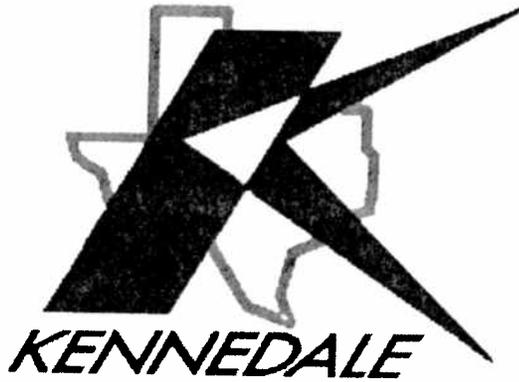


COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF KENNEDALE, TEXAS

**YEAR ENDED
SEPTEMBER 30, 2002**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF KENNEDALE, TEXAS

**YEAR ENDED
SEPTEMBER 30, 2002**

Prepared by: Department of Finance

CITY OF KENNEDALE, TEXAS

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CITY OF KENNEDALE, TEXAS

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INTRODUCTORY SECTION

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January 12, 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, 2002, 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. 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 south part of the City to service businesses and residential homes, conversion of outdated water meters, the widening of Business Highway 287 to a six lane major thoroughfare, the widening of Dick Price Road, and the realignment and construction of Bowman Springs Road. The latter two projects will provide additional north/south corridors through the City. The City also annexed additional land and purchased a new ambulance this fiscal year.

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 construction of a new two million gallon overhead water tank. 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, 2002, 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 2001</u>	<u>Percentage Increase (Decrease) from 2001</u>
Property taxes	\$ 1,806,590	42.2%	\$ 321,019	21.61%
Sales taxes	1,001,502	23.4%	(27,007)	(2.63%)
Franchise taxes	513,020	12.0%	117,924	29.58%
Licenses and permits	192,410	4.5%	(72,808)	(28.42%)
Intergovernmental	37,037	0.9%	22,037	146.91%
Charges for services	460,739	10.8%	(28,383)	(5.80%)
Fines	192,820	4.5%	(16,903)	(8.06%)
Investment earnings	17,910	0.4%	(119,481)	(86.96%)
Contributions	20,949	0.5%	20,949	N/A
Other	39,979	0.9%	(29,053)	(42.09%)
Totals	<u>\$ 4,282,956</u>	<u>100.0%</u>	<u>\$ 188,294</u>	4.60%

Revenue collections for general government functions for fiscal year 2002, total \$4,282,956 and represent a 4.6% increase over the prior fiscal year. The increase in property tax revenue was the result of an increased tax rate to 0.6925 per \$100 from 0.635 per \$100 and the increased valuation of taxable property to \$1,789,907 from \$1,473,050. 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. Investment earnings decreased in the current year due to a sharp decline in interest rates.

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, 2002, 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 2001</u>	<u>Percentage Increase (Decrease) from 2001</u>
General Government	\$ 733,645	18.3%	\$ (87,707)	(10.68%)
Public Safety	2,354,592	58.6%	(83,148)	(3.41%)
Public Works	518,303	12.9%	90,284	21.09%
Culture and recreation	131,904	3.3%	1,723	1.32%
Debt Service:				
Principal	96,220	2.4%	10,801	12.64%
Interest and fiscal charges	<u>183,308</u>	<u>4.6%</u>	<u>4,870</u>	2.73%
Totals	\$ <u>4,017,972</u>	<u>100.0%</u>	\$ (<u>63,177</u>)	(1.55%)

There is an overall \$63,177 (1.55%) decrease in expenditures in the General Fund, Special Revenue Fund and Debt Service Fund. The decrease in general government and public safety is due to decreases in vehicle and equipment purchases. The increase in public works is due to an increase in street construction.

General Fund Balance. The total fund balance of the General Fund is \$943,071, which represents a \$215,334 increase from prior year. This was due to the increase in revenue collection and decrease in expenditures.

Proprietary Operations

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

The City's water and sewer system shows gross revenue of \$1,799,370, which is an increase of \$233,182, due to an increase of rate and water consumption. Comparative data for the past two fiscal years are presented in the following table:

	Fiscal Year 2002	Increase (Decrease) from 2001
Gross revenue (includes investment income)	\$ 1,799,370	\$ 233,182
Direct operating expenses (excludes depreciation)	1,180,649	179,408
Income available for debt service	618,721	53,774
Average Annual Debt Service	218,119	(3,519)
Total Debt Coverage Ratio	2.84	0.29

Debt Administration

As of September 30, 2002, the City had \$6,694,501 in outstanding bond indebtedness, capital leases and loan payable. Of this amount, \$15,000 was general obligation bonds, \$5,300,000 was Combination Tax and Waterworks and Sewer System Revenue Certificates of Obligation, \$522,312 capital leases, and \$857,189 loan payable. Each category of debt is scheduled to be fully retired by 2024.

In 1998, Moody's Investors Service assigned a Baal 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 and Ambulance Enterprise Fund. As of September 30, 2002, general fixed assets amounted to \$11,947,595. 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, 2002, are classified in the lowest risk category as defined by the Governmental Accounting Standards Board.

Risk Management

During fiscal year 2002, 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.

