

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Kerens annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2009. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City's total combined net assets were \$3,285,098 at September 30, 2009.
- The general fund reported a fund balance this year of \$228,203.
- The City's total expenditures were \$48,450 less than the \$1,084,965 generated in taxes, services and other revenues.
 - In the general fund, the expenditures were \$17,126 less than the \$509,007 revenue generated.

Revenues	\$509,007	
Expenditures	-\$491,881	
Net	\$ 17,126	
 - The Water Revenue Fund spent \$31,276 less than the \$575,910 generated in fees for services.

Water Services	\$403,172	Water Expenses	\$433,417
Sewer Services	\$153,512	Sewer Expenses	\$ 88,441
Late Charges	\$ 17,864	Depreciation (not spent)	\$ 80,540
Other	\$ 1,362	Sewer Interest	\$ 22,776
Total Revenues	\$575,910	LESS Total Expended	\$544,634
			EQUALS \$31,324
- The total cost of the City's programs was virtually unchanged from last year, and no new programs were added this year.
- After \$129,736 in depreciation of assets, the City experienced a net loss in assets of \$54,379.

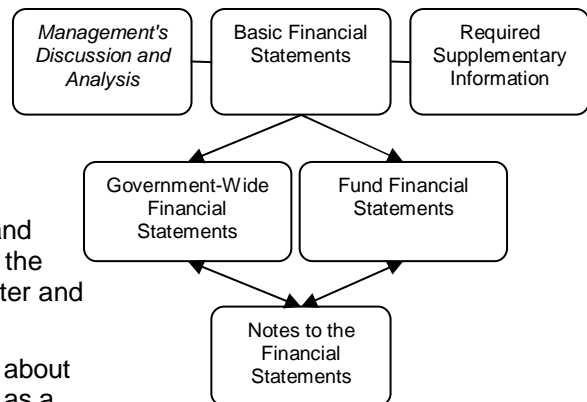
\$ (4,963)	General Fund gain in assets
\$ (49,464)	Revenue Fund gain in assets
\$ (54,379)	Total net gain in assets
- The City issued no bonds during the fiscal year ended September 30, 2009.

Overview of the Financial Statements

This annual report consists of three parts – **management's discussion and analysis** (this section), the **basic financial statements**, and **required supplementary information**. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how general government services were financed in the short term as well as what remains for future spending.
- The *proprietary fund statements* offer short-term and long-term financial information about the activities the government operates like businesses, such as water and sewer services.
- The *fiduciary fund statements* provide information about the financial relations in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the City's Government-Wide and Fund Financial Statements

Type of Statements -	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the city that are not proprietary or fiduciary	Activities the city operates similar to private business	Instances in which the city is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> ▪ Statement of net assets 	<ul style="list-style-type: none"> ▪ Balance sheet 	<ul style="list-style-type: none"> ▪ Statement of net assets ▪ Statement of cash flows 	<ul style="list-style-type: none"> ▪ Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, short-term and long term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating.

- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the Governmental activities. Most of the City's basic services are included here, such as general administration, public safety, streets, sanitation, economic development, parks and recreation, and interest on long-term debt. Property taxes and sales taxes finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the city's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- **Governmental funds** – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the city's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- **Proprietary funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
- **Fiduciary funds** – the City is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The city is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Financial Analysis of the City as a Whole

Net assets – The Statement of Net Assets presents the assets, liabilities, and net assets of the City of Kerens as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the City of Kerens. The Statement of Net Assets presents end-of-year data concerning Assets (current and non-current), Liabilities (current and non-current), and Net Assets.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the City. They are also able to determine how much the City owes vendors and lending institutions. This is one way to measure the City's financial health or position.

The City's combined Net Assets were \$878,625 on September 30, 2009

ASSETS AND OTHER DEBITS	
Cash and cash equivalents	\$66,775
Receivables:	
Taxes	36,235
Other	47,562
Due from other funds	174,667
Due from Component Unit	24,000
Fixed assets (after depreciation)	<u>610,904</u>
Total Assets	\$960,143

LIABILITIES, EQUITY AND OTHER CREDITS

Accounts payable	58,329
Compensated absences payable	9,177
Intergovernmental Payable	1,318
Leases payable	<u>12,694</u>
Total Liabilities	\$81,518

