workmen's Compensation  |               |               |           |
| 1. Texas Political Subdivision<br>Workers Compensation<br>Joint Insurance Fund   | 3927-04       | 10/1/2004     | 10/1/2005 |
|  |               |               |           |
| C. Fidelity and Surety - Lake Worth Crime Control District                       |               |               |           |
| 1. Hartford Casualty Insurance Company   | 61BSBCV3612   | 4/5/2005      | 4/5/2006  |
|  |               |               |           |
| D. Scheduled Mobile Equipment  |               |               |           |
| 1. Texas Political Subdivision<br>Property/Casualty Joint<br>Self-Insurance Fund | 3927-04       | 10/1/2004     | 10/1/2005 |



CITY OF LAKE WORTH  
SCHEDULE OF INSURANCE IN FORCE – UNAUDITED – CONTINUED  
SEPTEMBER 30, 2005

| <u>COVERAGE</u>                             | <u>AMOUNT</u> |
|---|---------------|
| Property Coverage (Continued) -             |               |
| 3500 Marina Drive - Reynolds Park           |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Playground Equipment                        | \$ 17,000     |
| Fencing                                     | \$ 8,000      |
| 4200 Hodgkins Road - Hodgkins Park          |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Playground Equipment                        | \$ 17,000     |
| Pavilion                                    | \$ 15,300     |
| Fencing / Foot Bridge                       | \$ 12,000     |
| Apache & Delaware                           |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Fencing and Windmill                        | \$ 30,000     |
| Fencing, picnic tables and benches          | \$ 60,000     |
| 6801 Charbonneau                            |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Gazebo and fencing                          | \$ 42,000     |
| 7321 Comanche Trail                         |               |
| Fire & Extended Coverage (90% co-insurance) |               |
| Office/shop - park                          | \$ 90,600     |
| Statutory                                   | Statutory     |
| Fidelity and Surety Bond                    |               |
| Directors Lake Worth Crime Control District |               |
| Coverage for each                           | \$ 5,000      |
| Aggregate                                   | \$ 40,000     |
| 2003 John Deere backhoe 3717                | \$ 71,727     |
| 2002 Case skidsteer loader                  | \$ 35,000     |
| 1987 John Deere backhoe 310C                | \$ 20,000     |
| 1974 John Deere motor grader 5700           | \$ 25,000     |
| 1986 John Deere wheel loader                | \$ 49,000     |
| John Deere tractor 2155                     | \$ 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 Boss                               | \$ 32,000     |
| 1992 Mauldin roller                         | \$ 4,625      |
| Kiori tractor 3054                          | \$ 10,500     |
| Kiori Loader 254                            | \$ 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     |
| Hydraulic breaker                           | \$ 8,000      |
| Spreader                                    | \$ 7,990      |
| By-pass pump                                | \$ 29,632     |

CITY OF LAKE WORTH  
 SCHEDULE OF INSURANCE IN FORCE – UNAUDITED – CONTINUED  
 SEPTEMBER 30, 2005

| COMPANY AND TYPE OF INSURANCE  | POLICY NUMBER | POLICY PERIOD |           |
|--|---------------|---------------|-----------|
|  |               | FROM          | TO        |
| E. Public Employees Blanket Bond   |               |               |           |
| 1. Texas Political Subdivision<br>Property/Casualty Joint<br>Self-Insurance Fund | 3927-04       | 10/1/2004     | 10/1/2005 |
| F. Errors and Omission   |               |               |           |
| 1. Texas Political Subdivision<br>Property/Casualty Joint<br>Self-Insurance Fund | 3927-04       | 10/1/2004     | 10/1/2005 |
| G. Law Enforcement   |               |               |           |
| 1. Texas Political Subdivision<br>Property/Casualty Joint<br>Self-Insurance Fund | 3927-04       | 10/1/2004     | 10/1/2005 |
| H. Automobile Policy   |               |               |           |
| 1. Texas Political Subdivision<br>Property/Casualty Joint<br>Self-Insurance Fund | 3927-04       | 10/1/2004     | 10/1/2005 |

CITY OF LAKE WORTH  
SCHEDULE OF INSURANCE IN FORCE – UNAUDITED – CONTINUED  
SEPTEMBER 30, 2005

| COVERAGE                                      | AMOUNT                           |
|---|----------------------------------|
| 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 deductible            |
| Medical - each occurrence                     | \$ 25,000                        |
| 1974 Chevrolet rescue van                     | 1980 GMC Value Van               |
| 1985 Pontiac                                  | 1981 Oldsmobile                  |
| 1988 Ford pickup                              | 1983 Chevy dump truck            |
| 1989 Chevrolet Super Van utility              | 1984 Ford mini-pumper fire truck |
| 1990 Shop made trailer                        | 1984 Ford pickup                 |
| 1991 Chevrolet 3/4 ton pickup                 | 1986 Ford pickup                 |
| 1993 Chevrolet Silverado pickup               | 1987 Spartan fire truck          |
| 1994 Ford pickup 3/4 ton                      | 1987 Ford Pickup                 |
| 1994 Ford pickup 3/4 ton                      | 1988 Trailer                     |
| 1994 Ford Crown Victoria                      | 1989 GMC dump truck              |
| 1994 Ford F150 1/2 ton                        | 1989 Chevrolet 3/4 ton pickup    |
| 1996 Ford Crown Victoria                      | 1992 Ford pickup 1/2 ton         |
| 1998 Chevrolet 3/4 ton pickup                 | 1992 Trailer                     |
| 1998 Chevrolet 3/4 ton pickup                 | 1995 Chevrolet van               |
| 1998 Bragg Trailer                            | 1996 Ford Crown Victoria         |
| 1999 Ford Crown Victoria                      | 1996 Freightliner fire truck     |
| 1999 Ford Ranger pickup                       | 1998 Ford Crown Victoria         |
| 1999 Ford Explorer                            | 1998 Ford Crown Victoria         |
| 2000 Ford Crown Victoria                      | 1999 Ford Crown Victoria         |
| 2000 Ford Crown Victoria                      | 1999 Ford Crown Victoria         |
| 2000 Ford Explorer                            | 1999 Ford Explorer               |
| 2001 Ford dump truck                          | 1999 Ford Crown Victoria         |
| 2001 Trailer                                  | 2000 Ford F250 3/4 ton           |
| 2002 Big Tex Trailer                          | 2000 Ford F250 3/4 ton           |
| 2002 Ford Crown Victoria                      | 2000 Ford F150 1/2 ton           |
| 2002 Ford Explorer                            | 2000 Ford F150 1/2 ton           |
| 2003 Ford Expedition                          | 2001 Ford Crown Victoria         |
| 2003 Ford F150 1/2 ton                        | 2002 Ford Crown Victoria         |
| 2003 Pierce fire truck aerial                 | 2002 Big Tex Trailer             |
| 2004 Ford Crown Victoria                      | 2003 Ford Utility truck          |