Acknowledgements

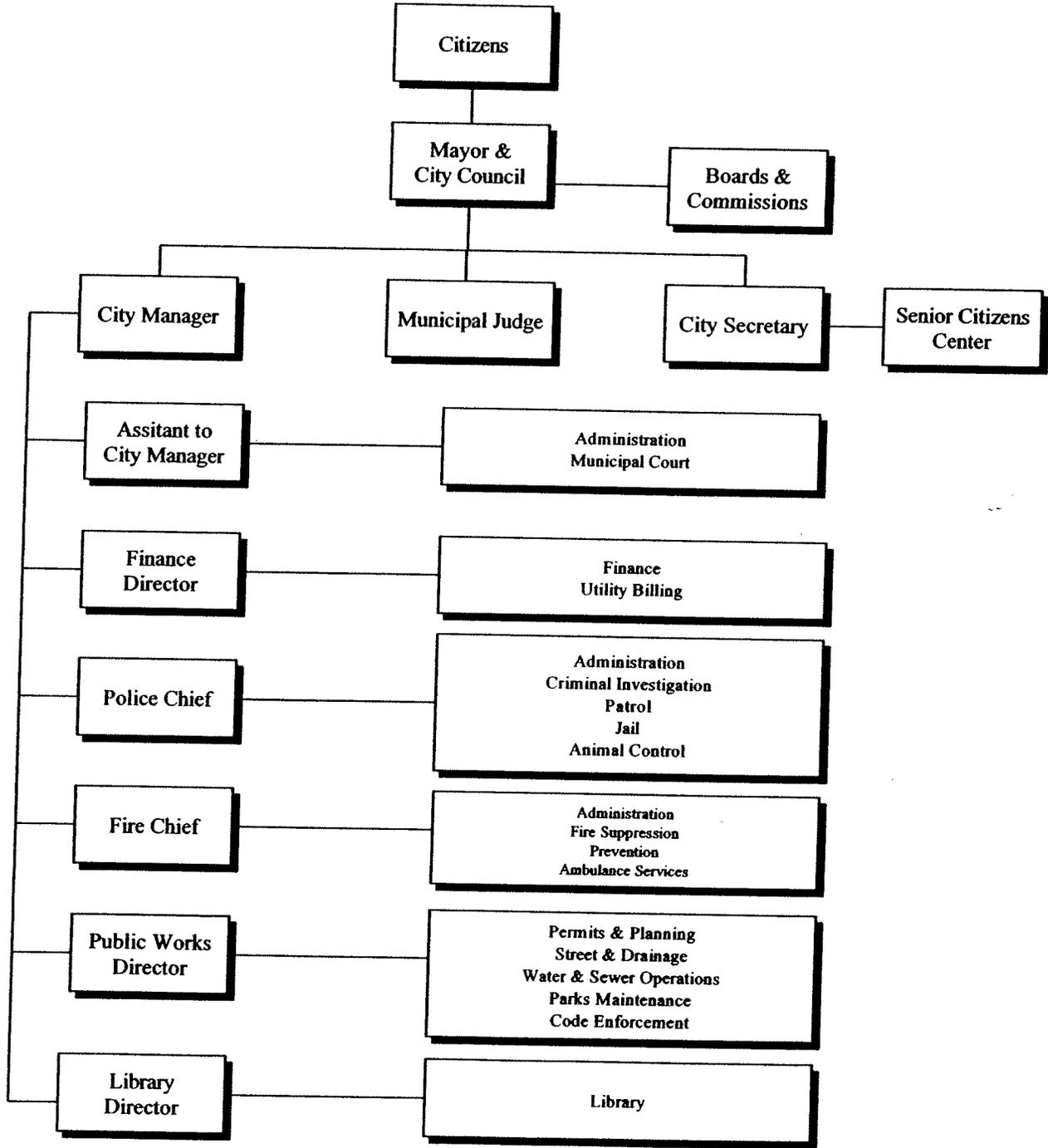
The preparation of this report could not be accomplished on a timely basis without the efficient and dedicated endeavors of the entire staff of the Finance Department and our independent auditors. We would like to express our sincere appreciation to all employees who contributed to the preparation. We 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

**CITY OF KENNEDALE, TEXAS
ORGANIZATION CHART**



CITY OF KENNEDALE, TEXAS

PRINCIPAL OFFICIALS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

ELECTED OFFICIALS

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

Mark Wright
Ron Kovach
George Barrett
John Clark
Ray Cowan
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

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, 2002, 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 in the first paragraph present fairly, in all material respects, the financial position of the City of Kennedale, Texas, as of September 30, 2002, 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, LLP

December 5, 2002

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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, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents	\$ 148,971	\$ 2,355	\$ 969	\$ 42,023
Investments	678,069	10,767	19,459	1,288,595
Receivables (net of allowance for estimated uncollectible accounts of \$90,558):				
Taxes	293,188	-	21,638	-
Accounts	70,823	-	-	-
Inventory	-	-	-	-
Due from other funds	40,000	-	-	-
Prepaid items	-	-	-	-
Restricted assets:				
Investments - customer deposits	-	-	-	-
Unamortized bond issuance costs	-	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation of \$2,063,310)	-	-	-	-
Other debits:				
Amount available in Debt Service Fund	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
	-	-	-	-
Total assets and other debits	\$ 1,231,051	\$ 13,122	\$ 42,066	\$ 1,330,618

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					
\$ 321,639	\$ -	\$ -	\$ 515,957	\$ 217,136	\$ 733,093
1,001,222	-	-	2,998,112	992,671	3,990,783
-	-	-	314,826	59,527	374,353
354,198	-	-	425,021	-	425,021
27,397	-	-	27,397	-	27,397
-	-	-	40,000	-	40,000
571,011	-	-	571,011	-	571,011
128,305	-	-	128,305	-	128,305
20,671	-	-	20,671	-	20,671
8,693,999	11,947,595	-	20,641,594	47,391	20,688,985
-	-	21,633	21,633	-	21,633
-	-	<u>3,682,328</u>	<u>3,682,328</u>	-	<u>3,682,328</u>
<u>\$ 11,118,442</u>	<u>\$ 11,947,595</u>	<u>\$ 3,703,961</u>	<u>\$ 29,386,855</u>	<u>\$ 1,316,725</u>	<u>\$ 30,703,580</u>

(continued)

