

*Ordinance 158*

**ORDINANCE AUTHORIZING THE ISSUANCE OF  
CITY OF KENNEDALE, TEXAS COMBINATION TAX AND REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 1998  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,150,000**

**THE STATE OF TEXAS §  
COUNTY OF TARRANT §  
CITY OF KENNEDALE §**

WHEREAS, the City Council deems it advisable to issue Certificates of Obligation in the amount of \$5,150,000 for paying all or a portion of the City's contractual obligations for certain municipal improvements, as follows: for the construction of a new municipal complex and the acquisition of land therefor; improvements to streets in the City; and improvements to the City's water system, including a new water well, new ground and elevated water storage facilities and water lines, and for the payment of legal, fiscal and engineering fees in connection with these projects; and

WHEREAS, the Certificates of Obligation hereinafter authorized and designated are to be issued and delivered for cash pursuant to Subchapter C of Chapter 271, Local Government Code and Articles 1111-1118, V.A.T.C.S., as amended; and

WHEREAS, the City Council has heretofore passed a resolution authorizing and directing the City Secretary to give notice of intention to issue Certificates of Obligation; and

WHEREAS, said notice has been duly published in a newspaper of general circulation in said City, said newspaper being a "newspaper" as defined in §2051.044, Texas Government Code; and

WHEREAS, the City received no petition from the qualified electors of the City protesting the issuance of such Certificates of Obligation; and

WHEREAS, it is considered to be to the best interest of the City that said interest bearing Certificates of Obligation be issued.

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE:**

Section 1. RECITALS, AMOUNT AND PURPOSE OF THE CERTIFICATES. The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this Section. The certificates of the City of Kennedale, Texas (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount of \$5,150,000 for paying all or a portion of the City's contractual obligations for certain municipal improvements, as follows: for the construction of a new municipal complex and the acquisition of land therefor; improvements to streets in the City; and improvements to the City's water system, including a new water well, new ground and elevated water storage facilities and water lines, and for the payment of legal, fiscal and engineering fees in connection with these projects (collectively, the "Project").

Section 3. INTEREST. The Certificates scheduled to mature during the years, respectively, set forth below shall bear interest from the date of their initial delivery to their respective dates of maturity or redemption prior to maturity at the following rates per annum:

Maturity 2002	5.875%	Maturity 2012	4.375%
Maturity 2003	5.875	Maturity 2013	4.400
Maturity 2004	5.875	Maturity 2014	4.450
Maturity 2005	5.875	Maturity 2015	4.500
Maturity 2006	4.375	Maturity 2016	4.550
Maturity 2007	4.375	Maturity 2017	4.550
Maturity 2008	4.375	Maturity 2019	4.600
Maturity 2009	4.375	Maturity 2019	4.700
Maturity 2010	4.375	Maturity 2020	4.750
Maturity 2011	4.375	Maturity 2021	4.800

Said interest shall be payable in the manner provided and on the dates stated in the FORM OF CERTIFICATE set forth in this Ordinance.

Section 4. CHARACTERISTICS OF THE CERTIFICATES. (a) Registration, Transfer, Conversion and Exchange, Authentication. The Issuer shall keep or cause to be kept at the principal corporate trust office of U.S. Trust Company of Texas, National Association, Dallas, Texas, the "Paying Agent/Registrar"), books or records for the registration of the transfer, conversion and exchange of the Certificates (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Certificate to which payments with respect to the Certificates shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Certificate or Certificates. Registration of assignments, transfers, conversions and exchanges of Certificates shall be made in the manner provided and with the effect stated in the FORM OF CERTIFICATE set forth in this Ordinance. Each substitute Certificate shall bear a letter and/or number to distinguish it from each other Certificate.

Except as provided in Section 4(c) of this Ordinance, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Certificate, date and manually sign said Certificate, and no such Certificate shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Certificates and Certificates surrendered for conversion and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange of any Certificate or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Certificates in the manner prescribed herein, and said Certificates shall be printed or typed on paper of customary weight and strength. Pursuant to Vernon's Ann. Tex. Civ. St. Art. 717k-6, and particularly Section 6 thereof, the duty of conversion and exchange of Certificates as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the converted and exchanged Certificate shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Certificates which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General and registered by the Comptroller of Public Accounts.

(b) Payment of Certificates and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Certificates, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Certificates, and of all conversions and exchanges of Certificates, and all replacements of Certificates, as provided in this Ordinance. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the past due interest shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(c) In General. The Certificates (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Certificates to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the Issuer at least 50 days prior to any such redemption date), (iii) may be converted and exchanged for other Certificates, (iv) may be transferred and assigned (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Certificates shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Certificates, all as provided, and in the manner and to the effect as required or indicated, in this Section 4 and in the FORM OF CERTIFICATE set forth in this Ordinance. The Certificate initially issued and delivered pursuant to this Ordinance is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Certificate issued in conversion of and exchange for any Certificate or Certificates issued under this Ordinance the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF CERTIFICATE.

(d) Book-Entry Only System. The Certificates issued in exchange for the Certificate initially issued to the initial purchaser specified herein shall be initially issued in the form of a separate single fully registered Certificate for each of the maturities thereof. Upon initial issuance, the ownership of each such Certificate shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and except as provided in subsection (f) hereof, all of the outstanding Certificates shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Certificates registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Certificates. Without limiting the immediately preceding sentence, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner of Certificates, as shown on the Registration Books, of any notice with respect to the Certificates, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner of Certificates, as shown in the Registration Books of any amount with respect to principal of or interest on the Certificates. Notwithstanding any other provision of this Ordinance to the contrary, the Issuer and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Certificate is registered in the Registration Books as the absolute owner of such Certificate for the purpose of payment of principal and interest with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Certificates only to or upon the order of the Registered Owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of and interest on the Certificates to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive a Certificate evidencing the obligation of the Issuer to make payments of principal and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the Registered Owner at the close of business on the Record date, the words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(e) Successor Securities Depository; Transfers Outside Book-Entry Only System. In the event that the Issuer determines that DTC is incapable of discharging its responsibilities described herein and in the representations letter of the Issuer to DTC or that it is in the best interest of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the Issuer shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Certificates to such successor

securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Certificates and transfer one or more separate certificated Certificates to DTC Participants having Certificates credited to their DTC accounts. In such event, the Certificates shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Certificates shall designate, in accordance with the provisions of this Ordinance.

