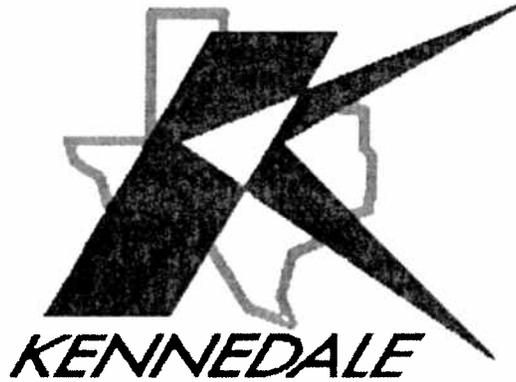


COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF KENNEDALE, TEXAS

**YEAR ENDED
SEPTEMBER 30, 2003**

PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF KENNEDALE, TEXAS

**YEAR ENDED
SEPTEMBER 30, 2003**

Prepared by: Department of Finance

CITY OF KENNEDALE, TEXAS

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INTRODUCTORY SECTION

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November 21, 2003

Honorable Mayor and City Council,
Citizens of Kennedale

The Comprehensive Annual Financial Report (CAFR) of the City of Kennedale, Texas (the "City"), for the fiscal year ended September 30, 2003, is hereby submitted. This report is published to provide the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

We believe that the data, as presented, is accurate and presented in a manner designed to fairly set forth, in all material respects, the financial position and results of operations of the City with all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs.

The CAFR is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and the combining fund financial statements, as well as the auditors' report on the financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The combined financial statements of the City include all government activities, organizations, and functions for which the City is financially accountable. The criteria considered in determining governmental activities to be reported within the City's combined financial statements are based upon and consistent with those set forth in the Codification of Governmental Accounting and Financial Reporting Standards. Based on these criteria, the Kennedale Economic Development Corporation is included in the financial statements as a discretely presented component unit.

The City provides a full range of services. These include public safety (police and fire), municipal court, sanitation, parks, library, public works, and general administrative services. In addition, the City owns and operates a waterworks and sewer system.

ECONOMIC CONDITION AND OUTLOOK

After an election in July of 1947, the Town of Kennedale was incorporated with a population of 300 people. By 1950, the population had increased to 500 residents and a petition to the State of Texas was approved which changed the Township into a recognized City.

The City of Kennedale is located at the apex of the southeast corner of Fort Worth and the southwest border of Arlington in south Tarrant County. Kennedale is becoming one of Tarrant County's fastest growing cities. Fronted by the major highways of I-20 and 287, the City provides an excellent location for major retail and professional businesses. This transportation corridor provides quick and easy access to the Dallas/Fort Worth Intercontinental Airport, downtown Fort Worth just 15 minutes to the west, and downtown Dallas just 20 – 25 minutes to the east. Furthermore, the City of Kennedale is within just a short drive to major entertainment venues including but not limited to Six Flags Over Texas, Hurricane Harbor, Texas Motor Speedway, and the Ballpark at Arlington, home of the Texas Rangers baseball team.

Kennedale has experienced steady population growth in the last decade. Beautiful Village Creek slowly winds through the City and provides a tranquil feeling throughout the community. Current and future subdivisions are designed on oversized lots, which result in spacious residential areas that compliment the coveted rural setting.

Currently, the City is approximately 6.5 square miles with the vast majority of this land undeveloped. This allows for selective locations for the incoming developments and pulls the citizen away from the crowds and traffic congestion of a major metropolitan city. As the economy continues to grow and expand into North Texas, Kennedale will be the leading choice for businesses and families alike.

The Kennedale Economic Development Corporation (KEDC) was formed in 1996 to spearhead the anticipated growth of the City. The KEDC is funded by a voter approved, half cent sales tax, which is used to offer grants and other economic incentives to existing and new businesses. The KEDC has successfully upgraded and improved the infrastructure of the City in preparation for commercial and retail businesses locating in Kennedale. With a vision in mind for the future, the KEDC has recently teamed with the University of Texas at Arlington for a comprehensive redevelopment plan that is geared toward establishing a Town Square atmosphere. The plan was presented to the Economic Development Board and will be presented to the City Council sometime within the next few months. Using this redevelopment plan as a guide, more comprehensive and detailed plans will be laid to build a foundation for the future.

MAJOR INITIATIVES

CURRENT YEAR PROJECTS. Current year capital projects include the installation of a new 12-inch water line in the Shady Creek/Little School Road area to service businesses and residential homes and installation of a new water line in the Oak Crest addition of the City. The widening of Business Highway 287 to a six lane major thoroughfare is ongoing with an estimated completion date of December 2004. The City is continuing to negotiate with the City of Fort Worth for the widening of Dick Price Road. This project will provide additional north/south corridors through the City. The City will be purchasing a new backhoe to help expedite many of the pending projects and requests for services.

FUTURE PROJECTS. A priority is being placed on infrastructure improvements in the upcoming fiscal years. These improvements include, but are not limited to the acquisition of the Key Branch water system from the City of Arlington, the extension of Little School Road, and the realignment and construction of Bowman Springs Road. The City recently completed a Capital Improvement Plan (CIP) which focused on infrastructure needs. This plan highlighted the need for the City to start looking at viable options regarding future water and sewer needs. The CIP was presented to the City Council and the authorization was given to investigate funding options. The City is also looking at the feasibility of constructing a new library facility sometime in the not too distant future.

FINANCIAL INFORMATION

Internal Control and Budgetary Control

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use of disposition, and the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from the control. The evaluation of costs and benefits requires estimates and judgments by management. Staff members continually monitor compliance with internal accounting controls. We believe the City's current system of internal accounting controls adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

Budgetary Controls. The City's budgets are prepared on a detailed expenditure basis and reflect the annual planned expenditures as approved by the City Council. Supplemental budget adjustments may be made by action of the City Council.

General Government Functions

The following schedule presents a summary of the General Fund, Special Revenue Fund, Capital Projects Funds and Debt Service Fund revenue for the fiscal year ended September 30, 2003, and the percentage of increases and decreases in relation to prior year revenue.

<u>Revenue Source</u>	<u>Amount</u>	<u>Percentage of Total</u>	<u>Increase (Decrease) from 2002</u>	<u>Percentage Increase (Decrease) from 2002</u>
Property taxes	\$ 2,078,421	45.3%	\$ 271,831	15.05%
Sales taxes	989,779	21.6%	(11,723)	(1.17%)
Franchise taxes	455,456	9.9%	(57,564)	(11.22%)
Licenses and permits	203,790	4.4%	11,380	5.91%
Intergovernmental	37,386	0.8%	349	0.94%
Charges for services	368,764	8.0%	(91,975)	19.96%
Fines	253,332	5.5%	60,512	31.38%
Investment earnings	48,401	1.1%	30,491	170.25%
Other	155,576	3.4%	94,648	155.34%
Totals	\$ 4,590,905	100.0%	\$ 307,949	7.19%

Revenue collections for general government functions for fiscal year 2003, total \$4,590,905 and represent a 7.2% increase over the prior fiscal year. The increase in property tax revenue was the result of an increased tax rate to 0.7125 per \$100 from 0.6925 per \$100 and the increased valuation of taxable property to \$2,068,341 from \$1,789,907. The increase in franchise taxes was due to a higher utility rate and a utility franchise audit. The increase in intergovernmental revenue was due to an increase in contract price with Tarrant County. The increase in charges for services is due to an increase in the overhead charge to the Water and Sewer Fund. Investment earnings increased in the current year due to a decrease in arbitrage rebate payable. The increase in other revenue is due to the sale of a fire truck.

The following schedule presents a summary of the General Fund, Special Revenue Fund, and Debt Service Fund expenditures for the fiscal year ended September 30, 2003, and the percentage of increases and decreases in relation to prior year expenditures.

<u>Expenditure Source</u>	<u>Amount</u>	<u>Percentage of Total</u>	<u>Increase (Decrease) from 2002</u>	<u>Percentage Increase (Decrease) from 2002</u>
General Government	\$ 876,349	20.2%	\$ 142,704	19.45%
Public Safety	2,658,585	61.3%	303,993	12.91%
Public Works	347,854	8.0%	(170,449)	(32.89%)
Culture and recreation	158,760	3.7%	26,856	20.36%
Debt Service:				
Principal	122,036	2.8%	25,816	26.83%
Interest and fiscal charges	176,198	4.1%	(7,110)	(3.88%)
Totals	\$ <u>4,339,782</u>	<u>100.0%</u>	\$ <u>321,810</u>	8.01%

There is an overall \$321,810, 8.01% increase in expenditures in the General Fund, Special Revenue Fund and Debt Service Fund. The increase in general government and public safety is due to increases in legal fees, salaries and insurance. The decrease in public works is due to a decrease in street construction.

General Fund Balance. The total fund balance of the General Fund is \$1,175,143, which represents a \$232,072 increase from prior year. This was due to the increase in revenue collection.

Proprietary Operations

The operating revenues of the Enterprise Funds are generated by the sale of water and sewer related services.