CITY OF KENNEDALE, TEXAS

COMBINED BALANCE SHEET

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

(Continued)

SEPTEMBER 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 131,551	\$ 7,139	\$ -	\$ 243,904
Accrued liabilities	39,135	-	-	19,541
Certificates of obligation - current	-	-	-	-
Capital lease obligations - current	-	-	-	-
Loan payable - current	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	11,967	-	-	-
Deferred revenue	105,327	-	20,433	-
Payable from restricted assets:				
Deposits	-	-	-	-
Capital lease obligations payable	-	-	-	-
Loan payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Certificates of obligation payable	-	-	-	-
Compensated absences payable	-	-	-	-
Total liabilities	<u>287,980</u>	<u>7,139</u>	<u>20,433</u>	<u>263,445</u>
Equity and other credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings	-	-	-	-
Fund balances:				
Unreserved and undesignated	871,422	5,983	-	-
Reserved for debt service	-	-	21,633	-
Reserved for construction	-	-	-	1,067,173
Reserved for library and park	14,031	-	-	-
Reserved for court security and technology	42,059	-	-	-
Designated for volunteer incentive program	15,559	-	-	-
Total equity and other credits	<u>943,071</u>	<u>5,983</u>	<u>21,633</u>	<u>1,067,173</u>
Total liabilities, equity and other credits	<u>\$ 1,231,051</u>	<u>\$ 13,122</u>	<u>\$ 42,066</u>	<u>\$ 1,330,618</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					
\$ 139,422	\$ -	\$ -	\$ 522,016	\$ 548	\$ 522,564
42,264	-	-	100,940	397	101,337
96,000	-	-	96,000	-	96,000
95,465	-	-	95,465	-	95,465
93,029	-	-	93,029	-	93,029
40,000	-	-	40,000	-	40,000
-	-	-	11,967	-	11,967
-	-	-	125,760	-	125,760
128,305	-	-	128,305	-	128,305
-	-	426,847	426,847	-	426,847
764,160	-	-	764,160	-	764,160
-	-	15,000	15,000	-	15,000
2,022,300	-	3,181,700	5,204,000	-	5,204,000
16,647	-	80,414	97,061	-	97,061
<u>3,437,592</u>	<u>-</u>	<u>3,703,961</u>	<u>7,720,550</u>	<u>945</u>	<u>7,721,495</u>
-	11,947,595	-	11,947,595	47,391	11,994,986
5,177,907	-	-	5,177,907	-	5,177,907
2,502,943	-	-	2,502,943	-	2,502,943
-	-	-	877,405	1,268,389	2,145,794
-	-	-	21,633	-	21,633
-	-	-	1,067,173	-	1,067,173
-	-	-	14,031	-	14,031
-	-	-	42,059	-	42,059
-	-	-	15,559	-	15,559
<u>7,680,850</u>	<u>11,947,595</u>	<u>-</u>	<u>21,666,305</u>	<u>1,315,780</u>	<u>22,982,085</u>
<u>\$ 11,118,442</u>	<u>\$ 11,947,595</u>	<u>\$ 3,703,961</u>	<u>\$ 29,386,855</u>	<u>\$ 1,316,725</u>	<u>\$ 30,703,580</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, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUE				
Taxes:				
Property	\$ 1,511,903	\$ -	\$ 294,687	\$ -
Franchise	513,020	-	-	-
Sales	1,001,502	-	-	-
Licenses and permits	192,410	-	-	-
Intergovernmental	37,037	-	-	-
Charges for services	460,739	-	-	-
Fines	192,820	-	-	-
Contributions	-	-	-	-
Investment income	17,517	160	1,412	(1,179)
Other	20,766	11,887	-	7,326
Total Revenue	<u>3,947,714</u>	<u>12,047</u>	<u>296,099</u>	<u>27,096</u>
EXPENDITURES				
Current:				
General government	733,645	-	-	-
Public safety	2,347,453	7,139	-	-
Public works	518,303	-	-	-
Culture and recreation	131,904	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	414,291
Debt service:				
Principal	-	-	96,220	-
Interest and fiscal charges	-	-	183,308	-
Total Expenditures	<u>3,731,305</u>	<u>7,139</u>	<u>279,528</u>	<u>414,291</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>216,409</u>	<u>4,908</u>	<u>16,571</u>	<u>(387,195)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	1,075	-	-
Operating transfers out	(1,075)	-	-	-
Total Other Financing Sources (Uses)	<u>(1,075)</u>	<u>1,075</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	215,334	5,983	16,571	(387,195)
FUND BALANCE, OCTOBER 1	<u>727,737</u>	<u>-</u>	<u>5,062</u>	<u>1,454,368</u>
FUND BALANCE, SEPTEMBER 30	<u>\$ 943,071</u>	<u>\$ 5,983</u>	<u>\$ 21,633</u>	<u>\$ 1,067,173</u>

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>
\$ 1,806,590	\$ -	\$ 1,806,590
513,020	-	513,020
1,001,502	329,830	1,331,332
192,410	-	192,410
37,037	-	37,037
460,739	-	460,739
192,820	-	192,820
20,949	-	20,949
17,910	19,507	37,417
39,979	-	39,979
<u>4,282,956</u>	<u>349,337</u>	<u>4,632,293</u>
733,645	-	733,645
2,354,592	-	2,354,592
518,303	-	518,303
131,904	-	131,904
-	90,167	90,167
414,291	-	414,291
96,220	-	96,220
183,308	-	183,308
<u>4,432,263</u>	<u>90,167</u>	<u>4,522,430</u>
(149,307)	259,170	109,863
1,075	-	1,075
(1,075)	-	(1,075)
-	-	-
(149,307)	259,170	109,863
<u>2,187,167</u>	<u>1,009,219</u>	<u>3,196,386</u>
<u>\$ 2,037,860</u>	<u>\$ 1,268,389</u>	<u>\$ 3,306,249</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, 2002