(f) Payments to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Certificate is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and interest on such Certificate and all notices with respect to such Certificate shall be made and given, respectively, in the manner provided in the representations letter of the Issuer to DTC.

(g) Cancellation of Initial Certificate. On the closing date, one initial Certificate representing the entire principal amount of the Certificates, payable in stated installments to the TEXAS WATER DEVELOPMENT BOARD or its designee, executed by manual or facsimile signature of the Mayor and City Secretary of the Issuer, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to such purchaser or its designee. Upon payment for the initial Certificate, the Paying Agent/Registrar shall cancel the initial Certificate and deliver to the Depository Trust Company on behalf of such purchaser one registered definitive Certificate for each year of maturity of the Certificates, in the aggregate principal amount of all of the Certificates for such maturity.

Section 5. FORM OF CERTIFICATES. The form of the Certificates, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Certificates initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as follows, with such appropriate variations, omissions or insertions as are permitted or required by this Ordinance.

(a) [Form of Certificate]

NO. R-

UNITED STATES OF AMERICA  
STATE OF TEXAS  
CITY OF KENNEDALE, TEXAS  
COMBINATION TAX AND REVENUE  
CERTIFICATE OF OBLIGATION  
SERIES 1998

PRINCIPAL  
AMOUNT  
\$

Interest Rate

Dated Date

Maturity Date

CUSIP No.

November 1, 1998

February 15, \_\_\_\_

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

ON THE MATURITY DATE specified above, the City of Kennedale, in Tarrant County, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above. The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Dated Date specified above, at the Interest Rate per annum specified above. Interest is payable on February 15, 2000 and semiannually on each August 15 and February 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except, if this Certificate is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Certificate or Certificates, if any, for which this Certificate is being exchanged is due but has not been paid, then this Certificate shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Certificate are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Certificate shall be paid to the registered owner hereof upon presentation and surrender of this Certificate at maturity, or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of U.S. Trust Company of Texas, National Association, Dallas, Texas, which is the "Paying Agent/Registrar" for this Certificate. The payment of interest on this Certificate shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this Certificate

(the "Certificate Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at its address as it appeared on the fifteenth day of the month preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each owner of a Certificate appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

ANY ACCRUED INTEREST due at maturity or upon the redemption of this Certificate prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Certificate for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Certificate that on or before each principal payment date, interest payment date, and accrued interest payment date for this Certificate it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Certificate Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Certificates, when due.

IF THE DATE for the payment of the principal of or interest on this Certificate shall be a Saturday, Sunday, a legal holiday or a day on which banking institutions in the City where the principal corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS CERTIFICATE is one of a series of Certificates dated as of November 1, 1998, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$5,150,000 for paying all or a portion of the City's contractual obligations for certain municipal improvements, as follows: for the construction of a new municipal complex and the acquisition of land therefor; improvements to streets in the City; and improvements to the City's water system, including a new water well, new ground and elevated water storage facilities and water lines, and for the payment of legal, fiscal and engineering fees in connection with these projects.

THE CERTIFICATES OF THIS SERIES maturing on February 15, 2021 and on February 15, 2024 are subject to mandatory redemption prior to maturity in part at random, by lot or other customary method selected by the Paying Agent/Registrar, at par plus accrued interest to the

redemption date, in amounts sufficient to redeem said Certificates on February 15, in the years and principal amounts shown on the following schedule. Such Certificates shall be redeemed with funds from the "Interest and Sinking Fund" created by the Certificate Ordinance and shall be redeemed by the Paying Agent/Registrar in part prior to maturity with funds from the Interest and Sinking Fund, for the principal amount thereof and accrued interest to the date of redemption, and without premium, on each of the aforesaid dates, in the principal amounts, respectively, as set forth in the following schedule:

<u>Certificates Maturing February 15, 2021</u>		<u>Certificates Maturing February 15, 2024</u>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2020	\$335,000	2022	\$205,000
2021 <sup>(1)</sup>	350,000	2023	215,000
		2024 <sup>(1)</sup>	225,000

<sup>(1)</sup> Final maturity of Certificate.

The principal amount of the Certificates required to be redeemed pursuant to the operation of such mandatory sinking fund shall be reduced by the principal amount of any Certificates which, at least 50 days prior to the mandatory sinking fund redemption date shall have been (1) purchased by the Issuer and delivered to the Paying Agent/Registrar for redemption or (2) redeemed pursuant to the optional redemption provision described below and delivered to the Paying Agent/Registrar for cancellation.

ON February 15, 2006, or on any date thereafter, the Certificates maturing on or after February 15, 2007 may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Certificates, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Certificate may be redeemed only in an integral multiple of \$5,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

AT LEAST 30 days prior to the date fixed for any redemption of Certificates or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, at least 30 days prior to the date fixed for any such redemption, to the registered owner of each Certificate to be redeemed at its address as it appeared on the 45th day prior to such redemption date and to major securities depositories, national bond rating agencies and bond information services; provided, however, that the failure of the registered owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Certificate. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such written notice of redemption is sent and if due

provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Certificate shall be redeemed, a substitute Certificate or Certificates having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Certificate Ordinance.

ALL CERTIFICATES OF THIS SERIES are issuable solely as fully registered certificates, without interest coupons, in the denomination of any integral multiple of \$5,000. This Certificate may, at the request of the registered owner or the assignee or assignees hereof, be as signed, transferred, converted into and exchanged for a like aggregate principal amount of fully registered certificates, without interest coupons, payable to the appropriate registered owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee or assignees, as the case may be, upon surrender of this Certificate to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth above and in the Certificate Ordinance. Among other requirements for such assignment and transfer, this Certificate must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Certificate or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Certificate may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Certificate or any portion or portions hereof from time to time by the registered owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Certificate or portion thereof will be paid by the Issuer. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, conversion, or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Certificates is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Certificate Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the registered owners of the Certificates.