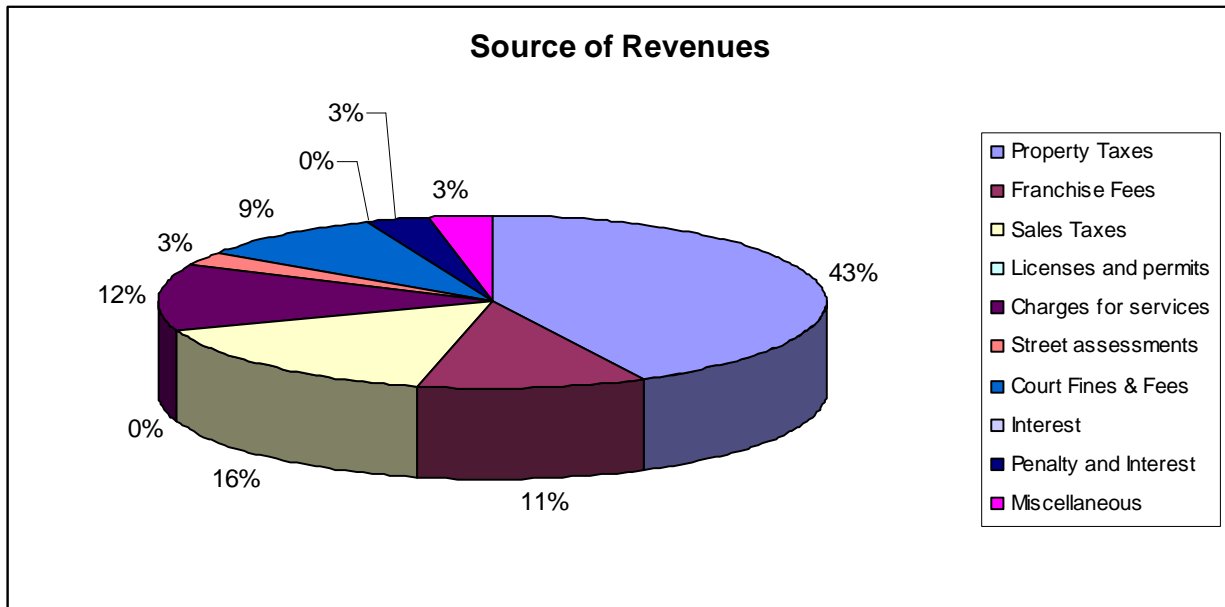
NET ASSETS **\$878,625**

The consumption of assets follows the City's policy to use available resources to acquire and improve all areas of the government to better serve the public service missions of the City.

Changes in net assets – The City's total revenues were \$554,065. A significant portion, 57%, of the City's revenue came from taxes. 11% came from Franchise Fees and 14% came from Court Fines and Fees, while 11% relates to charges for services (sanitation).

Figure A-3. Sources of Revenue

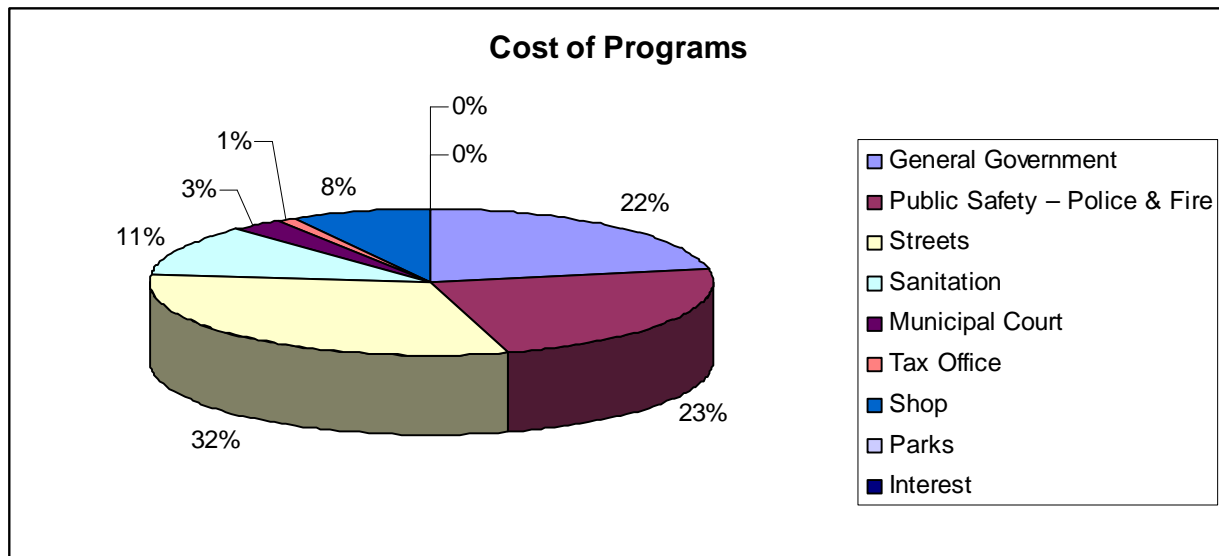
Program Revenues	\$ Amount	% of Total
Property Taxes	232,836	42%
Franchise Fees	59,873	11%
Sales Taxes	89,101	16%
Licenses and permits	2,381	<1%
Charges for services	64,391	12%
Street assessments	17,565	3%
Court Fines & Fees	48,521	9%
Interest	131	<1%
Penalty and Interest	17,521	3%
Miscellaneous	14,273	3%
TOTALS	546,593	100%



The total cost of all programs and services was \$551,556.

Figure A-4. Expenditures by Major Functions

Department	\$ Amount	% of Total
General Government	120,142	22%
Public Safety – Police & Fire	129,128	23%
Streets	171,310	31%
Sanitation	60,871	11%
Municipal Court	16,046	3%
Tax Office	6,560	1%
Shop	42,534	8%
Parks	3,230	<1%
Interest	1,735	<1%
Total Expenditures	551,556	100%



Financial Analysis of the City's Funds

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget as necessary. These budget amendments were generally a realignment of resources to meet emerging needs. They included:

- Increased costs in gasoline
- Increased costs of electricity
- Decrease in Court Fines & Fees
- Decrease in Sales Tax Revenues

Economic Factors and Next Year's Budgets

Currently, the overall financial position of the City of Kerens is good. The current overall taxable value of the city is greater than last year. The city is experiencing some growth with several new small business starts each year, but until the economy in general improves the City can expect sales tax revenues to remain lower than usual.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact City Hall.

Respectfully submitted,

Cindy Scott
City Administrator