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Taxes:			
Property	\$ 1,545,585	\$ 1,511,903	\$(33,682)
Franchise	423,360	513,020	89,660
Sales	951,500	1,001,502	50,002
Licenses and permits	130,050	192,410	62,360
Intergovernmental	16,000	37,037	21,037
Charges for services	485,876	460,739	(25,137)
Fines	180,000	192,820	12,820
Investment income	40,000	17,517	(22,483)
Other	15,900	20,766	4,866
Total Revenue	3,788,271	3,947,714	159,443
EXPENDITURES			
Current:			
General government	576,121	733,645	(157,524)
Public safety	2,438,923	2,347,453	91,470
Public works	613,363	518,303	95,060
Culture and recreation	132,974	131,904	1,070
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	3,761,381	3,731,305	30,076
EXCESS OF REVENUE OVER EXPENDITURES	26,890	216,409	189,519
OTHER FINANCING USES			
Transfers out	-	(1,075)	(1,075)
Total Other Financing Uses	-	(1,075)	(1,075)
EXCESS OF REVENUE OVER EXPENDITURES AND OTHER FINANCING USES	26,890	215,334	188,444
FUND BALANCE, OCTOBER 1	727,737	727,737	-
FUND BALANCE, SEPTEMBER 30	\$ 754,627	\$ 943,071	\$ 188,444

The accompanying notes are an integral part of this statement.

Debt Service		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 293,302	\$ 294,687	\$ 1,385
-	-	-
-	-	-
-	-	-
-	-	-
1,500	1,412	(88)
<u>-</u>	<u>-</u>	<u>-</u>
<u>294,802</u>	<u>296,099</u>	<u>1,297</u>
-	-	-
-	-	-
-	-	-
-	-	-
104,219	96,220	7,999
<u>185,821</u>	<u>183,308</u>	<u>2,513</u>
<u>290,040</u>	<u>279,528</u>	<u>10,512</u>
<u>4,762</u>	<u>16,571</u>	<u>11,809</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
4,762	16,571	11,809
<u>5,062</u>	<u>5,062</u>	<u>-</u>
<u>\$ 9,824</u>	<u>\$ 21,633</u>	<u>\$ 11,809</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, 2002

OPERATING REVENUE	
Charges for services	\$ <u>2,085,612</u>
Total Operating Revenue	<u>2,085,612</u>
OPERATING EXPENSES	
Personnel	438,082
Maintenance	250,301
Supplies	67,121
Utilities	578,523
Other	69,019
Depreciation	276,641
Bad debts	<u>134,347</u>
Total Operating Expenses	<u>1,814,034</u>
OPERATING INCOME	<u>271,578</u>
NONOPERATING REVENUE (EXPENSES)	
Impact fees	60,457
Capital contributions	446,544
Intergovernmental	1,076
Investment income	25,625
Other	1,153
Interest expense and fees	<u>(127,154)</u>
Total Nonoperating Revenue (Expenses)	<u>407,701</u>
NET INCOME	679,279
RETAINED EARNINGS, OCTOBER 1	<u>1,823,664</u>
RETAINED EARNINGS, SEPTEMBER 30	<u>\$ 2,502,943</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, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 271,578
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	276,641
Amortization of bond issuance costs	2,049
Change in assets and liabilities:	
Increase in accounts receivable	(34,334)
Increase in inventory	(6,888)
Decrease in accounts payable	104,480
Increase in prepaid expenses	(571,011)
Increase in accrued liabilities	18,229
Increase in deposits	6,285
Decrease in due to other funds	(348,699)
Increase in compensated absences	(3,192)
Net Cash Used by Operating Activities	<u>(284,862)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on bond maturities	(285,334)
Interest paid	(127,154)
Proceeds from issuance of debt	959,489
Acquisition and construction of capital assets	(685,959)
Capital contributions	446,544
Net Cash Provided by Capital Activities and Related Financing	<u>307,586</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Impact fees	60,457
Grants	1,076
Net Cash Provided by Noncapital Financing Activities	<u>61,533</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net maturities of investments	55,035
Interest received	25,625
Net Cash Provided by Investing Activities	<u>80,660</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	164,917
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>156,722</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 321,639</u>

The accompanying notes are an integral part of this statement.

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CITY OF KENNEDALE, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

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, 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 and sewer system and ambulance service are 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.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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. 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, 2002, 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, 2002, the carrying amount of the primary government's cash on hand and deposits was \$515,957 and the carrying amount of deposits for the Kennedale Economic Development Corporation (KEDC), a discretely presented component unit, was \$217,136. Both amounts are maintained in a consolidated cash account, with a cash balance of \$657,875 at September 30, 2002. The bank balance was 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, 2002, the primary government's investments consisted of:

	<u>Fair Value</u>
State Treasurer's Investment Pool (TexPool) (uncategorized)	\$ 969,080
Lone Star Investment Pool (uncategorized)	926,049
Federated money market fund (uncategorized)	<u>1,231,288</u>
	<u>\$ 3,126,417</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)	\$ 470,028
Lone Star Investment Pool (uncategorized)	456,231
Federated money market fund (uncategorized)	<u>66,412</u>
	<u>\$ 992,671</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, 2002, the City had a tax rate of \$.6925 per \$100, of which \$.579841 was allocated for general government and \$.112659 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, 2002, follows:

	Water and Sewer	Ambulance
Land	\$ 194,538	\$ -
Buildings, structures and improvements	9,850,997	-
Machinery and equipment	<u>529,961</u>	<u>157,065</u>
	10,575,496	157,065
Less: accumulated depreciation	<u>(2,207,722)</u>	<u>(132,230)</u>
	8,367,774	24,835
Construction in progress	<u>301,390</u>	<u>-</u>
Total	<u>\$ 8,669,164</u>	<u>\$ 24,835</u>