IT IS HEREBY certified, recited and covenanted that this Certificate has been duly and validly authorized, issued and delivered; that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the authorization, issuance and delivery of this Certificate have been performed, existed and been done in accordance with law; that this Certificate is a general obligation of said Issuer, issued on the full faith and credit thereof; and that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in said Issuer, and have been pledged for such payment, within the limit prescribed by law, and that this Certificate is additionally secured by and payable from an amount not to exceed \$1,000 over the life of this series of Certificates of the revenues of the Issuer's Waterworks and Sewer System remaining after payment of all maintenance and operation expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue bonds (now or hereafter outstanding) which are payable from all or part of the Net Revenues of the Issuer's Waterworks and Sewer System, constituting the "Surplus Revenues" thereof, all as provided in the Certificate Ordinance.

BY BECOMING the registered owner of this Certificate, the registered owner thereby acknowledges all of the terms and provisions of the Certificate Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Certificate Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Certificate and the Certificate Ordinance constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Certificate to be signed with the manual or facsimile signature of the Mayor of the Issuer and countersigned with the manual or facsimile signature of the City Secretary of said Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Certificate.

\_\_\_\_\_  
(signature)  
City Secretary

\_\_\_\_\_  
(signature)  
Mayor

(SEAL)

(b) [Form of Paying Agent/Registrar's Authentication Certificate]

**PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE**  
(To be executed if this Certificate is not accompanied by an  
executed Registration Certificate of the Comptroller  
of Public Accounts of the State of Texas)

It is hereby certified that this Certificate has been issued under the provisions of the Certificate Ordinance described in the text of this Certificate; and that this Certificate has been issued in conversion or replacement of, or in exchange for, a certificate, certificates, or a portion of a certificate

or certificates of a series which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated: \_\_\_\_\_

U.S. Trust Company of Texas, National Association  
Dallas, Texas  
Paying Agent/Registrar

By: \_\_\_\_\_  
Authorized Representative

(c) [Form of Assignment]

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_

Please insert Social Security or Taxpayer Identification Number of Transferee

\_\_\_\_\_

(Please print or typewrite name and address, including zip code, of Transferee.)

\_\_\_\_\_

the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints

\_\_\_\_\_, attorney, to register the transfer of the within

Certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

\_\_\_\_\_  
NOTICE: The signature above must correspond with the name of the registered owner as it appears upon the front of this Certificate in every particular, without alteration or enlargement or any change whatsoever.

(d) [Form of Registration Certificate of the Comptroller of Public Accounts]

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

I hereby certify that this Certificate has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and that this Certificate has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

\_\_\_\_\_  
Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

(e) [Initial Certificate Insertions]

(i) The initial Certificate shall be in the form set forth in paragraph (a) of this Section, except that:

A. immediately under the name of the Certificate, the headings "Interest Rate" and "Maturity Date" shall both be completed with the words "As shown below" and "CUSIP No. \_\_\_\_\_" shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

"THE CITY OF KENNEDALE, IN TARRANT COUNTY, TEXAS (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on each February 15 in the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Years</u>	<u>Principal Installments</u>	<u>Interest Rates</u>
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(Information from Sections 2 and 3 to be inserted)

The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Dated Date as set forth above, at the respective Interest Rate per annum specified above. Interest is payable on February 15, 2000 and semiannually on each August 15 and February 15 thereafter to the date of payment of the principal installment specified above, or the date of redemption prior to maturity; except, that if this Certificate is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication

hereof the interest on the Certificate or Certificates, if any, for which this Certificate is being exchanged is due but has not been paid, then this Certificate shall bear interest from the date to which such interest has been paid in full."

C. The Initial Certificate shall be numbered "T-1."

Section 6. INTEREST AND SINKING FUND. A special "Interest and Sinking Fund" is hereby created and shall be established and maintained by the Issuer at an official depository bank of said Issuer. Said Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of said Issuer, and shall be used only for paying the interest on and principal of said Certificates. All ad valorem taxes levied and collected for and on account of said Certificates shall be deposited, as collected, to the credit of said Interest and Sinking Fund. During each year while any of said Certificates are outstanding and unpaid, the governing body of said Issuer shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on said Certificates as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of said Certificates as such principal matures (but never less than 2% of the original amount of said Certificates as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of said Issuer, with full allowances being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in said Issuer, for each year while any of said Certificates are outstanding and unpaid, and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limit prescribed by law.

Section 7. SURPLUS REVENUES. The Certificates are additionally secured by and shall be payable from and secured by an amount not to exceed \$1,000 over the life of the Certificates of the revenues of the Issuer's Waterworks and Sewer System (the "System") remaining after payment of all maintenance and operation expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) which are payable from all or part of the Net Revenues of the System, constituting "Surplus Revenues." The Issuer shall deposit such Surplus Revenues to the credit of the Interest and Sinking Fund created pursuant to Section 6, to the extent necessary to pay the principal and interest on the Certificates. Notwithstanding the requirements of Section 6, if Surplus Revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied pursuant to Section 6 may be reduced to the extent and by the amount of the Surplus Revenues then on deposit in the Interest and Sinking Fund.

Section 8. DEFEASANCE OF CERTIFICATES. (a) Any Certificate and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Certificate") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section 8, when payment of the principal of such Certificate, plus interest thereon to the due date (whether such due

date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates shall have become due and payable. At such time as a Certificate shall be deemed to be a Defeased Certificate hereunder, as aforesaid, such Certificate and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Government Obligations.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Certificates and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer.

(c) The term "Government Obligations" as used in this Section, shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations such as its State and Local Government Series, which may be in book-entry form.

(d) Until all Defeased Certificates shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Certificates the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Ordinance.

Section 9. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATES. (a) Replacement Certificates. In the event any outstanding Certificate is damaged, mutilated, lost, stolen or destroyed, the Paying Agent/Registrar shall cause to be printed, executed and delivered, a new certificate of the same principal amount, maturity and interest rate, as the damaged, mutilated, lost, stolen or destroyed Certificate, in replacement for such Certificate in the manner hereinafter provided.