The City's water and sewer system shows gross revenue of \$1,810,770, which is an increase of \$11,400 due to an increase of water consumption. The increase in operating expense is due to the increase in sewer flow charges from third parties. Comparative data for the past two fiscal years are presented in the following table:

	Fiscal Year 2003	Increase (Decrease) from 2002
Gross revenue (includes investment income)	\$ 1,810,770	\$ 11,400
Direct operating expenses (excludes depreciation)	1,417,310	236,663
Income available for debt service	393,458	(225,263)
 Average Annual Debt Service	 212,382	 (5,737)
 Total Debt Coverage Ratio	 1.85	 (0.99)

Debt Administration

As of September 30, 2003, the City had \$6,329,703 in outstanding bond indebtedness, capital leases and loan payable. Of this amount, \$5,185,000 was Combination Tax and Waterworks and Sewer System Revenue Certificates of Obligation, \$380,543 capital leases, and \$764,160 loan payable. Each category of debt is scheduled to be fully retired by 2024.

In 1998, Moody's Investors Service assigned a Baa1 rating to the City of Kennedale, Texas Combination Tax and Revenue Certificates of Obligation, Series 1998.

General Fixed Assets

The general fixed assets of the City are those fixed assets used to provide services of government functions and exclude fixed assets of the Water and Sewer Enterprise Fund. As of September 30, 2003, general fixed assets amounted to \$12,165,555. This amount represents the actual cost of these assets without regard to the date of purchase or current value. Depreciation of general fixed assets is not recognized in the City's accounting system.

Cash Management

Cash temporarily idle during the year was invested in TexPool, Lone Star Pool and Federated Investment. The mix and terms of investments are determined based on the City's investment policy and liquidity needs. The City's investment policy is updated in September each year. Safety and liquidity are the first two goals of the investment policy followed by yield.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Therefore, all deposits were either insured by federal depository insurance or collateralized. All collateral on deposits were held either by the City, its agent or a financial institution's trust department in the City's name. All of the investments held by the City during the fiscal year ended September 30, 2003, are classified in the lowest risk category as defined by the Governmental Accounting Standards Board.

Risk Management

During fiscal year 2003, the City maintained property, liability, workman's compensation and crime insurance through participation in the Texas Municipal League Intergovernmental Risk Pool. An interlocal agreement limits the City's contribution to the pool to the premiums assessed, subject to coverage limitations noted in Table 15 of the statistical section of this report. The Pool maintains reinsurance coverage to protect the pool in the event of excessive losses.

OTHER INFORMATION

Independent Audit

The City Charter requires an annual audit to be made of the books of account, financial records, and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. The accounting firm of Pattillo, Brown & Hill, L.L.P. was selected by the City Council to conduct this year's audit. The report of our auditors on the general purpose financial statements and combining fund statements is included in the financial section of this report.

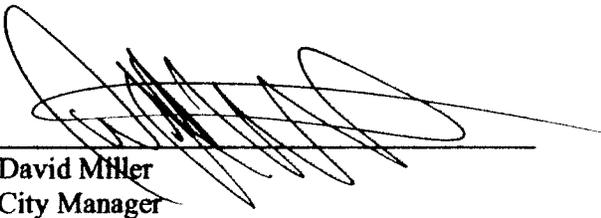
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kennedale, Texas for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2002. This was the first year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

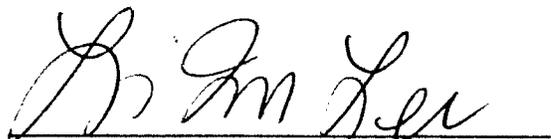
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished on a timely basis without the efficient and dedicated endeavors of the entire staff of the Finance Department and our independent auditors. We would like to express our sincere appreciation to all employees who contributed to the preparation. We would also like to thank the Mayor and the members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



David Miller
City Manager



Li Jen Lee, CPA, CIA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kennedale,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

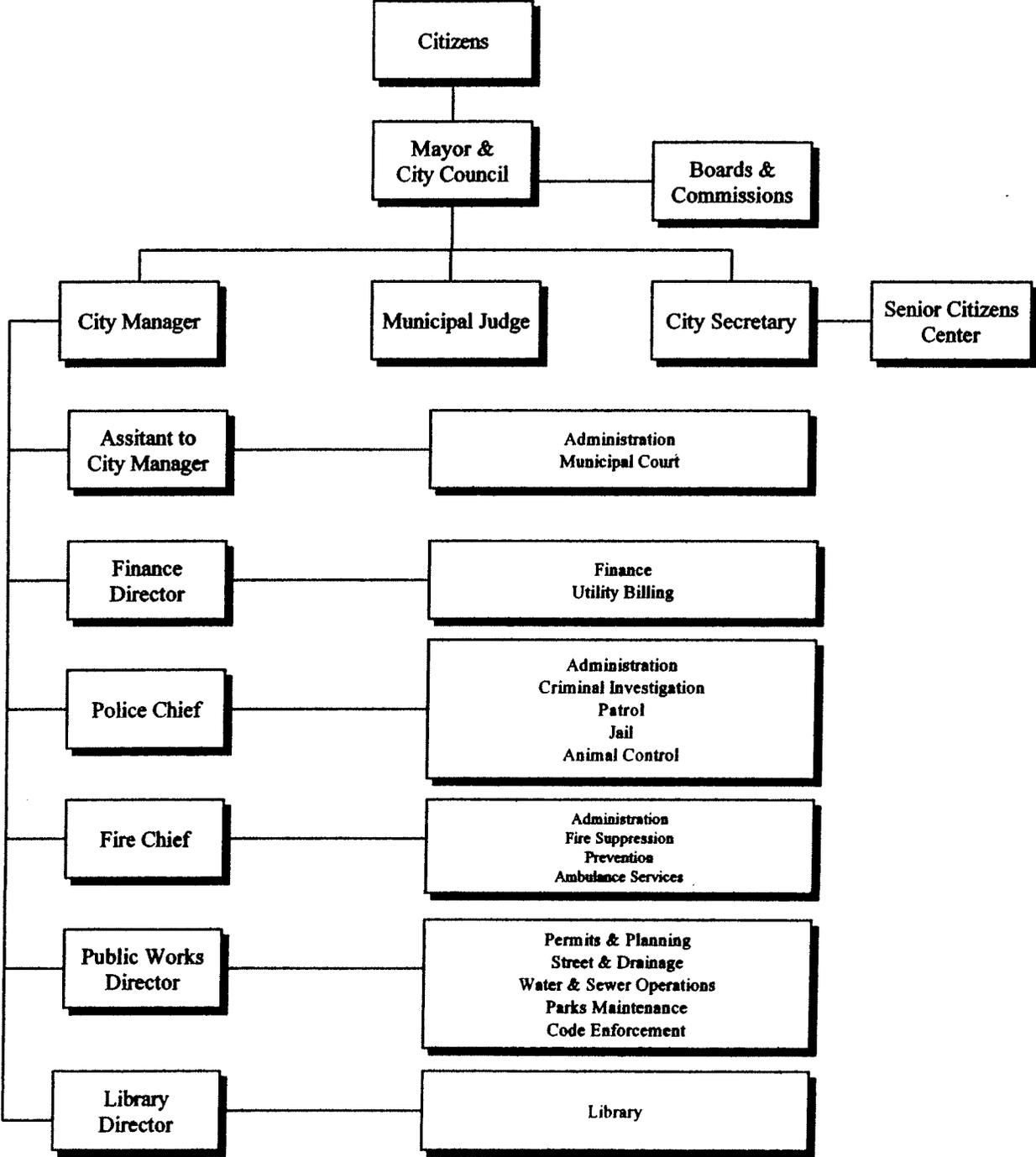
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

**CITY OF KENNEDALE, TEXAS
ORGANIZATION CHART**



CITY OF KENNEDALE, TEXAS

PRINCIPAL OFFICIALS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

ELECTED OFFICIALS

Mayor
Council Member/Mayor Pro Tem
Council Member
Council Member
Council Member
Council Member

Mark Wright
Ron Kovach
George Barrett
John Clark
Gary Mitchell
Nita Vaughn

APPOINTED OFFICIALS

City Manager
Director of Public Works
Fire Chief
Assistant to City Manager
Director of Finance
Police Chief
City Secretary

David Miller
Don Burns
Dan Dittfurth
Margaret Eichelberger
Li Jen Lee
Jim Rutledge
Kathy Turner

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FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, City Council and City Manager
City of Kennedale, Texas

We have audited the accompanying general purpose financial statements of the City of Kennedale, Texas, as of and for the year ended September 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Kennedale, Texas, as of September 30, 2003, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Kennedale, Texas. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The statistical section listed in the table of contents was not audited by us and, accordingly, we do not express an opinion thereon.