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

	Balance October 1, 2001	Additions	Retirements	Balance September 30, 2002
Land, buildings and improvements	\$ 3,687,818	\$ 14,517	\$ -	\$ 3,702,335
Machinery and equipment	1,685,930	44,254	-	1,730,184
Streets and other improvements	4,556,378	923,359	-	5,479,737
Construction in progress	<u>642,164</u>	<u>507,137</u>	<u>(113,962)</u>	<u>1,035,339</u>
Total	<u>\$ 10,572,290</u>	<u>\$ 1,489,267</u>	<u>\$(113,962)</u>	<u>\$ 11,947,595</u>

5. LONG-TERM LIABILITIES

The following is a summary of transactions affecting long-term liabilities for the year ended September 30, 2002:

	Balance October 1, 2001	Additions	Retirements	Balance September 30, 2002
General Long-term Liabilities:				
General obligation bonds	\$ 30,000	\$ -	\$ 15,000	\$ 15,000
Certificate of obligation	3,198,800	-	17,100	3,181,700
Capital leases	488,966	-	62,119	426,847
Compensated absences	118,968	-	38,554	80,414
Total	<u>3,836,734</u>	<u>-</u>	<u>132,773</u>	<u>3,703,961</u>
Proprietary Fund Type:				
Liabilities:				
Certificates of obligation	2,211,200	-	92,900	2,118,300
Capital leases	185,599	-	90,134	95,465
Loan payable	-	857,189	-	857,189
Compensated absences	<u>19,839</u>	<u>-</u>	<u>3,192</u>	<u>16,647</u>
Total	<u>2,416,638</u>	<u>857,189</u>	<u>186,226</u>	<u>3,087,601</u>

(continued)

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

General obligation bonds, certificates of obligation and capital leases outstanding at September 30, 2002, consist of the following individual issues:

	<u>Balance September 30, 2002</u>
General Long-term Liabilities	
<u>General Obligation Bonds</u>	
\$15,000 1965 General Obligation Bonds, due in annual installments through May 1, 2003, 5.5%	\$ 15,000
Total General Obligation Bonds Payable	<u>\$ 15,000</u>
<u>Certificates of Obligation</u>	
\$172,900 1996 Certificates of Obligation, due in annual installments through February 15, 2006, 4.25% - 5.50%	\$ 81,700
\$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>\$ 3,181,700</u>
<u>Capital Lease Obligations</u>	
\$323,291 1993 Capital Lease Purchase, due in annual installments through May 15, 2003, 6.98%	\$ 42,986
\$446,200 1999 Capital Lease Purchase, due in annual installments through February 1, 2014, 5.68%	<u>383,861</u>
Total Capital Lease Obligations	<u>\$ 426,847</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%	\$ 133,300
\$2,050,000 1998 Certificates of Obligation, due in annual installments through February 15, 2021, 4.8% - 5.875%	<u>1,985,000</u>
Total Certificates of Obligation	<u>\$ 2,118,300</u>

(continued)

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

	<u>Balance September 30,</u>
<u>Capital Lease Obligations</u>	
\$270,669 2001 capital lease purchase, due in semi-annual installments through August 1, 2003, 5.83%	\$ <u>95,465</u>
<u>Loan Payable</u>	
\$857,189 2002 State Infrastructure Bank loan payable	\$ <u>857,189</u>

The annual requirements to amortize the Certificates of Obligation as of September 30, 2002, 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>
2003	\$ 169,624	\$ 195,505	\$ 365,129
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 and thereafter	3,928,177	2,188,794	6,116,971
Total Minimum Certificates of Obligation Payments	5,095,920	3,125,727	8,221,647
Less: amount representing interest	1,914,220	1,007,427	2,921,647
Total Certificates of Obligation Principal Payments	\$ 3,181,700	\$ 2,118,300	\$ 5,300,000

The annual requirements to amortize the general obligation bonds as of September 30, 2002, are as follows:

<u>Fiscal Year</u>	<u>General Long-term Debt Account Group</u>
2003	\$ <u>15,788</u>
Total minimum general obligation bond payments	15,788
Less: amount representing interest	788
Total General Obligation Bond Principal Payments	\$ <u>15,000</u>

(continued)

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

The annual requirements to amortize the loan payable as of September 30, 2002, are as follows:

<u>Fiscal Year</u>	<u>General Long-term Debt Account Group</u>
2003	\$ 127,316
2004	127,316
2005	127,316
2006	127,316
2007	127,316
2008 and thereafter	<u>381,951</u>
Total minimum loan payments	1,018,531
Less: amount representing interest	<u>161,342</u>
Total Loan Principal Payments	<u>\$ 857,189</u>

Capital Leases

Property acquired through capital leases at September 30, 2002, is capitalized in the General Fixed Assets Account Group. The amount of these assets is \$1,037,990.

Below is a schedule summarizing future minimum capital lease payments using the present value of the payments at September 30, 2002:

<u>Year Ending September 30,</u>	<u>General Long-term Debt Account Group</u>	<u>Water and Sewer</u>
2003	\$ 90,975	\$ 99,659
2004	44,988	-
2005	44,988	-
2006	44,988	-
2007	44,988	-
Thereafter	<u>319,112</u>	<u>-</u>
Total minimum lease payments	590,039	99,659
Less: amount representing interest	<u>163,192</u>	<u>4,194</u>
Present value of net minimum lease payments	<u>\$ 426,847</u>	<u>\$ 95,465</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, 2001, valuations are contained in the 2001 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

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.

(continued)

6. RETIREMENT PLAN (Continued)

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 unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the 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, 2001, valuation is effective for rates beginning January 2003.)