(b) Application for Replacement Certificates. Application for replacement of damaged, mutilated, lost, stolen or destroyed Certificates shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft or destruction of a Certificate, the registered owner applying for a replacement certificate shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft or destruction of a Certificate, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar

evidence to their satisfaction of the loss, theft or destruction of such Certificate, as the case may be. In every case of damage or mutilation of a Certificate, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Certificate so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Certificate shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Certificate, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Certificate) instead of issuing a replacement Certificate, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Certificates. Prior to the issuance of any replacement certificate, the Paying Agent/Registrar shall charge the registered owner of such Certificate with all legal, printing, and other expenses in connection therewith. Every replacement certificate issued pursuant to the provisions of this Section by virtue of the fact that any Certificate is lost, stolen or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen or destroyed Certificate shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Certificates duly issued under this Ordinance.

(e) Authority for Issuing Replacement Certificates. In accordance with Section 6 of Vernon's Ann. Tex. Civ. St. Art. 717k-6, this Section 9 of this Ordinance shall constitute authority for the issuance of any such replacement certificate without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such certificates is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificates in the form and manner and with the effect, as provided in Section 4(a) of this Ordinance for Certificates issued in conversion and exchange for other Certificates.

**Section 10. CUSTODY, APPROVAL, AND REGISTRATION OF CERTIFICATES; ENGAGEMENT OF BOND COUNSEL AND BOND COUNSEL'S OPINION; CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED.** (a) The Mayor of the Issuer is hereby authorized to have control of the Certificates initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Certificates pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Certificates said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Certificates, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Certificates issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Certificates. In addition, if bond insurance is obtained, the Certificates may bear an appropriate legend as provided by the insurer.

(b) The obligation of the initial purchaser to accept delivery of the Certificates is subject to the initial purchaser being furnished with the final, approving opinion of McCall, Parkhurst & Horton L.L.P., bond counsel to the Issuer, which opinion shall be dated as of and delivered on the date of initial delivery of the Certificates to the initial purchaser. The engagement of such firm as bond counsel to the Issuer in connection with issuance, sale and delivery of the Certificates is hereby approved and confirmed. The execution and delivery of an engagement letter between the Issuer and such firm, with respect to such services as bond counsel, in the form presented to the City Council at the meeting at which this Ordinance was adopted is hereby approved, and the Mayor is hereby authorized to execute such engagement letter.

Section 11. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE CERTIFICATES. The Issuer covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Certificates as Obligation described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Certificates (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Certificates, in contravention of section 141(b)(2) of the Code;

(b) to take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds 5 percent of the proceeds of the Certificates or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(c) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Certificates (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(d) to refrain from taking any action which would otherwise result in the Certificates being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(e) to refrain from taking any action that would result in the Certificates being "federally guaranteed" within the meaning of section 149(b) of the Code;

(f) to refrain from using any portion of the proceeds of the Certificates, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Certificates, other than investment property acquired with --

(1) proceeds of the Certificates invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the bonds are issued,

(2) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Certificates;

(g) to otherwise restrict the use of the proceeds of the Certificates or amounts treated as proceeds of the Certificates, as may be necessary, so that the Certificates do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

(h) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Certificates) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Certificates have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

In order to facilitate compliance with the above covenant (h), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such Fund shall not be subject to the claim of any other person, including without limitation the certificateholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

For purposes of the foregoing (a) and (b), the Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Certificates. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Certificates, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Certificates under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which

impose additional requirements which are applicable to the Certificates, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Certificates under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Mayor to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Certificates.

**Section 12. ALLOCATION OF CERTIFICATE PROCEEDS.** The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the construction and acquisition of the Project on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed. The foregoing notwithstanding, the Issuer shall not expend proceeds of the sale of the Certificates or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Certificates, or (2) the date the Certificates are retired, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the status, for federal income tax purposes, of the Certificates or the interest thereon. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

**Section 13. DISPOSITION OF PROJECT.** The Issuer covenants that the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Certificates. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains a legal opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

**Section 14. SALE OF CERTIFICATES; APPROVAL OF OFFICIAL STATEMENT.** The Certificates are hereby initially sold and shall be delivered to First Southwest Company for cash for the par value thereof and accrued interest thereon to date of delivery. The Certificates shall initially be registered in the name of First Southwest Company. It is hereby officially found, determined and declared that said purchaser is the highest bidder for the Certificates as a result of invitations for competitive bids. It is further officially found, determined, and declared that the Certificates have been sold at public sale to the bidder offering the lowest interest cost, after receiving sealed bids pursuant to an Official Notice of Sale and Bidding Instructions and Official Statement prepared and distributed in connection with the sale of the Certificates. Said Official Notice of Sale and Bidding Instructions and Official Statement, and any addenda, supplement, or amendment thereto have been and are hereby approved by the governing body of the Issuer, and their use in the offer and sale of the Certificates is hereby approved. It is further officially found, determined, and declared that the statements and representations contained in said Official Notice of Sale and Bidding Instructions and

Official Statement are true and correct in all material respects, to the best knowledge and belief of the governing body of the Issuer.

Section 19. INVESTMENTS; INTEREST EARNINGS ON CERTIFICATE PROCEEDS. Money in any Fund established by this Ordinance may, at the option of the City Council of the Issuer, be invested in eligible investment securities as described in the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended; provided that all such investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Interest earnings derived from the investment of proceeds from the sale of the Certificates shall be used along with other certificate proceeds for construction and acquisition of the Project; provided that after completion of the Project, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Sinking Fund and used to pay debt service on the Certificates when due for payment, at maturity or upon early redemption. It is further provided, however, that any interest earnings on certificate proceeds which are required to be rebated to the United States of America pursuant to Section 11 hereof in order to prevent the Certificates from being "arbitrage bonds" shall be so rebated and not considered as interest earnings for the purposes of this Section.

Section 20. CONSTRUCTION FUND. The Issuer hereby creates and establishes and shall maintain on the books of the Issuer a separate fund to be entitled the "Series 1998 Combination Tax and Revenue Certificate of Obligation Construction Fund" for use by the Issuer for payment of all lawful costs associated with the acquisition and construction of the Project as hereinbefore provided. Upon payment of all such costs, any moneys remaining on deposit in said Fund shall be transferred to the Interest and Sinking Fund. Amounts so deposited to the Interest and Sinking Fund shall be used in the manner described in Section 16 of this Ordinance.

Section 21. COMPLIANCE WITH RULE 15c2-12.

(a) Annual Reports.