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

November 21, 2003

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**GENERAL PURPOSE
FINANCIAL STATEMENTS**

CITY OF KENNEDALE, TEXAS
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNIT
SEPTEMBER 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents	\$ 83,845	\$ 800	\$ 556	\$ 12,360
Investments	996,059	9,598	21,895	1,113,881
Receivables (net of allowance for estimated uncollectible accounts of \$90,558):				
Taxes	330,558	-	23,023	-
Accounts	88,589	-	-	-
Inventory	-	-	-	-
Restricted assets:				
Investments - customer deposits	-	-	-	-
Unamortized bond issuance costs	-	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation of \$2,479,993)	-	-	-	-
Other debits:				
Amount available in Debt Service Fund	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
	-----	-----	-----	-----
Total assets and other debits	<u>\$ 1,499,051</u>	<u>\$ 10,398</u>	<u>\$ 45,474</u>	<u>\$ 1,126,241</u>

The accompanying notes are an integral part of this statement.

Proprietary Fund Type	Account Groups		Totals (Memo Only)	Component Unit	Totals (Memo Only)
	General Fixed Assets	General Long-term Debt	Primary Government	Kennedale Economic Dev. Corp.	Total Reporting Entity
Enterprise					
\$ 191,620	\$ -	\$ -	\$ 289,181	\$ 88,384	\$ 377,565
1,271,135	-	-	3,412,568	1,060,108	4,472,676
-	-	-	353,581	59,527	413,108
240,875	-	-	329,464	-	329,464
9,096	-	-	9,096	-	9,096
132,825	-	-	132,825	-	132,825
18,622	-	-	18,622	-	18,622
9,516,208	12,165,555	-	21,681,763	-	21,681,763
-	-	23,251	23,251	-	23,251
-	-	3,645,666	3,645,666	-	3,645,666
<u>\$ 11,380,381</u>	<u>\$ 12,165,555</u>	<u>\$ 3,668,917</u>	<u>\$ 29,896,017</u>	<u>\$ 1,208,019</u>	<u>\$ 31,104,036</u>

(continued)

CITY OF KENNEDALE, TEXAS

COMBINED BALANCE SHEET

**ALL FUND TYPES, ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNIT**

(Continued)

SEPTEMBER 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 115,912	\$ -	\$ -	\$ 74,620
Accrued liabilities	48,441	-	-	-
Certificates of obligation - current	-	-	-	-
Loan payable - current	-	-	-	-
Due to other governments	14,585	-	-	-
Deferred revenue	144,970	-	22,223	-
Payable from restricted assets:				
Deposits	-	-	-	-
Capital lease obligations payable	-	-	-	-
Loan payable	-	-	-	-
Certificates of obligation payable	-	-	-	-
Compensated absences payable	-	-	-	-
Total liabilities	323,908	-	22,223	74,620
Equity and other credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings	-	-	-	-
Fund balances:				
Unreserved:				
Designated for volunteer incentive program	15,559	-	-	-
Designated for equipment replacement	75,000	-	-	-
Undesignated	1,015,426	10,398	-	-
Reserved for debt service	-	-	23,251	-
Reserved for construction	-	-	-	1,051,621
Reserved for park and library	10,619	-	-	-
Reserved for court security and technology	58,539	-	-	-
Total equity and other credits	1,175,143	10,398	23,251	1,051,621
Total liabilities, equity and other credits	\$ 1,499,051	\$ 10,398	\$ 45,474	\$ 1,126,241

The accompanying notes are an integral part of this statement.

Proprietary Fund Type	Account Groups		Totals (Memo Only)	Component Unit	Totals (Memo Only)
	General Fixed Assets	General Long-term Debt	Primary Government	Kennedale Economic Dev. Corp.	Total Reporting Entity
Enterprise					
\$ 233,725	\$ -	\$ -	\$ 424,257	\$ 45,089	\$ 469,346
31,240	-	-	79,681	4,193	83,874
101,000	-	-	101,000	-	101,000
96,750	-	-	96,750	-	96,750
-	-	-	14,585	-	14,585
-	-	-	167,193	-	167,193
132,825	-	-	132,825	-	132,825
-	-	380,543	380,543	-	380,543
667,410	-	-	667,410	-	667,410
1,921,300	-	3,162,700	5,084,000	-	5,084,000
10,566	-	125,674	136,240	-	136,240
<u>3,194,816</u>	<u>-</u>	<u>3,668,917</u>	<u>7,284,484</u>	<u>49,282</u>	<u>7,333,766</u>
-	12,165,555	-	12,165,555	-	12,165,555
5,172,004	-	-	5,172,004	-	5,172,004
3,013,561	-	-	3,013,561	-	3,013,561
-	-	-	15,559	-	15,559
-	-	-	75,000	-	75,000
-	-	-	1,025,824	1,158,737	2,184,561
-	-	-	23,251	-	23,251
-	-	-	1,051,621	-	1,051,621
-	-	-	10,619	-	10,619
-	-	-	58,539	-	58,539
<u>8,185,565</u>	<u>12,165,555</u>	<u>-</u>	<u>22,611,533</u>	<u>1,158,737</u>	<u>23,770,270</u>
\$ <u>11,380,381</u>	\$ <u>12,165,555</u>	\$ <u>3,668,917</u>	\$ <u>29,896,017</u>	\$ <u>1,208,019</u>	\$ <u>31,104,036</u>

CITY OF KENNEDALE TEXAS

**COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES**

**ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUE				
Taxes:				
Property	\$ 1,799,304	\$ -	\$ 279,117	\$ -
Franchise	455,456	-	-	-
Sales	989,779	-	-	-
Grants	5,230	-	-	-
Licenses and permits	203,790	-	-	-
Public safety fees	65,935	-	-	-
Charges for services	302,829	-	-	-
Fines and forfeits	253,322	-	-	-
Investment income	11,663	89	869	35,780
Other	149,101	4,326	-	34,315
Total Revenue	4,236,409	4,415	279,986	70,095
EXPENDITURES				
Current:				
General government	876,349	-	-	-
Public safety	2,658,585	-	-	-
Public works	347,854	-	-	-
Culture and recreation	158,760	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	88,601
Debt service:				
Principal	-	-	122,036	-
Interest and fiscal charges	-	-	176,198	-
Total Expenditures	4,041,548	-	298,234	88,601
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	194,861	4,415	(18,248)	(18,506)
OTHER FINANCING SOURCES (USES)				
Proceeds from refinanced capital lease	-	-	380,543	-
Payment to refinance capital lease	-	-	(360,677)	-
Operating transfers in	-	-	-	2,954
Operating transfers out	(2,954)	-	-	-
Total Other Financing Sources (Uses)	(2,954)	-	19,866	2,954
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	191,907	4,415	1,618	(15,552)
FUND BALANCE, OCTOBER 1	983,236	5,983	21,633	1,067,173
FUND BALANCE, SEPTEMBER 30	\$ 1,175,143	\$ 10,398	\$ 23,251	\$ 1,051,621

The accompanying notes are an integral part of this statement.

<u>Totals (Memo Only)</u>	<u>Component Unit</u>	<u>Totals (Memo Only)</u>
<u>Primary Government</u>	<u>Kennedale Economic Dev. Corp.</u>	<u>Reporting Entity</u>
\$ 2,078,421	\$ -	\$ 2,078,421
455,456	-	455,456
989,779	326,160	1,315,939
5,230	-	5,230
203,790	-	203,790
65,935	-	65,935
302,829	-	302,829
253,322	-	253,322
48,401	12,271	60,672
187,742	-	187,742
<u>4,590,905</u>	<u>338,431</u>	<u>4,929,336</u>
876,349	-	876,349
2,658,585	-	2,658,585
347,854	-	347,854
158,760	-	158,760
-	448,083	448,083
88,601	-	88,601
122,036	-	122,036
176,198	-	176,198
<u>4,428,383</u>	<u>448,083</u>	<u>4,876,466</u>
<u>162,522</u>	<u>(109,652)</u>	<u>52,870</u>
380,543	-	380,543
(360,677)	-	(360,677)
2,954	-	2,954
(2,954)	-	(2,954)
<u>19,866</u>	<u>-</u>	<u>19,866</u>
182,388	(109,652)	72,736
<u>2,078,025</u>	<u>1,268,389</u>	<u>3,346,414</u>
<u>\$ 2,260,413</u>	<u>\$ 1,158,737</u>	<u>\$ 3,419,150</u>

CITY OF KENNEDALE, TEXAS

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL**

GENERAL AND DEBT SERVICE FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Taxes:			
Property	\$ 1,826,296	\$ 1,799,304	\$(26,992)
Franchise	498,360	455,456	(42,904)
Sales	951,200	989,779	38,579
Grants	3,050	5,230	2,180
Licenses and permits	172,471	203,790	31,319
Public safety fees	314,550	65,935	(248,615)
Charges for services	275,004	302,829	27,825
Fines and forfeits	196,000	253,322	57,322
Investment income	17,000	11,663	(5,337)
Other	51,665	149,101	97,436
Total Revenue	4,305,596	4,236,409	(69,187)
EXPENDITURES			
Current:			
General government	845,803	876,349	(30,546)
Public safety	2,805,740	2,658,585	147,155
Public works	423,226	347,854	75,372
Culture and recreation	138,665	158,760	(20,095)
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	4,213,434	4,041,548	171,886
EXCESS OF REVENUE OVER EXPENDITURES	92,162	194,861	102,699
OTHER FINANCING USES			
Proceeds from refinanced capital lease	-	-	-
Payment to refinance capital lease	-	-	-
Operating transfers out	-	(2,954)	(2,954)
Total Other Financing Uses	-	(2,954)	(2,954)
EXCESS OF REVENUE OVER EXPENDITURES AND OTHER FINANCING USES	92,162	191,907	99,745
FUND BALANCE, OCTOBER 1	983,236	983,236	-
FUND BALANCE, SEPTEMBER 30	\$ 1,075,398	\$ 1,175,143	\$ 99,745

The accompanying notes are an integral part of this statement.