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	12/31/99	12/31/00	12/31/01
Actuarial value of assets	\$ 981,167	\$ 1,267,758	\$ 1,526,096
Actuarial accrued liability	1,484,323	1,856,751	2,181,666
Percentage funded	66.1%	68.3%	70.0%
Unfunded actuarial accrued liability (UAAL)	503,156	588,993	655,570
Annual covered payroll	1,821,787	1,982,129	2,046,351
UAAL as percentage of covered payroll	27.6%	29.7%	32.0%
Net pension obligation (NPO) at beginning of period	-	-	-
Annual pension cost:			
Annual required contribution (ARC)	141,492	169,395	171,179
Contributions made	141,492	169,395	171,179
Increase in NPO	-	-	-
NPO at the end of the period	\$ -	\$ -	\$ -

7. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at September 30, 2002, consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Due from</u>	<u>Due to</u>
General	\$ 40,000	\$ -
Ambulance	-	<u>40,000</u>
Total	<u>\$ 40,000</u>	<u>\$ 40,000</u>

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 2002, 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>	<u>Ambulance</u>	<u>Total Enterprise Funds</u>
Contributed capital - beginning	\$ <u>5,172,004</u>	\$ <u>5,903</u>	\$ <u>5,177,907</u>
Contributed capital - ending	\$ <u>5,172,004</u>	\$ <u>5,903</u>	\$ <u>5,177,907</u>

11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains two Enterprise Funds which are 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, 2002, follows:

	<u>Water and Sewer</u>	<u>Ambulance</u>	<u>Total Enterprise Funds</u>
Operating revenue	\$ 1,773,700	\$ 311,912	\$ 2,085,612
Depreciation	272,049	4,592	276,641
Operating income (loss)	321,002	(49,424)	271,578
Grants			
Net income (loss)	726,519	(47,240)	679,279
Contributed capital beginning of year	5,172,004	5,903	5,177,907
Contributed capital end of year	5,172,004	5,903	5,177,907
Retained earnings	2,443,820	59,123	2,502,943
Property, plant and equipment additions	2,121,935	-	2,121,935
Property, plant and equipment retirements	-	-	-
Net working capital	1,729,096	40,191	1,769,287
Total assets	11,001,916	116,526	11,118,442
Total equity	7,615,824	65,026	7,680,850

**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.

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CITY OF KENNEDALE, TEXAS

COMBINING BALANCE SHEET

CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2002

	<u>Park Dedication</u>	<u>Street Construction</u>	<u>1998 Certificates of Obligation</u>	<u>Total</u>
ASSETS				
Assets:				
Cash and cash equivalents	\$ 16,404	\$ 21,466	\$ 4,153	\$ 42,023
Investments	<u>74,991</u>	<u>98,134</u>	<u>1,115,470</u>	<u>1,288,595</u>
Total Assets	<u>\$ 91,395</u>	<u>\$ 119,600</u>	<u>\$ 1,119,623</u>	<u>\$ 1,330,618</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	\$ 19,767	\$ 224,137	\$ 243,904
Accrued liabilities	<u>-</u>	<u>-</u>	<u>19,541</u>	<u>19,541</u>
Total Liabilities	<u>-</u>	<u>19,767</u>	<u>243,678</u>	<u>263,445</u>
Fund Balance:				
Reserved for construction	<u>91,395</u>	<u>99,833</u>	<u>875,945</u>	<u>1,067,173</u>
Total Fund Balance	<u>91,395</u>	<u>99,833</u>	<u>875,945</u>	<u>1,067,173</u>
Total Liabilities and Fund Balance	<u>\$ 91,395</u>	<u>\$ 119,600</u>	<u>\$ 1,119,623</u>	<u>\$ 1,330,618</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, 2002

	<u>Park Dedication</u>	<u>Street Construction</u>	<u>1998 Certificates of Obligation</u>	<u>Total</u>
REVENUE				
Contributions	\$ -	\$ -	\$ 20,949	\$ 20,949
Investment income	1,590	3,233	(6,002)	(1,179)
Other	<u>7,326</u>	<u>-</u>	<u>-</u>	<u>7,326</u>
Total Revenue	<u>8,916</u>	<u>3,233</u>	<u>14,947</u>	<u>27,096</u>
EXPENDITURES				
Capital outlay	<u>-</u>	<u>175,333</u>	<u>238,958</u>	<u>414,291</u>
Total Expenditures	<u>-</u>	<u>175,333</u>	<u>238,958</u>	<u>414,291</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	8,916	(172,100)	(224,011)	(387,195)
FUND BALANCE, OCTOBER 1	<u>82,479</u>	<u>271,933</u>	<u>1,099,956</u>	<u>1,454,368</u>
FUND BALANCE, SEPTEMBER 30	<u>\$ 91,395</u>	<u>\$ 99,833</u>	<u>\$ 875,945</u>	<u>\$ 1,067,173</u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer – accounts for water and sewer services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operation, maintenance, financing and related debt service and billing collections.

Ambulance – accounts for ambulance services provided to the residents, businesses, and patrons of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, personnel, operations, maintenance, financing and related debt service, and billing collections.