(i) The Issuer shall provide annually, within six months after the end of each fiscal year ending in or after 1998, financial information and operating data with respect to the Issuer of the general type described in Exhibit A hereto provided that such information and data is customarily prepared by the Issuer. Such information shall be provided to any person upon request made to the Issuer; provided that the Issuer reserves the right at any time to commence making such annual filings with the SID (if any, and if none, to each NRMSIR) in lieu of providing such information upon request. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit A hereto, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Issuer shall provide audited financial statements for the applicable fiscal year to the SID, when and if the audit report on such statements become available.

(ii) If the Issuer changes its fiscal year, it will notify the SID and each NRMSIR of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer otherwise would be required to provide financial information and operating data pursuant to this paragraph (a). The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the SID or filed with the SEC.

(b) Material Event Notices. The Issuer shall notify the SID and the MSRB, in a timely manner, of any of the following events with respect to the Certificates, if such event is material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Certificates;
7. Modifications to rights of holders of the Certificates;
8. Certificate calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Certificates; and
11. Rating changes.

The Issuer shall notify the SID and the MSRB, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with subsection (a) of this Section by the time required by such subsection.

(c) Limitations, Disclaimers, and Amendments.

(i) The Issuer shall be obligated to observe and perform the covenants specified in this Section only for so long as, the Issuer remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the Issuer in any event will give the notice required by Subsection (b) hereof of any Bond calls and defeasance that cause the Issuer to no longer be such an "obligated person."

(ii) The provisions of this Section are for the sole benefit of the registered owners and beneficial owners of the Certificates, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide only the financial information, operating data, financial statements, and notices that it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant

or material to a complete presentation of the Issuer's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

(iii) UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(iv) No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under the Ordinance for purposes of any other provision of this Ordinance. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

(v) The provisions of this Section may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (a) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates.

(d) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIR" means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"SID" means any person designated by the State of Texas or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

Section 22. METHOD OF AMENDMENT. The Issuer hereby reserves the right to amend this Ordinance subject to the following terms and conditions, to-wit:

(a) The Issuer may from time to time, without the consent of any holder, except as otherwise required by paragraph (b) below, amend or supplement this Ordinance in order to (i) cure any ambiguity, defect or omission in this Ordinance that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of this Ordinance and which shall not materially adversely affect the interests of the holders, (v) qualify this Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (iv) make such other provisions in regard to matters or questions arising under this Ordinance as shall not be inconsistent with the provisions of this Ordinance and which shall not in the opinion of the Issuer's Bond Counsel materially adversely affect the interests of the holders.

(b) Except as provided in paragraph (a) above, the holders of Certificates aggregating in principal amount 51% of the aggregate principal amount of then outstanding Certificates which are the subject of a proposed amendment shall have the right from time to time to approve any amendment hereto which may be deemed necessary or desirable by the Issuer; provided, however, that without the consent of 100% of the holders in aggregate principal amount of the then outstanding Certificates, nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Ordinance or in any of the Certificates so as to:

- (1) Make any change in the maturity of any of the outstanding Certificates;
- (2) Reduce the rate of interest borne by any of the outstanding Certificates;
- (3) Reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates;
- (4) Modify the terms of payment of principal or of interest or redemption premium on outstanding Certificates or any of them or impose any condition with respect to such payment; or

(5) Change the minimum percentage of the principal amount of any series of Certificates necessary for consent to such amendment.

(c) If at any time the Issuer shall desire to amend this Ordinance under this Section, the Issuer shall send by U.S. mail to each registered owner of the affected Certificates a copy of the proposed amendment and cause notice of the proposed amendment to be published at least once in a financial publication published in The City of New York, New York. Such published notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the office of the Issuer for inspection by all holders of such Certificates.

(d) Whenever at any time within one year from the date of publication of such notice the Issuer shall receive an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of all of the Certificates then outstanding which are required for the amendment, which instrument or instruments shall refer to the proposed amendment and which shall specifically consent to and approve such amendment, the Issuer may adopt the amendment in substantially the same form.

(e) Upon the adoption of any amendatory Ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be modified and amended in accordance with such amendatory Ordinance, and the respective rights, duties, and obligations of the Issuer and all holders of such affected Certificates shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the holder of a Certificate pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders of the same Certificate during such period. Such consent may be revoked at any time after six months from the date of the publication of said notice by the holder who gave such consent, or by a successor in title, by filing notice with the Issuer, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the affected Certificates then outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

For the purposes of establishing ownership of the Certificates, the Issuer shall rely solely upon the registration of the ownership of such Certificates on the registration books kept by the Paying Agent/Registrar.

Section 23. DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS. The Issuer hereby designates the Certificates as "qualified tax-exempt obligations" as defined in section 265(b)(3) of the Code. In furtherance of such designation, the Issuer represents, covenants and warrants the following: (a) that during the calendar year in which the Certificates are issued, the Issuer (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Certificates, will result in more than \$10,000,000 of "qualified tax-exempt bonds" being issued; (b) that the Issuer reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Certificates are issued, by the Issuer (or any subordinate entities) will not exceed \$10,000,000; and, (c) that the Issuer will take such action or refrain from such action as necessary, and as more particularly set forth in Section 11, hereof, in order that the Certificates will not be considered "private activity bonds" within the meaning of section 141 of the Code.

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**EXHIBIT A**

**DESCRIPTION OF ANNUAL FINANCIAL INFORMATION**

The following information is referred to in Section 21(a) of this Ordinance:

**Annual Financial Statements and Operating Data**

The financial information and operating data with respect to the Issuer to be provided annually in accordance with such Section are as specified (and included in the Appendix or under the headings of the Official Statement referred to) below:

Financial information and operating data which is customarily prepared by the District and is publicly available of the general type included under Tables numbered 1-6 and 8-17 of the Official Statement.

Appendix B to the Official Statement (financial statements for the last completed fiscal year which will be unaudited, unless an audit is performed in which event the audited financial statements will be made available)

**Accounting Principles**

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph above.