Debt Service		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 280,541	\$ 279,117	\$ (1,424)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
1,400	869	(531)
-	-	-
<u>281,941</u>	<u>279,986</u>	<u>(1,955)</u>
-	-	-
-	-	-
-	-	-
-	-	-
100,170	122,036	(21,866)
<u>180,371</u>	<u>176,198</u>	<u>4,173</u>
<u>280,541</u>	<u>298,234</u>	<u>(17,693)</u>
1,400	(18,248)	(19,648)
-	380,543	380,543
-	(360,677)	(360,677)
-	-	-
-	<u>19,866</u>	<u>19,866</u>
1,400	1,618	218
<u>21,633</u>	<u>21,633</u>	<u>-</u>
<u>\$ 23,033</u>	<u>\$ 23,251</u>	<u>\$ 218</u>

CITY OF KENNEDALE, TEXAS
COMBINED STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

OPERATING REVENUE	
Charges for services	\$ 1,810,770
Total Operating Revenue	<u>1,810,770</u>
OPERATING EXPENSES	
Personnel	200,868
Maintenance	141,629
Supplies	37,731
Utilities	187,718
Services	838,237
Depreciation	272,271
Amortization	2,049
Bad debts	<u>9,078</u>
Total Operating Expenses	<u>1,689,581</u>
OPERATING INCOME	<u>121,189</u>
NONOPERATING REVENUE (EXPENSES)	
Impact fees	80,686
Capital contributions	486,893
Investment income	14,547
Interest expense and fees	<u>(133,574)</u>
Total Nonoperating Revenue (Expenses)	<u>448,552</u>
NET INCOME	569,741
RETAINED EARNINGS, OCTOBER 1	<u>2,443,820</u>
RETAINED EARNINGS, SEPTEMBER 30	<u>\$ 3,013,561</u>

The accompanying notes are an integral part of this statement.

CITY OF KENNEDALE, TEXAS
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$ 121,189
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	272,271
Amortization of bond issuance costs	2,049
Change in assets and liabilities:	
Decrease in accounts receivable	26,303
Decrease in inventory	18,301
Decrease in accounts payable	98,207
Decrease in prepaid expenses	571,011
Decrease in accrued liabilities	(3,428)
Increase in deposits	4,520
Decrease in compensated absences	(6,081)
Net Cash Provided by Operating Activities	<u>1,104,342</u>

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on bond maturities	(96,000)
Principal paid on capital leases	(95,465)
Principal paid on loans	(93,029)
Interest paid	(133,574)
Acquisition and construction of capital assets	(1,119,315)
Capital contributions	<u>486,893</u>
Net Cash Used in Capital Activities and Related Financing	<u>(1,050,490)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Impact fees	<u>80,686</u>
Net Cash Provided by Noncapital Financing Activities	<u>80,686</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net maturities of investments	(278,266)
Interest received	<u>14,547</u>
Net Cash Used in Investing Activities	<u>(263,719)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (129,181)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 320,801

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 191,620

The accompanying notes are an integral part of this statement.

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CITY OF KENNEDALE, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kennedale, Texas (the "City") was incorporated in 1947. The City operates as a home-rule City under a council-manager form of government and provides the following services as authorized by its charter: police, fire, planning, zoning and code enforcement, public works, streets, parks and recreation, public library, ambulance, water and sewer utilities and general administrative services. Sanitation collection services are provided through a private contractor.

The accounting and reporting policies of the City conform to generally accepted accounting principles applicable to governments. The following is a summary of the more significant accounting and reporting policies:

Reporting Entity

In defining the scope of the City for financial reporting purposes, the City conforms with the criteria of the Governmental Accounting Standards Board ("GASB") Statement No. 14, The Financial Reporting Entity. This report includes the financial statements of the City's primary government and its component units, entities for which the City is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

The component unit column in the combined financial statements presents the financial data of the City's discretely presented component unit, the Kennedale Economic Development Corporation ("KEDC"). KEDC is a legally separate entity incorporated on December 2, 1996. The City Council appoints the governing board for this entity and is able to impose its will upon the Corporation, which serves the purpose of promoting economic development within the City. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City. KEDC is presented as a governmental fund type.

Separate financial statements of KEDC may be obtained from:

City of Kennedale, Texas
Director of Finance
405 Municipal Drive
Kennedale, Texas 76060

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups. The operations of each fund are accounted for with a separate set of self-balancing accounts that consist of its assets, liabilities, fund equity, revenue and expenditures or expenses, as appropriate.

The following fund types and account groups are used by the City:

Governmental Fund Types

General Fund – the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – accounts for revenue sources that are legally restricted to expenditure for specific purposes (not including capital projects).

Debt Service Fund – used to account for the accumulation of resources (primarily property tax levies) for the payment of principal, interest and related costs of general long-term liabilities.

Capital Projects Funds – are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types

Enterprise Funds – used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's water is accounted for through these funds.

General Fixed Assets Account Group – represents a summary of the fixed assets of the City not accounted for in proprietary funds. Capital outlays in funds other than proprietary funds are recorded as expenditures of those funds at the time of purchase and subsequently recorded for control purposes in the General Fixed Assets Account Group.

General Long-term Debt Account Group – represents a summary of the long-term debt of the City that is to be paid principally by taxes levied by the City and which includes general obligation bonds, certificates of obligation, notes payable and accrued compensated absences. This account group does not include debt accounted for in proprietary funds.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus – Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenue and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (i.e., when it becomes both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, with the exception of principal and interest on general long-term debt, which are recognized when due, and liabilities for accrued compensated absences, which are recognized when payable from current available financial resources.

Ad valorem, franchise and sales tax revenue recorded in the General Fund and ad valorem tax revenue recorded in the Debt Service Fund are considered to be susceptible to accrual. Licenses and permits, charges for services, and fines are recorded as revenue when received, because they are generally not measurable until actually received. Investment earnings and intergovernmental revenue are recorded as earned, since they are measurable and available.

Proprietary funds are accounted for on a flow-of-economic-resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (e.g., revenue) and decreases (e.g., expenses) in net total assets. Proprietary funds use the accrual basis of accounting, under which revenue is recognized when earned and expenses are recognized when the related liabilities are incurred. Unbilled receivables for water and sewer services are recorded at year-end. Proprietary funds follow all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

The City Council follows these procedures in establishing the budgets reflected in the financial statements.

1. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.
4. The City Manager has the authority to transfer appropriation balances from one expenditure account to another within a single fund. The City Council, however, must approve any transfer of unencumbered appropriation balances or portions thereof from one fund to another as well as any increases in fund appropriations. At the end of the fiscal year, all appropriations lapse.
5. Annual budgets are only adopted for the General and Debt Service Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP").
6. The budgetary data presented has been amended from the original budget by the City Council. There were no significant supplemental appropriations necessary during the year.
7. Expenditures may not legally exceed appropriations at the fund level.

Encumbrances

Encumbrance commitments relate to unperformed contracts for goods or services. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

Cash and Investments

The City pools substantially all cash and investments except for separate cash and investment accounts, which are maintained in accordance with legal restrictions. Investments maturing within one year of date of purchase are stated at cost or amortized cost, all other investments are stated at fair value, which is based on quoted market prices. Investment income is recorded in the funds in which the investments are recorded.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments (Continued)

State statutes authorize the City 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 deposit by state and national banks domiciled in this state that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (b) secured by obligations that are described by (1) - (4); or, (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1) pledged with third-party selected or approved by the City, and placed through a primary government securities dealer.

The City invests in The Texas Local Government Investment Pool (TexPool). The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poors. As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poors, as well as the Office of the Comptroller of Public Accounts for review. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

The City also invests in the Lone Star Investment Pool. The Lone Star Investment Pool is a member-owned, member-governed public funds investment pool sponsored by the Texas Association of School Boards. Participants in the pool own pro rata interests in the underlying assets of the fund in which they participate. The fair value of the position in Lone Star is equal to the value of Lone Star shares. Pool bylaws provide for an 11-member board of trustees consisting of individuals representing entities participating in the pool. The board is authorized and directed to adopt and maintain bylaws. The bylaws set forth procedures governing the selection of and action taken by members of the board. The pool only invests in investments authorized under the Public Funds Investment Act.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments (Continued)

The City also invests in a government obligations money market fund at Federated. The fund invests in U. S. Treasury securities, government agency securities and repurchase agreements backed by government securities. This fund is rated AAAM by Standard & Poors.