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CITY OF KENNEDALE, TEXAS
COMBINING BALANCE SHEET
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
SEPTEMBER 30, 2002

ASSETS	<u>Water and Sewer</u>	<u>Ambulance</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 320,801	\$ 838	\$ 321,639
Investments	997,389	3,833	1,001,222
Receivables (net of allowance for estimated uncollectible accounts of \$90,558):			
Accounts	267,178	87,020	354,198
Inventory	27,397	-	27,397
Prepaid items	571,011	-	571,011
Restricted assets:			
Investments - customer deposits	128,305	-	128,305
Unamortized bond issuance costs	20,671	-	20,671
Fixed assets (net, where applicable, of accumulated depreciation of \$2,063,310)	<u>8,669,164</u>	<u>24,835</u>	<u>8,693,999</u>
 Total assets	 <u>\$ 11,001,916</u>	 <u>\$ 116,526</u>	 <u>\$ 11,118,442</u>

(continued)

CITY OF KENNEDALE, TEXAS

COMBINING BALANCE SHEET

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

(Continued)

SEPTEMBER 30, 2002

LIABILITIES AND EQUITY	<u>Water and Sewer</u>	<u>Ambulance</u>	<u>Total</u>
Liabilities:			
Accounts payable	\$ 135,518	\$ 3,904	\$ 139,422
Accrued liabilities	34,668	7,596	42,264
Certificates of obligation - current	96,000	-	96,000
Capital lease obligations - current	95,465	-	95,465
Loan payable - current	93,029	-	93,029
Due to other funds	-	40,000	40,000
Payable from restricted assets:			
Deposits	128,305	-	128,305
Loan payable	764,160	-	764,160
Certificates of obligation	2,022,300	-	2,022,300
Compensated absences payable	16,647	-	16,647
Total Liabilities	<u>3,386,092</u>	<u>51,500</u>	<u>3,437,592</u>
Equity:			
Contributed capital	5,172,004	5,903	5,177,907
Retained earnings	2,443,820	59,123	2,502,943
Total Equity	<u>7,615,824</u>	<u>65,026</u>	<u>7,680,850</u>
Total Liabilities and Equity	<u>\$ 11,001,916</u>	<u>\$ 116,526</u>	<u>\$ 11,118,442</u>

CITY OF KENNEDALE, TEXAS

**COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN RETAINED EARNINGS**

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>Water and Sewer</u>	<u>Ambulance</u>	<u>Total</u>
OPERATING REVENUE			
Charges for services	\$ 1,773,700	\$ 311,912	\$ 2,085,612
Total Operating Revenue	<u>1,773,700</u>	<u>311,912</u>	<u>2,085,612</u>
OPERATING EXPENSES			
Personnel	271,529	166,553	438,082
Maintenance	230,499	19,802	250,301
Supplies	46,781	20,340	67,121
Utilities	576,048	2,475	578,523
Other	46,888	22,131	69,019
Depreciation	272,049	4,592	276,641
Bad debts	8,904	125,443	134,347
Total Operating Expenses	<u>1,452,698</u>	<u>361,336</u>	<u>1,814,034</u>
OPERATING INCOME	<u>321,002</u>	<u>(49,424)</u>	<u>271,578</u>
NONOPERATING REVENUE (EXPENSES)			
Impact fees	60,457	-	60,457
Capital contributions	446,544	-	446,544
Intergovernmental	-	1,076	1,076
Investment income	25,670	(45)	25,625
Other	-	1,153	1,153
Interest expense and fees	<u>(127,154)</u>	<u>-</u>	<u>(127,154)</u>
Total Nonoperating Revenue (Expenses)	<u>405,517</u>	<u>2,184</u>	<u>407,701</u>
NET INCOME	726,519	(47,240)	679,279
RETAINED EARNINGS, OCTOBER 1,	<u>1,717,301</u>	<u>106,363</u>	<u>1,823,664</u>
RETAINED EARNINGS, SEPTEMBER 30	\$ <u>2,443,820</u>	\$ <u>59,123</u>	\$ <u>2,502,943</u>

CITY OF KENNEDALE, TEXAS

COMBINING STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>Water and Sewer</u>	<u>Ambulance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 321,002	\$(49,424)	\$ 271,578
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	272,049	4,592	276,641
Amortization of bond issuance costs	2,049	-	2,049
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(37,553)	3,219	(34,334)
Increase in inventory	(6,888)	-	(6,888)
Increase in accounts payable	104,214	266	104,480
Increase in prepaid expenses	(571,011)	-	(571,011)
Increase in accrued liabilities	17,823	406	18,229
Increase in deposits	6,285	-	6,285
Increase (decrease) in due to other funds	(388,699)	40,000	(348,699)
Increase in compensated absences	(3,192)	-	(3,192)
Net Cash Used by Operating Activities	<u>(283,921)</u>	<u>(941)</u>	<u>(284,862)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on bond maturities	(285,334)	-	(285,334)
Interest paid	(127,154)	-	(127,154)
Proceeds from issuance of debt	959,489	-	959,489
Acquisition and construction of capital assets	(685,959)	-	(685,959)
Capital contributions	446,544	-	446,544
Net Cash Provided by Capital Activities and Related Financing	<u>307,586</u>	<u>-</u>	<u>307,586</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Impact fees	60,457	-	60,457
Grants	-	1,076	1,076
Net Cash Provided by Noncapital Financing Activities	<u>60,457</u>	<u>1,076</u>	<u>61,533</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net maturities (purchases) of investment securities	54,688	347	55,035
Interest received	25,670	(45)	25,625
Net Cash Provided by Investing Activities	<u>80,358</u>	<u>302</u>	<u>80,660</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	164,480	437	164,917
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>156,321</u>	<u>401</u>	<u>156,722</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 320,801</u>	<u>\$ 838</u>	<u>\$ 321,639</u>

STATISTICAL SECTION

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
1993 (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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

- (1) Includes General Fund, Special Revenue Fund, Debt Service Fund and discretely presented component unit.
- (2) 1993, 1994, 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) 1993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(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

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

(2) 1993, 1994, 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) 1993	\$ -	\$ -	- %	\$ -	\$ -	- %	\$ -	- %
(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%

(1) 1993, 1994, 1995 information is not available.