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OFFICIAL CITY  
SECRETARY'S COPY



## CITY OF KENNEDALE, TEXAS

\$5,150,000  
COMBINATION TAX & REVENUE  
CERTIFICATES OF OBLIGATION  
SERIES 1998

SEALED BIDS DUE THURSDAY, NOVEMBER 5, 1998, AT 11:00 AM, CDT

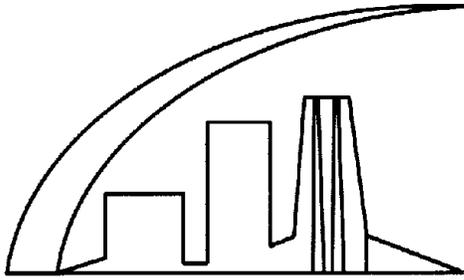
THE FOLLOWING RATING HAS BEEN ASSIGNED:

MOODY'S - "Baa1"

FGIC INSURED - "Aaa"

FINANCIAL ADVISORY SERVICES  
PROVIDED BY:





**CITY\_OF\_KENNEDALE**

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November 5, 1998

Honorable Mayor and Councilmembers  
City of Kennedale  
209 N. New Hope Road  
Kennedale, Texas 76060

Re: \$5,150,000 Combination Tax & Revenue Certificates of Obligation, Series 1998

Honorable Mayor and Councilmembers:

We have taken bids for the sale of the above referenced certificates (the "Certificates" at 11:00 AM in our office. We received a total of six bids for the Certificates. The number of bids received is reflective of the very strong bond market, the size of the transaction, the availability of bond insurance and the credit quality and positive momentum of the City of Kennedale.

The best bid received on the Certificates was 4.6602% from First Southwest Company. This is an extremely low interest rate for a 25 year debt issue.

We applied for a credit rating from Moody's Investors Service, Inc. ("Moody's"). Moody's assigned a "Baa1" rating with a stable outlook to the City's underlying credit. Moody's will also assign a "Aaa" rating based upon the bond insurance commitment from Financial Guarantee Insurance Corporation ("FGIC").

The bond market has performed exceedingly well over the past several months with interest rates dropping to historically low levels. The low interest rate environment is due to a steady economy combined with low inflation. While we cannot predict the future of interest rates, we can state that this is an advantageous time to sell certificates and lock in the very low interest rates.

Overall, we are satisfied with the sale process, the bond market, the number of bids received, and the low bid of First Southwest Company. We recommend your approval of the low bid and congratulate the City Council and Staff on an excellent sale.

Sincerely,

Mark C. Kim  
Associate

*INVESTMENT BANKERS SINCE 1946*

1700 Pacific Avenue • Suite 500 • Dallas, Texas 75201-4652 • 214-953-4000 • 800-678-3792 • Fax 214-953-4050

MOODY'S ASSIGNS Baal RATING WITH A STABLE OUTLOOK TO THE CITY OF KENNEDALE,  
TX DEBT ISSUANCE

Kennedale (City of) TX  
Municipality  
Texas

Moody's Rating

Issue	Rating
Combination Tax And Revenue Certificates Of Obligation, Series 1998	Baal
Sale Amount	\$5,150,000.00
Expected Sale Date	11/05/98
Rating Description	GENERAL OBLIGATION LIMITED TAX

\$5.6 MILLION DEBT AFFECTED

NEW YORK, October 23, 1998 -- Moody's Investors Service has assigned a Baal rating with a stable outlook to the City of Kennedale, TX Combination Tax and Revenue Certificates of Obligation, Series 1998. The rating assignment and outlook reflect Moody's assessment of the city's modestly sized tax base with gradual valuation growth, strong management team and well-maintained financial operations, and an affordable debt position.

CONSISTENT VALUATION GROWTH EXPECTED TO CONTINUE OVER THE MEDIUM-TERM.

The city retains a primarily residential profile, with an active industrial and commercial sector. Moody's expects continued growth, as single family residential construction and new industrial growth continues. Tax base growth registers a healthy and manageable 7.3% per annum over the past four years. Further, combined with the city's planned annexation of another 825 acres in its extraterritorial jurisdiction, management anticipates another valuation increase of approximately \$26 million. Resident wealth and income levels, approximate and trend slightly above those of the state.

WELL MANAGED FINANCIAL OPERATIONS REFLECTED BY AMPLE LEVELS OF GENERAL FUND RESERVES.

Financial operations are well maintained, with General Fund balance levels ample at 27% for ending fiscal year 1997. Given the partially built out nature of this growing city, which is approximately 40% undeveloped, and its moderate debt needs, Moody's expects continuation of the city's generally conservative management practices. Moody's believes they will result in the maintenance of management's stated target of three months of undesignated General Fund reserves.

MANAGEABLE DEBT LEVELS; FUTURE DEBT ISSUANCE TO BE MONITORED.

Moody's believes debt position is manageable despite debt levels which are slightly above average at 4.9%, and a relatively slow rate of principal retirement with only 26% of principal amortized in ten years. With no

immediate additional debt issuance planned and the continued expansion and growth of the economic base, Moody's expects the city's debt position to remain affordable. The proceeds from the current issue are expected to address needs and projects over the next two to three years. Management does not anticipate approaching voters in the future with a more comprehensive capital program, although an approximate amount has not yet been targeted. Management's ability to adequately handle additional debt given the slow rate of debt retirement will remain key credit considerations.

ANALYSTS:

- Juist Hinds, Analyst, Public Finance Group, Moody's Investors Service
- Laura Barrientos, Backup Analyst, Public Finance Group, Moody's Investors Service
- Nicole Johnson, Director, Public Finance Group, Moody's Investors Service

CONTACTS:

- Journalists: (212) 553-0376
- Research Clients: (212) 553-1625



1700 Pacific Avenue  
Suite 500  
Dallas, Texas 75201  
(214) 953-4000

**TABULATION OF BIDS  
RECEIVED AT SALE OF**

**\$5,150,000  
CITY OF KENNEDALE, TEXAS  
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 1998**

**SELLING THURSDAY, NOVEMBER 5, 1998, AT 11:00 AM, CST**

<b>ACCOUNT MANAGER</b>	<b>TRUE INTEREST COST</b>
FIRST SOUTHWEST COMPANY	4.660232%
SOUTHWEST SECURITIES	4.745190%
SALOMON SMITH BARNEY	4.750139%
EVEREN SECURITIES, INC.	4.752274%
SUNTRUST EQUITABLE SECURITIES	4.789700%
DEAN WITTER REYNOLDS	4.831900%

**REVISED  
OFFICIAL BID FORM**

Honorable Mayor and City Council  
City of Kennedale, Texas

November 5, 1998

Members of the City Council:

Reference is made to your Official Statement and Notice of Sale and Bidding Instructions, dated October 22, 1998 of \$5,150,000 CITY OF KENNEDALE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 1998, both of which constitute a part hereof.