For purpose of presenting the proprietary fund cash flow statement, cash and cash equivalents includes demand deposits and investments with a maturity date within three months of the date acquired by the City.

Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date of donation. Assets in the General Fixed Assets Account Group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain (“infrastructure”) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are capitalized.

Property, plant and equipment in the proprietary funds of the City are recorded at cost. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Property, plant and equipment are depreciated in the proprietary funds of the City using the straight-line method over the following estimated useful lives:

Plants and buildings	20 years
Other structures	50 years
Machinery and equipment	4 - 10 years

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Unpaid Vacations and Other Employee Benefit Amounts

Vacation is earned in varying amounts up to a maximum of 160 hours per year for 40-hour week personnel with 6 or more years of service. Vacation leave does not accumulate from one year to the next for amounts over 160 hours.

40-hour per week personnel accrue one-half working day (4 hours) of sick leave for each full month of employment in the calendar year. Upon separation from employment, a permanent employee, who has completed six months of employment, is entitled to be paid the amount of salary for the employee's accumulated sick leave, but not to exceed 60 hours for 40-hour per week employees.

The liability for unused vested vacation and sick leave as of September 30, 2003, is shown as a liability for compensated absences in the General Long-term Debt Account Group and in the Enterprise Funds. The amount to be paid from current available financial resources is not considered to be significant.

Bond Issuance Costs

Bond issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method.

Total Columns in Combined Statements

The total columns in the general purpose financial statements are captioned as "Memorandum Only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. CASH AND INVESTMENTS

The cash and investment policies of the City are governed by state statutes and the adopted City Investment Policy. City policies governing bank deposits require depositories to be FDIC-insured institutions, and depositories must fully collateralize all time deposits in excess of FDIC insurance limits.

Deposits

At September 30, 2003, the carrying amount of the primary government's cash on hand and deposits was \$289,181 and the carrying amount of deposits for the Kennedale Economic Development Corporation (KEDC), a discretely presented component unit, was \$88,384. Both amounts are maintained in a consolidated cash account, with a cash balance of \$317,418 at September 30, 2003. Additionally, the City had a cash account for the Water and Sewer Fund that had a bank balance of \$74,268 at September 30, 2003. All bank balances were completely covered by federal depository insurance or by collateral held by the City's agent in the City's name.

(continued)

2. CASH AND INVESTMENTS (Continued)

Investments

At September 30, 2003, the primary government's investments consisted of:

	<u>Fair Value</u>
State Treasurer's Investment Pool (TexPool) (uncategorized)	\$ 1,203,364
Lone Star Investment Pool (uncategorized)	1,133,067
Federated money market fund (uncategorized)	<u>1,208,960</u>
	<u>\$ 3,545,391</u>

Discretely Presented Component Unit

During the fiscal year, the City managed the investments of the KEDC. The KEDC investments are categorized in the same manner as the City's and consist of the following:

	<u>Fair Value</u>
State Treasurer's Investment Pool (TexPool) (uncategorized)	\$ 491,145
Lone Star Investment Pool (uncategorized)	468,379
Federated money market fund (uncategorized)	<u>100,584</u>
	<u>\$ 1,060,108</u>

3. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied each October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. The Tarrant County Tax Assessor/Collector bills and collects the City's property taxes. Any uncollected property taxes as of September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred revenue.

As a City that operates under a home-rule charter, the City has a tax rate limitation of \$2.50 per \$100 assessed valuation. For the year ended September 30, 2003, the City had a tax rate of \$.7125 per \$100, of which \$.617235 was allocated for general government and \$.095265 was allocated for payment of principal and interest on general long-term debt.

4. FIXED ASSETS

A summary of Proprietary Fund Type fixed assets at September 30, 2003, follows:

	Water and Sewer
Land	\$ 194,538
Buildings, structures and improvements	10,240,601
Machinery and equipment	<u>544,093</u>
	10,979,232
Less: accumulated depreciation	(2,479,993)
	8,499,239
Construction in progress	<u>1,016,969</u>
Total	<u>\$ 9,516,208</u>

A summary of changes in general fixed assets is as follows:

	Balance October 1, 2002	Additions	Retirements	Balance September 30, 2003
Land, buildings and improvements	\$ 3,702,335	\$ 9,513	\$ -	\$ 3,711,848
Machinery and equipment	1,730,184	217,489	(79,132)	1,868,541
Streets and other improvements	5,479,737	962,774	-	6,442,511
Construction in progress	<u>1,035,339</u>	<u>55,682</u>	<u>(948,366)</u>	<u>142,655</u>
Total	<u>\$ 11,947,595</u>	<u>\$ 1,245,458</u>	<u>\$(1,027,498)</u>	<u>\$ 12,165,555</u>

5. LONG-TERM LIABILITIES

The following is a summary of transactions affecting long-term liabilities for the year ended September 30, 2003:

	Balance October 1, 2002	Additions	Retirements	Balance September 30, 2003
General Long-term Liabilities:				
General obligation bonds	\$ 15,000	\$ -	\$(15,000)	\$ -
Certificate of obligation	3,181,700	-	(19,000)	3,162,700
Capital leases	426,847	380,543	(426,847)	380,543
Compensated absences	<u>80,414</u>	<u>45,260</u>	-	<u>125,674</u>
Total	<u>3,703,961</u>	<u>425,803</u>	<u>(460,847)</u>	<u>3,668,917</u>
Proprietary Fund Type:				
Liabilities:				
Certificates of obligation	2,118,300	-	(96,000)	2,022,300
Capital leases	95,465	-	(95,465)	-
Loan payable	857,189	-	(93,029)	764,160
Compensated absences	<u>16,647</u>	-	<u>(6,081)</u>	<u>10,566</u>
Total	<u>3,087,601</u>	-	<u>(290,575)</u>	<u>2,797,026</u>

(continued)

5. LONG-TERM LIABILITIES (Continued)

General obligation bonds, certificates of obligation and capital leases outstanding at September 30, 2003, consist of the following individual issues:

	<u>Balance September 30, 2003</u>
General Long-term Liabilities	
<u>Certificates of Obligation</u>	
\$172,900 1996 Certificates of Obligation, due in annual installments through February 15, 2006, 4.25% - 5.50%	\$ 62,700
\$3,100,000 1998 Certificates of Obligation, due in annual installments through February 15, 2024, 4.8% - 5.875%	<u>3,100,000</u>
Total Certificates of Obligation	<u>\$ 3,162,700</u>
<u>Capital Lease Obligations</u>	
\$380,543 2003 Capital Lease Purchase, due in annual installments through February 1, 2014, 4.194%	<u>\$ 380,543</u>
Proprietary Fund Type	
<u>Certificates of Obligation</u>	
\$282,100 1996 Certificates of Obligation, due in annual installments through February 15, 2006, 4.25% - 5.50%	\$ 102,300
\$2,050,000 1998 Certificates of Obligation, due in annual installments through February 15, 2021, 4.8% - 5.875%	<u>1,920,000</u>
Total Certificates of Obligation	<u>\$ 2,022,300</u>
<u>Loan Payable</u>	
\$857,189 2002 State Infrastructure Bank loan payable	<u>\$ 764,160</u>

(continued)

5. LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the Certificates of Obligation as of September 30, 2003, are as follows:

<u>Fiscal Year</u>	<u>General Long-term Debt Account Group</u>	<u>Water and Sewer</u>	<u>Total Certificates of Obligation</u>
2004	\$ 255,129	\$ 193,517	\$ 448,646
2005	255,551	195,655	451,206
2006	255,547	197,285	452,832
2007	231,892	154,971	386,863
2008	227,298	156,362	383,660
2009 and thereafter	<u>3,700,879</u>	<u>2,032,432</u>	<u>5,733,311</u>
Total Minimum Certificates of Obligation Payments	4,926,296	2,930,222	7,856,518
Less: amount representing interest	<u>1,763,596</u>	<u>907,922</u>	<u>2,671,518</u>
Total Certificates of Obligation Principal Payments	<u>\$ 3,162,700</u>	<u>\$ 2,022,300</u>	<u>\$ 5,185,000</u>

The annual requirements to amortize the loan payable as of September 30, 2003, are as follows:

<u>Fiscal Year</u>	<u>Water and Sewer</u>
2004	\$ 127,316
2005	127,316
2006	127,316
2007	127,316
2008	127,316
2009 and thereafter	<u>254,635</u>
Total minimum loan payments	891,215
Less: amount representing interest	<u>127,055</u>
Total Loan Principal Payments	<u>\$ 764,160</u>

Capital Leases

Property acquired through capital leases at September 30, 2003, is capitalized in the General Fixed Assets Account Group. The amount of these assets is \$769,491.