Source: Annual audited financial statements of the City

CITY OF KENNEDALE, TEXAS

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Real and Personal Property Assessed Value</u>	<u>Estimated Market Value</u>	<u>Ratio of Total Assessed Value to Estimated Market Value</u>
1993	\$ 152,173,668	\$ 152,173,668	100%
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%

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
1993	\$ 0.462560	\$ 1.495000	\$ 0.271880	\$ 0.043920	\$ 0.229100	\$ 2.502460
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

TAX LEVIES:

Fiscal Year	City	School	County	Tarrant County College District	Tarrant County Hospital District	Total
1993	\$ 703,895	\$ 4,669,531	\$ 112,208,506	\$ 19,333,463	\$ 99,917,879	\$ 236,833,274
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

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

CITY OF KENNEDALE, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN

SEPTEMBER 30, 2002
(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>0.6925</u>
Available Tax Rate	\$ <u>1.8075</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)	(2) (3)	(3)	(3)	(3)	(3)
		Assessed Value	Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Net Bonded Debt as a Percent of Assessed Value	Net Bonded Debt Per Capita
1993	4,250	\$ 152,173,666	\$ -	\$ -	\$ -	- %	\$ -
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

(1) Includes adjustments to certified rolls.

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

(3) 1993, 1994, 1995 information is not available.

CITY OF KENNEDALE, TEXAS

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Governmental Expenditures (1)	Debt Service As a Percent of Total General Expenditures
1993 (2)	\$ -	\$ -	\$ -	\$ -	- %
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%

(1) Includes all governmental funds.

(2) 1993, 1994, 1995 information is not available.

Source: Annual audited financial statements of the City

TABLE 9

CITY OF KENNEDALE, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
SEPTEMBER 30, 2002
(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	\$ 532,457,740	(1)	\$ -
Fort Worth ISD	419,351,143	0.02%	83,870
Kennedale ISD	17,606,000	44.67%	7,864,600
Tarrant County	163,415,000	0.35%	571,952
Tarrant County College District	80,900,000	0.35%	283,150
Tarrant County Hospital District	<u>3,665,000</u>	0.35%	<u>12,828</u>
Total Overlapping Debt	1,217,394,883		8,816,400
City of Kennedale	<u>5,315,000</u>		<u>5,315,000</u>
Total Direct and Overlapping Debt	<u>\$ 1,222,709,883</u>		<u>\$ 14,131,400</u>
Percentage of Assessed Value			5.43%
Average Debt Per Capita			\$ 2,316

(1) Less than 0.01%

Source: First Southwest Company

CITY OF KENNEDALE, TEXAS

REVENUE BOND COVERAGE: WATER AND WASTEWATER BONDS

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (Net of Depreciation) (2)	Net Revenue Available for Debt Service (3)	Principal	Interest	Total	Coverage
1993 (4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	263,268	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

- (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) 1993, 1994, 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>
1993	4,250	\$ 29,221	\$ 13,082	31.7	1,925	3.6%
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%

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
1993	\$ 152,173,668	8	\$ 353,540	46	\$ 3,191,412
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

(1) City of Kennedale - Public Works Department

(2) Tarrant County Tax Assessor-Collector

CITY OF KENNEDALE, TEXAS

TABLE 13

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2002
(UNAUDITED)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2001-2002 Assessed Valuation (1)</u>	<u>Percentage of Total Assessed Value</u>
Heidelberg Web Press, Inc.	Manufacturer	\$ 13,420,034	5.15%
Southwestern Bell	Telephone company	9,148,840	3.51%
Oncor Electric Delivery Co. and TXU Gas District	Utility	7,172,121	2.75%
Poly One Corp & MA Hanna Co.	Manufacturer	4,136,354	1.59%
Harrison Jet Guns	Manufacturer	2,510,068	0.96%
Snikwah, LP	Developer	2,163,152	0.83%
Tealwood Apartments Co., Ltd.	Apartments	1,877,277	0.72%
Bloxom, D. E. Sr. Foundation, LLC	Manufacturer	1,752,583	0.67%
Sovran Acquisition, Ltd. Partnership	Developer	1,746,670	0.67%
Hawksteel Industrial, Inc.	Manufacturer	<u>1,527,677</u>	<u>0.59%</u>
Total		<u>\$ 45,454,776</u>	<u>17.44%</u>

(1) Source: Tarrant County Appraisal District

CITY OF KENNEDALE, TEXAS
MISCELLANEOUS STATISTICAL DATA

SEPTEMBER 30, 2002
(UNAUDITED)

Date of Incorporation:	July 1947	Parks:	
Date of City Charter Adoption:	January 22, 1998	Number of acres	16
Population:	6,100	Public parks	2
Area (square miles)	6.0664	Community Center	1
Form of Government:	Council-Manager	Senior Recreation Center	1
Council Members	6		
Employees	70		
Street System:		Public Education:	
Miles of paved	38.48 miles	Number of students	2,745
Number street lights	193	Average daily attendance	2,641
Building Permits:		Number of teachers	185
Permits issued	52	Elementary schools	3
Estimated cost	\$10,499,254	Jr. High school	1
		High school	1
Fire Protection:		Elections:	
Stations	1	Registered voters	3,400
Fire fighters	15	Number of votes cast in last general election	208
Police Protection:		Percentage of votes cast to number of registered voters	6.12%
Station	1		
Police officers	15		
Dispatches	4		
Water System:			
Number customers	2,102		
Daily average consumption (gallons)	714,074		
Storage capacity (million gallons)	3		
Miles of water mains	49		
Number of fire hydrants	306		
Sewer System:			
Sewer connections	1,858		
Miles of sewers:			
Storm	2		
Sanitary	38		
Public Library	1		
Number of volumes	16,496		
Annual circulation	11,398		

CITY OF KENNEDALE, TEXAS
SCHEDULE OF INSURANCE IN FORCE
SEPTEMBER 30, 2002
(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: 10/01/01 - 09/30/02				
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	-	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 Per Person	1,000,000 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	-