For your legally issued Certificates, as described in said Notice of Sale and Bidding Instructions and Official Statement, we will pay you par and accrued interest from date of issue to date of delivery to us, plus a cash premium of \$ \_\_\_\_\_ for Certificates maturing and bearing interest as follows:

Maturity	Principal Amount	Interest Rate	Maturity	Principal Amount	Interest Rate	Maturity	Principal Amount	Interest Rate
2002	\$ 65,000	5.575 %	2010	\$ 210,000	4.375 %	2018	\$ 305,000	4.60 %
2003	65,000	I %	2011	225,000	I %	2019	320,000	4.70 %
2004	160,000	I %	2012	230,000	I %	2020	335,000	4.75 %
2005	170,000	I %	2013	240,000	4.40 %	2021	350,000	I %
2006	180,000	I %	2014	250,000	4.45 %	2022	205,000	4.80 %
2007	185,000	4.375 %	2015	260,000	4.50 %	2023	215,000	4.80 %
2008	190,000	I %	2016	275,000	4.55 %	2024	225,000	4.80 %
2009	200,000	I %	2017	290,000	4.55 %			

Certificates maturing in the years 2002 through 2018 shall be Serial Certificates. As indicated below, the Bidder may bid one or two term certificates consisting of the 2019 through 2024 maturities with each term consisting of at least two, but not more than five consecutive annual principal amounts accumulated from the maturity schedule shown above. For those years which have been combined into term certificates, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term certificate maturity date shall mature in such year. The term certificates created are as follows:

Maturity Date	Year of First Mandatory Redemption	Total Principal Amount of Maturity	Interest Rate
<del>2/15</del>			
2/15/21	2/15/20	\$ 685	4.75 %
2/15/24	2/15/22	\$ 645	4.80 %

Our calculation (which is not a part of this bid) of the interest cost from the above is:

TRUE INTEREST COST

4.660232 % ✓

We are having the Certificates of the following maturities all insured by FGIC at a premium of \$ 21,400, said premium to be paid by the Purchaser. Any fees to be paid to the rating agencies as a result of said insurance will be paid by the City.

The Initial Certificates shall be registered in the name of \_\_\_\_\_, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Code & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

A bank cashier's check or certified check of the \_\_\_\_\_ Bank, \_\_\_\_\_, in the amount of \$103,000, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this bid), and is submitted in accordance with the terms as set forth in the Official Statement and Notice of Sale and Bidding Instructions.

We agree to accept delivery of the Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificate in immediately available funds in the Corporate Trust Division, U.S. Trust Company of Texas, N.A., Dallas, Texas, not later than 10:00 AM, CST, on December 9, 1998, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Certificates to complete the DTC Eligibility Questionnaire.

The undersigned agrees to complete, execute, and deliver to the City, at least six business days prior to delivery of the Certificates, a certificate relating to the "issue price" of the Certificates in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the City.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

Syndicate Members:

**First Southwest Company**

Name of Underwriter or Manager

**Peter B. Stare, SVP**

Authorized Representative

**214/953-4040**

Phone Number

*P. B. Stare*

Signature

**Stephen's Co-Mgr.**

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Kennedale, Texas, subject to and in accordance with the Notice of Sale and Bidding Instructions, this the 5th day of November, 1998.

ATTEST:

\_\_\_\_\_  
Mayor  
City of Kennedale, Texas

\_\_\_\_\_  
City Secretary  
City of Kennedale, Texas

**Final Numbers**

**City of Kennedale, Texas**  
*Combination Tax & Revenue Certificates of Obligation*  
*Series 1998*  
*\$5,150,000*

**DEBT SERVICE SCHEDULE**

<b>Date</b>	<b>Principal</b>	<b>Coupon</b>	<b>Interest</b>	<b>Total P+I</b>	<b>FISCAL TOTAL</b>
12/09/1998	-	-	-	-	-
2/15/2000	-	-	313,857.33	313,857.33	-
8/15/2000	-	-	121,755.00	121,755.00	-
9/30/2000	-	-	-	-	435,612.33
2/15/2001	-	-	121,755.00	121,755.00	-
8/15/2001	-	-	121,755.00	121,755.00	-
9/30/2001	-	-	-	-	243,510.00
2/15/2002	65,000.00	5.875%	121,755.00	186,755.00	-
8/15/2002	-	-	119,845.63	119,845.63	-
9/30/2002	-	-	-	-	306,600.63
2/15/2003	65,000.00	5.875%	119,845.63	184,845.63	-
8/15/2003	-	-	117,936.25	117,936.25	-
9/30/2003	-	-	-	-	302,781.88
2/15/2004	160,000.00	5.875%	117,936.25	277,936.25	-
8/15/2004	-	-	113,236.25	113,236.25	-
9/30/2004	-	-	-	-	391,172.50
2/15/2005	170,000.00	5.875%	113,236.25	283,236.25	-
8/15/2005	-	-	108,242.50	108,242.50	-
9/30/2005	-	-	-	-	391,478.75
2/15/2006	180,000.00	5.875%	108,242.50	288,242.50	-
8/15/2006	-	-	102,955.00	102,955.00	-
9/30/2006	-	-	-	-	391,197.50
2/15/2007	185,000.00	4.375%	102,955.00	287,955.00	-
8/15/2007	-	-	98,908.13	98,908.13	-
9/30/2007	-	-	-	-	386,863.13
2/15/2008	190,000.00	4.375%	98,908.13	288,908.13	-
8/15/2008	-	-	94,751.88	94,751.88	-
9/30/2008	-	-	-	-	383,660.01
2/15/2009	200,000.00	4.375%	94,751.88	294,751.88	-
8/15/2009	-	-	90,376.88	90,376.88	-
9/30/2009	-	-	-	-	385,128.76
2/15/2010	210,000.00	4.375%	90,376.88	300,376.88	-
8/15/2010	-	-	85,783.13	85,783.13	-
9/30/2010	-	-	-	-	386,160.01
2/15/2011	225,000.00	4.375%	85,783.13	310,783.13	-
8/15/2011	-	-	80,861.25	80,861.25	-
9/30/2011	-	-	-	-	391,644.38
2/15/2012	230,000.00	4.375%	80,861.25	310,861.25	-
8/15/2012	-	-	75,830.00	75,830.00	-
9/30/2012	-	-	-	-	386,691.25
2/15/2013	240,000.00	4.400%	75,830.00	315,830.00	-
8/15/2013	-	-	70,550.00	70,550.00	-
9/30/2013	-	-	-	-	386,380.00
2/15/2014	250,000.00	4.450%	70,550.00	320,550.00	-
8/15/2014	-	-	64,987.50	64,987.50	-