(continued)

5. **LONG-TERM LIABILITIES (Continued)**

Capital Leases (Continued)

Below is a schedule summarizing future minimum capital lease payments using the present value of the payments at September 30, 2003:

<u>Year Ending September 30,</u>	<u>General Long-term Debt Account Group</u>
2004	\$ 43,255
2005	43,255
2006	43,255
2007	43,255
2008	43,255
Thereafter	<u>259,534</u>
Total minimum lease payments	475,809
Less: amount representing interest	<u>95,266</u>
Present value of net minimum lease payments	<u>\$ 380,543</u>

6. **RETIREMENT PLAN**

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. All assumptions for the December 31, 2002, valuations are contained in the 2002 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

(continued)

6. RETIREMENT PLAN (Continued)

Plan Description (Continued)

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, 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 percent (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 monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 10 or more years of service or with 20 years of service regardless of age. A member is vested after 10 years. 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.

Contributions

The contribution rate for the employees is 5%, and the City-matching ratio is currently 2 to 1, both as adopted by the governing body of the City. 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 unfounded (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 employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e., December 31, 2002, valuation is effective for rates beginning January 2004.)

(continued)

6. RETIREMENT PLAN (Continued)

Contributions (Continued)

Assumptions and Schedule of Actuarial Liabilities and Funding Progress

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	8%
Projected Salary Increases	None
Includes Inflation at	None
Cost of Living Adjustments	None

Actuarial Valuation Date	12/31/00	12/31/01	12/31/02
Actuarial value of assets	\$ 1,267,758	\$ 1,526,096	\$ 1,546,339
Actuarial accrued liability	1,856,751	2,181,666	2,048,385
Percentage funded	68.3%	70.0%	75.5%
Unfunded actuarial accrued liability (UAAL)	588,993	655,570	5,021,046
Annual covered payroll	1,982,129	2,046,351	2,131,046
UAAL as percentage of covered payroll	29.7%	32.0%	235.6%
Net pension obligation (NPO) at beginning of period	-	-	-
Annual pension cost:			
Annual required contribution (ARC)	169,395	171,179	178,434
Contributions made	169,395	171,179	178,434
Increase in NPO	-	-	-
NPO at the end of the period	\$ -	\$ -	\$ -

7. INTERFUND TRANSFERS AND PAYABLES

Interfund transfers at September 30, 2003, consist of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ -	\$ 2,954
Capital Project, Library Building	2,954	-
Total	\$ 2,954	\$ 2,954

8. COMMITMENTS AND CONTINGENCIES

The City is periodically the defendant in lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and, accordingly, no provision for losses has been recorded.

The City participates in a state grant program, which is governed by various rules and regulations of the granting agency. Costs charged to the grant program are subject to audit and adjustment by the granting agency. Therefore, to the extent that the City has not complied with the rules and regulations governing the grant, refunds of any money received may be required. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grant. Accordingly, no provision has been recorded in the accompanying combined financial statements for such contingency.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2003, the City purchased general liability, property and workers' compensation insurance from the Texas Municipal League Risk Pool ("TML"). The City pays quarterly premiums to TML for such coverage. There was no change in insurance coverage from the prior year.

10. CONTRIBUTED CAPITAL

	<u>Water and Sewer</u>
Contributed capital - beginning	\$ <u>5,172,004</u>
Contributed capital - ending	\$ <u>5,172,004</u>

11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains an Enterprise Fund which is intended to be self-supporting through user fees charged for services to the public. Financial segment information as of and for the year ended September 30, 2003, follows:

	<u>Total Enterprise Funds</u>
Operating revenue	\$ 1,810,770
Depreciation	272,271
Operating income (loss)	121,189
Net income (loss)	569,741
Contributed capital beginning of year	5,172,004
Contributed capital end of year	5,172,004
Retained earnings	3,013,561
Property, plant and equipment additions	1,119,315
Net working capital	1,250,011
Total assets	11,380,381
Total equity	8,185,565

**COMBINING
FINANCIAL STATEMENTS**

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CAPITAL PROJECTS FUNDS

The *Capital Projects Funds* account for all resources used for the acquisition and/or construction of major capital facilities by the City, except those financed by the Water and Sewer Fund. The following is a description of the City's Capital Projects Funds:

Park Dedication – to account for the acquisition, improvement and maintenance of park areas funded by neighborhood park land dedication fees.

Street Construction – to account for the construction of streets from funds contributed by third parties.

1998 Certificates of Obligation – to account for the construction of street improvements and new City Hall funded by the proceeds of the certificates of obligation.

Roadway Impact Fee – to account for the assessments to developers on projects identified in the roadway impact fee study that was adopted by the City Council on May 9, 2002.

Library Building – to account for the construction of a new library from funds contributed by third parties.

CITY OF KENNEDALE, TEXAS

COMBINING BALANCE SHEET

CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2003

	<u>Park Dedication</u>	<u>Street Construction</u>	<u>1998 Certificates of Obligation</u>	<u>Roadway Impact Fee</u>	<u>Library Building Fund</u>	<u>Total</u>
ASSETS						
Assets:						
Cash and cash equivalents	\$ 6,229	\$ 3,558	\$ 1,416	\$ 908	\$ 249	\$ 12,360
Investments	<u>74,709</u>	<u>42,676</u>	<u>982,622</u>	<u>10,888</u>	<u>2,986</u>	<u>1,113,881</u>
Total Assets	\$ <u>80,938</u>	\$ <u>46,234</u>	\$ <u>984,038</u>	\$ <u>11,796</u>	\$ <u>3,235</u>	\$ <u>1,126,241</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 74,620	\$ -	\$ -	\$ 74,620
Total Liabilities	<u>-</u>	<u>-</u>	<u>74,620</u>	<u>-</u>	<u>-</u>	<u>74,620</u>
Fund Balance:						
Reserved for construction	<u>80,938</u>	<u>46,234</u>	<u>909,418</u>	<u>11,796</u>	<u>3,235</u>	<u>1,051,621</u>
Total Fund Balance	<u>80,938</u>	<u>46,234</u>	<u>909,418</u>	<u>11,796</u>	<u>3,235</u>	<u>1,051,621</u>
Total Liabilities and Fund Balance	\$ <u>80,938</u>	\$ <u>46,234</u>	\$ <u>984,038</u>	\$ <u>11,796</u>	\$ <u>3,235</u>	\$ <u>1,126,241</u>

CITY OF KENNEDALE, TEXAS

**COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES**

CAPITAL PROJECTS FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Park Dedication</u>	<u>Street Construction</u>	<u>1998 Certificates of Obligation</u>	<u>Roadway Impact Fee</u>	<u>Library Building Fund</u>	<u>Total</u>
REVENUE						
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 270	\$ 270
Investment income	973	665	34,091	40	11	35,780
Other	<u>3,330</u>	<u>-</u>	<u>-</u>	<u>30,715</u>	<u>-</u>	<u>34,045</u>
Total Revenue	<u>4,303</u>	<u>665</u>	<u>34,091</u>	<u>30,755</u>	<u>281</u>	<u>70,095</u>
EXPENDITURES						
Capital outlay	<u>14,760</u>	<u>54,264</u>	<u>618</u>	<u>18,959</u>	<u>-</u>	<u>88,601</u>
Total Expenditures	<u>14,760</u>	<u>54,264</u>	<u>618</u>	<u>18,959</u>	<u>-</u>	<u>88,601</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(10,457)	(53,599)	33,473	11,796	281	(18,506)
OTHER FINANCING USES						
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,954</u>	<u>2,954</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(10,457)	(53,599)	33,473	11,796	3,235	(15,552)
FUND BALANCE, OCTOBER 1	<u>91,395</u>	<u>99,833</u>	<u>875,945</u>	<u>-</u>	<u>-</u>	<u>1,067,173</u>
FUND BALANCE, SEPTEMBER 30	<u>\$ 80,938</u>	<u>\$ 46,234</u>	<u>\$ 909,418</u>	<u>\$ 11,796</u>	<u>\$ 3,235</u>	<u>\$ 1,051,621</u>

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STATISTICAL SECTION

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CITY OF KENNEDALE, TEXAS

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

LAST TEN FISCAL YEARS (1)
(UNAUDITED)

Fiscal Year	General Government	Public Safety	Public Works	Culture and Recreation	Debt Service	Economic Development	Total
1994 (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1995 (2)	-	-	-	-	-	-	-
1996	482,059	1,113,858	465,285	64,121	86,751	-	2,212,074
1997 (3)	605,966	1,270,837	482,969	90,467	85,602	-	2,535,841
1998	554,442	1,455,915	702,323	81,509	85,156	55,475	2,934,820
1999	638,389	1,793,998	613,052	103,534	84,139	43,289	3,276,401
2000	563,087	2,229,079	444,996	102,162	369,195	66,946	3,775,465
2001	821,352	2,437,740	428,019	130,181	263,857	131,481	4,212,630
2002	733,645	2,354,592	518,303	131,904	279,528	90,167	4,108,139
2003	876,349	2,658,585	347,854	158,760	658,911	448,083	5,148,542

- (1) Includes General Fund, Special Revenue Fund, Debt Service Fund and discretely presented component unit.
- (2) 1994 and 1995 information is not available.
- (3) The Kennedale Economic Development Corporation was established in 1997. It was included in the General Fund in 1997.

Source: Annual audited financial statements of the City.

CITY OF KENNEDALE, TEXAS
GENERAL GOVERNMENTAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS (1)
(UNAUDITED)

Fiscal Year	Taxes	Licenses and Permits	Inter- governmental	Charges for Services	Fines	Investment Income	Other	Total
(2) 1994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(2) 1995	-	-	-	-	-	-	-	-
1996	1,651,519	85,809	123,651	216,680	156,733	42,168	77,760	2,354,320
1997	1,706,157	89,529	146,127	298,046	179,112	50,460	93,436	2,562,867
1998	2,226,210	63,522	159,267	358,031	196,584	69,874	110,742	3,184,230
1999	2,379,008	124,238	156,084	372,455	264,106	110,581	60,546	3,467,018
2000	2,893,361	173,696	197,000	389,549	303,461	107,341	83,575	4,147,983
2001	3,248,275	195,288	15,000	489,122	209,723	91,038	69,032	4,317,478
2002	3,650,942	192,410	37,037	460,739	192,820	38,596	32,653	4,605,197
2003	3,849,816	203,790	37,386	368,764	253,322	24,892	121,271	4,859,241

(1) Includes General Fund, Special Revenue Fund, Debt Service Fund and discretely presented component unit.

(2) 1994 and 1995 information is not available.

Source: Annual audited financial statements of the City.

CITY OF KENNEDALE, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Total Adjusted Tax Levy</u>	<u>Collection of Current Year's Taxes</u>	<u>Percentage of Levy Collected</u>	<u>Collection and Adjustments Prior Years' Taxes</u>	<u>Total Collections and Adjustments Prior Years'</u>	<u>Ratio of Total Collections and Adjustments to Current Tax Levy</u>	<u>Accumulated Delinquent Taxes</u>	<u>Ratio of Accumulated Delinquent Taxes to Current Levy</u>
(1) 1994	\$ -	\$ -	- %	\$ -	\$ -	- %	\$ -	- %
(1) 1995	-	-	- %	-	-	- %	-	- %
1996	899,110	892,334	99.25%	13,794	906,128	100.8%	54,084	6.0%
1997	1,014,373	935,729	92.25%	16,871	952,600	93.9%	49,252	4.9%
1998	1,039,170	1,026,842	98.81%	17,063	1,043,905	100.5%	56,707	5.5%
1999	1,140,375	1,127,526	98.87%	22,043	1,149,569	100.8%	62,851	5.5%
2000	1,363,615	1,311,973	96.21%	22,665	1,334,638	97.9%	83,783	6.1%
2001	1,473,050	1,422,391	96.56%	36,004	1,458,395	99.0%	106,707	7.2%
2002	1,789,907	1,739,768	97.20%	38,266	1,778,034	99.3%	132,360	7.4%
2003	2,102,624	2,018,440	96.00%	34,386	2,052,826	97.6%	172,193	8.2%

(1) 1994 and 1995 information is not available.

Source: Tarrant County Tax Office

CITY OF KENNEDALE, TEXAS
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Real and Personal Property Assessed Value	Estimated Market Value	Ratio of Total Assessed Value to Estimated Market Value
1994	\$ 144,355,128	\$ 144,355,128	100%
1995	142,873,151	142,873,151	100%
1996	154,346,946	154,346,946	100%
1997	175,473,701	175,473,701	100%
1998	173,194,984	173,194,984	100%
1999	187,259,946	187,259,946	100%
2000	214,787,434	214,787,434	100%
2001	233,819,195	233,819,195	100%
2002	260,344,707	260,344,707	100%
2003	295,105,130	295,105,130	100%

Source: Tarrant County Appraisal District

CITY OF KENNEDALE, TEXAS

PROPERTY TAX RATES AND TAX LEVIES
DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)LAST TEN FISCAL YEARS
(UNAUDITED)

TAX RATES:

Fiscal Year	City	School	County	Tarrant County College District	Tarrant County Hospital District	Total
1994	\$ 0.508680	\$ 1.475000	\$ 0.271880	\$ 0.046710	\$ 0.242100	\$ 2.544370
1995	0.562514	1.533000	0.271870	0.056510	0.244640	2.668534
1996	0.582525	1.533000	0.266603	0.055460	0.239840	2.677428
1997	0.578077	1.593322	0.264836	0.057690	0.234070	2.727995
1998	0.600000	1.665641	0.264836	0.106410	0.234070	2.870957
1999	0.611377	1.665641	0.264836	0.106410	0.234070	2.882334
2000	0.635000	1.550816	0.264836	0.106410	0.234070	2.791132
2001	0.635000	1.612795	0.274785	0.106410	0.234070	2.863060
2002	0.692500	1.612795	0.274785	0.106410	0.234070	2.920560
2003	0.712500	1.623076	0.272600	0.139380	0.232400	2.979956

TAX LEVIES:

Fiscal Year	City	School	County	Tarrant County College District	Tarrant County Hospital District	Total
1994	\$ 734,306	\$ 4,515,921	\$ 108,538,173	\$ 22,858,785	\$ 97,675,198	\$ 234,322,383
1995	803,681	4,504,630	118,650,255	24,795,318	106,724,205	255,478,089
1996	899,110	4,898,005	125,584,484	27,566,790	110,967,692	269,916,081
1997	1,014,373	5,533,309	133,296,559	29,341,890	117,764,138	286,950,269
1998	1,039,170	5,847,545	144,477,096	58,785,283	127,693,164	337,842,258
1999	1,140,375	6,527,738	156,798,283	63,776,530	138,555,573	366,798,499
2000	1,363,615	6,631,231	157,006,004	63,882,547	138,747,489	367,630,886
2001	1,473,050	7,887,252	181,092,175	70,939,334	154,230,830	415,622,641
2002	1,789,907	8,797,552	200,826,483	78,805,815	171,040,043	461,259,800
2003	2,068,341	10,122,796	215,751,544	111,618,881	183,969,402	523,530,964

Source: Tarrant County Appraisal District, City of Kennedale, Kennedale Independent School District.

CITY OF KENNEDALE, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2003
(UNAUDITED)

Article XI, Section 5 of the State of Texas Constitution states in part: "no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such city.

The City Charter of the City of Kennedale, Texas, does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to \$2.50 per \$100 assessed valuation.

Tax Rate Limit	\$ 2.5000
Current Tax Rate	<u>0.7125</u>
Available Tax Rate	\$ <u>1.7875</u>

No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

CITY OF KENNEDALE, TEXAS

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

Fiscal Year	Population	(1) Assessed Value	(2) (3) Bonded Debt	(3) Less Debt Service Funds	(3) Net Bonded Debt	(3) Net Bonded Debt as a Percent of Assessed Value	(3) Net Bonded Debt Per Capita
1994	4,450	\$ 144,355,128	\$ -	\$ -	\$ -	- %	\$ -
1995	4,850	142,873,151	-	-	-	- %	-
1996	5,000	154,346,946	252,900	18,144	234,756	0.15%	47
1997	5,300	175,473,701	233,400	12,059	221,341	0.13%	42
1998	5,400	173,194,984	308,200	10,412	297,788	0.17%	37
1999	5,850	187,259,946	3,283,000	6,369	3,276,631	1.75%	560
2000	5,850	214,787,434	3,255,900	548	3,255,352	1.52%	556
2001	5,950	233,819,195	3,228,800	5,062	3,223,738	1.38%	542
2002	6,100	260,344,707	3,196,700	21,633	3,175,067	1.22%	521
2003	6,150	295,105,130	3,162,700	23,251	3,139,449	1.06%	510

(1) Includes adjustments to certified rolls.

(2) General obligation bonds reported in proprietary funds have been excluded.

(3) 1994 and 1995 information is not available.

CITY OF KENNEDALE, TEXAS

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURESLAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u> (1)	<u>Debt Service As a Percent of Total General Expenditures</u>
1994 (2)	\$ -	\$ -	\$ -	\$ -	- %
1995 (2)	-	-	-	-	- %
1996	79,986	6,765	86,751	2,685,827	3.23%
1997	65,487	20,115	85,602	2,535,841	3.38%
1998	71,187	13,969	85,156	2,934,820	2.90%
1999	71,187	43,048	114,235	3,403,841	3.36%
2000	92,730	276,465	369,195	4,426,420	8.34%
2001	85,419	178,438	263,857	5,915,148	4.46%
2002	96,220	183,308	279,528	4,432,263	6.31%
2003	122,036	176,198	298,234	4,789,060	6.23%

(1) Includes all governmental funds.

(2) 1994 and 1995 information is not available.

Source: Annual audited financial statements of the City

CITY OF KENNEDALE, TEXAS

COMPUTATION OF DIRECT AND ESTIMATED OVERLAPPING
BONDED DEBT PAYABLE FROM AD VALOREM TAXESSEPTEMBER 30, 2003
(UNAUDITED)

<u>Taxing Jurisdiction</u>	<u>Gross Bonded Debt</u>	<u>Percentage of Debt Applicable to Area</u>	<u>Kennedale Geographical Area Share of Debt</u>
Arlington ISD	\$ 534,945,091 **		\$ -
Fort Worth ISD	398,134,263	0.02%	79,627
Kennedale ISD	15,220,000	44.67%	6,798,774
Tarrant County	153,200,000	0.35%	536,200
Tarrant County College District	76,790,000	0.35%	268,765
Tarrant County Hospital District	-	0.35%	-
Total Overlapping Debt	1,178,289,354		7,683,366
City of Kennedale	<u>5,185,000</u>	100.00%	<u>5,185,000</u>
Total Direct and Overlapping Debt	<u>\$ 1,183,474,354</u>		<u>\$ 12,868,366</u>
Percentage of Assessed Value			4.35%
Average Debt Per Capita			\$ 2,110

** Less than 0.01%

Source: First Southwest Company

CITY OF KENNEDALE, TEXAS

REVENUE BOND COVERAGE: WATER AND WASTEWATER BONDS

LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Gross Revenue (1)</u>	<u>Direct Operating Expenses (Net of Depreciation) (2)</u>	<u>Net Revenue Available for Debt Service (3)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
1994 (4) \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1995 (4)	-	-	-	-	-	-	-
1996	1,128,666	782,896	345,770	28,210	9,212	37,422	9.24
1997	1,128,248	864,978	263,270	29,622	6,416	36,038	7.31
1998	1,260,174	974,314	285,860	30,225	6,820	37,045	7.72
1999	1,344,777	965,463	379,314	103,045	63,752	166,797	2.27
2000	1,594,415	1,121,612	472,803	106,624	57,971	164,595	2.87
2001	1,566,188	1,001,241	564,947	166,099	55,539	221,638	2.55
2002	1,799,370	1,180,649	618,721	156,605	61,514	218,119	2.84
2003	1,810,770	1,417,310	393,460	154,803	57,579	212,382	1.85

(1) Gross revenue includes all water and sewer revenue exclusive of impact fees and capital contributions.

(2) Direct operating expenses include all water and sewer operating expenses, less depreciation.

(3) Average annual debt service is the average principal and interest payments due over the remaining term of commitment for Certificates of Obligation and State Infrastructure Loan.

(4) 1994 and 1995 information is not available.

CITY OF KENNEDALE, TEXAS

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Median Household Income</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
1994	4,450	\$ 29,221	\$ 13,082	31.7	1,948	3.2%
1995	4,850	29,221	13,082	31.7	2,112	2.9%
1996	5,000	29,221	13,082	31.7	2,291	2.1%
1997	5,300	29,221	13,082	31.7	2,388	2.1%
1998	5,400	29,221	13,082	31.7	2,467	1.9%
1999	5,850	29,221	13,082	31.7	2,520	1.9%
2000	5,850	49,091	53,901	34.7	2,567	1.9%
2001	5,950	49,091	53,901	34.7	2,732	2.7%
2002	6,100	49,091	53,901	34.7	2,745	3.8%
2003	6,150	49,091	53,901	34.7	2,940	3.8%

Data Sources:

Estimated Population - U. S. Census Bureau (2000 population) and North Central Texas Council of Governments

Median Household Income - U. S. Census Bureau (compiled every 10 years)

Per Capita Income - U. S. Census Bureau (compiled every 10 years)

Median Age - U. S. Census Bureau (compiled every 10 years)

School Enrollment - Kennedale Independent School District

Unemployment - Texas Workforce Commission

CITY OF KENNEDALE, TEXAS
CONSTRUCTION ACTIVITY AND PROPERTY VALUE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Total Property Value (2)	Construction (1)			
		Number of Permits	Commercial Value	Number of Permits	Residential Value
1994	\$ 144,355,128	4	\$ 340,500	51	\$ 4,677,700
1995	142,873,151	4	200,014	44	4,595,479
1996	154,346,946	-	-	47	5,018,493
1997	175,473,701	-	-	48	7,464,621
1998	173,194,984	4	2,518,000	23	3,065,458
1999	187,259,946	2	193,000	26	2,988,598
2000	214,787,434	4	655,000	72	8,308,560
2001	233,819,195	5	1,875,877	56	8,559,230
2002	260,344,707	2	531,625	52	10,499,254
2003	295,105,130	5	986,000	37	6,462,578

(1) City of Kennedale - Public Works Department

(2) Tarrant County Tax Assessor-Collector

CITY OF KENNEDALE, TEXAS

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2003
(UNAUDITED)

Taxpayer	Type of Business	2001-2002 Assessed Valuation (1)	Percentage of Total Assessed Value
Heidelberg Web Press, Inc.	Manufacturer	\$ 13,796,377	4.67%
Southwestern Bell	Telephone company	9,578,254	3.24%
Oncor Electric Delivery Co. and TXU Gas District	Utility	7,070,831	2.39%
Poly One Corp & MA Hanna Co.	Manufacturer	3,846,683	1.30%
Harrison Jet Guns	Manufacturer	2,852,560	0.96%
Snikwah, LP	Developer	2,817,664	0.95%
Tealwood Apartments Co., Ltd.	Apartments	2,167,165	0.73%
Bloxom, D. E. Sr. Foundation, LLC	Manufacturer	2,046,954	0.69%
Sovran Acquisition, Ltd. Partnership	Developer	1,930,530	0.65%
Hawksteel Industrial, Inc.	Manufacturer	1,683,190	0.57%
Total		\$ 47,790,208	16.15%

(1) Source: Tarrant County Appraisal District

CITY OF KENNEDALE, TEXAS
MISCELLANEOUS STATISTICAL DATA
SEPTEMBER 30, 2003
(UNAUDITED)

Date of Incorporation:	July 1947	Public Library	1
Date of City Charter Adoption:	January 22, 1998	Number of volumes	13,327
Population:	6,150	Annual circulation	14,733
Area (square miles)	6.0664		
		Parks:	
Form of Government:	Council-Manager	Number of acres	19
Council Members	6	Public parks	2
Employees	69		
		Community Center	1
Street System:		Senior Recreation Center	1
Miles of paved	39.48 miles		
Number street lights	193	Public Education:	
		Number of students	2,940
Building Permits:		Average daily attendance	2,757
Permits issued	42	Number of teachers	184
Estimated cost	\$7,448,578	Primary schools	1
		Elementary schools	2
Fire Protection:		Jr. High school	1
Stations	1	High school	1
Fire fighters	15		
Chief	1	Elections:	
Administrative assistant	1	Registered voters	3,577
		Number of votes cast in	
Police Protection:		last general election	504
Station	1	Percentage of votes	
Police officers	18	cast to number of	
Dispatches	5	registered voters	14.09%
Animal control officer	1		
Chief	1		
Administrative assistant	1		
Water System:			
Number customers	2,129		
Daily average consumption (gallons)	757,549		
Storage capacity (million gallons)	3		
Miles of water mains	49		
Number of fire hydrants	306		
Sewer System:			
Sewer connections	1,907		
Miles of sewers:			
Storm	2		
Sanitary	38		

CITY OF KENNEDALE, TEXAS

SCHEDULE OF INSURANCE IN FORCE

SEPTEMBER 30, 2003

(UNAUDITED)

<u>Name of Company</u>	<u>Type of Coverage</u>	<u>Limits of Coverage</u>	<u>Self-Insured Deductibles</u>	<u>Premium</u>
TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL				
Policy No. 3895				
Policy Period: 10/01/02 - 09/30/03				
1. Property	Real and Personal Property	\$ 9,702,622	\$ 2,500	\$ 11,247
	Sublimits:			
	Transit	1,000,000		
	Valuable papers/EDP media	100,000		
	Accounts receivable	15,000		
	Loss of revenue/extra expense	25,000		
	Personal effects	5,000		
	Leasehold interests	5,000		
	Outdoor trees and shrubs	10,000		
	Mobile Equipment	168,684	2,500	832
	Auto Physical Damage	Per Vehicle Per Occurrence	Per schedule 1,000 10,000	6,558
2. Liability	General	Per Occurrence Annual Aggregate	1,000,000 2,000,000	5,000 -
	Automobile	Per Occurrence	1,000,000	5,000
	Sublimit - medical payment	Per Person	25,000	14,240
	Law enforcement	Per Occurrence Annual Aggregate	1,000,000 2,000,000	5,000
	Errors and omissions	Each Wrongful Act Annual Aggregate	1,000,000 2,000,000	5,000
3. Workers' Compensation		Per Accident Annual Aggregate	Statutory -	- 40,982
4. Crime	Public Employee Dishonesty		100,000	2,000
	Theft, disappearance, destruction	Inside Limit	4,500	-
		Outside Limit	4,350	-

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