## Final Numbers

**City of Kennedale, Texas**  
*Combination Tax & Revenue Certificates of Obligation*  
*Series 1998*  
*\$5,150,000*

### DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I	FISCAL TOTAL
9/30/2014	-	-	-	-	385,537.50
2/15/2015	260,000.00	4.500%	64,987.50	324,987.50	-
8/15/2015	-	-	59,137.50	59,137.50	-
9/30/2015	-	-	-	-	384,125.00
2/15/2016	275,000.00	4.550%	59,137.50	334,137.50	-
8/15/2016	-	-	52,881.25	52,881.25	-
9/30/2016	-	-	-	-	387,018.75
2/15/2017	290,000.00	4.550%	52,881.25	342,881.25	-
8/15/2017	-	-	46,283.75	46,283.75	-
9/30/2017	-	-	-	-	389,165.00
2/15/2018	305,000.00	4.600%	46,283.75	351,283.75	-
8/15/2018	-	-	39,268.75	39,268.75	-
9/30/2018	-	-	-	-	390,552.50
2/15/2019	320,000.00	4.700%	39,268.75	359,268.75	-
8/15/2019	-	-	31,748.75	31,748.75	-
9/30/2019	-	-	-	-	391,017.50
2/15/2020	335,000.00	4.750%	31,748.75	366,748.75	-
8/15/2020	-	-	23,792.50	23,792.50	-
9/30/2020	-	-	-	-	390,541.25
2/15/2021	350,000.00	4.750%	23,792.50	373,792.50	-
8/15/2021	-	-	15,480.00	15,480.00	-
9/30/2021	-	-	-	-	389,272.50
2/15/2022	205,000.00	4.800%	15,480.00	220,480.00	-
8/15/2022	-	-	10,560.00	10,560.00	-
9/30/2022	-	-	-	-	231,040.00
2/15/2023	215,000.00	4.800%	10,560.00	225,560.00	-
8/15/2023	-	-	5,400.00	5,400.00	-
9/30/2023	-	-	-	-	230,960.00
2/15/2024	225,000.00	4.800%	5,400.00	230,400.00	-
9/30/2024	-	-	-	-	230,400.00
<b>Total</b>	<b>5,150,000.00</b>	<b>-</b>	<b>3,818,511.13</b>	<b>8,968,511.13</b>	<b>-</b>

First Southwest Company  
 Public Finance

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 11/ 5/1998 11:31 AM

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**City of Kennedale, Texas**  
*Combination Tax & Revenue Certificates of Obligation*  
*Series 1998*  
*\$5,150,000*

**DEBT SERVICE SCHEDULE**

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**YIELD STATISTICS**

Accrued Interest from 11/01/1998 to 12/09/1998.....	25,703.83
Bond Year Dollars.....	\$81,807.78
Average Life.....	15.885 Years
Average Coupon.....	4.6676627%
Net Interest Cost (NIC).....	4.6676627%
True Interest Cost (TIC).....	4.6602319%
Bond Yield for Arbitrage Purposes.....	4.6980872%
All Inclusive Cost (AIC).....	4.7689149%
<b>IRS FORM 8038</b>	
Net Interest Cost.....	4.6672567%
Weighted Average Maturity.....	15.779 Years

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First Southwest Company  
Public Finance

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# Final Numbers

**City of Kennedale, Texas**  
*Combination Tax & Revenue Certificates of Obligation*  
*Series 1998*  
*\$5,150,000*

## DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
9/30/1999	-	-	-	-
9/30/2000	-	-	435,612.33	435,612.33
9/30/2001	-	-	243,510.00	243,510.00
9/30/2002	65,000.00	5.875%	241,600.63	306,600.63
9/30/2003	65,000.00	5.875%	237,781.88	302,781.88
9/30/2004	160,000.00	5.875%	231,172.50	391,172.50
9/30/2005	170,000.00	5.875%	221,478.75	391,478.75
9/30/2006	180,000.00	5.875%	211,197.50	391,197.50
9/30/2007	185,000.00	4.375%	201,863.13	386,863.13
9/30/2008	190,000.00	4.375%	193,660.01	383,660.01
9/30/2009	200,000.00	4.375%	185,128.76	385,128.76
9/30/2010	210,000.00	4.375%	176,160.01	386,160.01
9/30/2011	225,000.00	4.375%	166,644.38	391,644.38
9/30/2012	230,000.00	4.375%	156,691.25	386,691.25
9/30/2013	240,000.00	4.400%	146,380.00	386,380.00
9/30/2014	250,000.00	4.450%	135,537.50	385,537.50
9/30/2015	260,000.00	4.500%	124,125.00	384,125.00
9/30/2016	275,000.00	4.550%	112,018.75	387,018.75
9/30/2017	290,000.00	4.550%	99,165.00	389,165.00
9/30/2018	305,000.00	4.600%	85,552.50	390,552.50
9/30/2019	320,000.00	4.700%	71,017.50	391,017.50
9/30/2020	335,000.00	4.750%	55,541.25	390,541.25
9/30/2021	350,000.00	4.750%	39,272.50	389,272.50
9/30/2022	205,000.00	4.800%	26,040.00	231,040.00
9/30/2023	215,000.00	4.800%	15,960.00	230,960.00
9/30/2024	225,000.00	4.800%	5,400.00	230,400.00
<b>Total</b>	<b>5,150,000.00</b>	<b>-</b>	<b>3,818,511.13</b>	<b>8,968,511.13</b>

### YIELD STATISTICS

Accrued Interest from 11/01/1998 to 12/09/1998.....	25,703.83
Bond Year Dollars.....	\$81,807.78
Average Life.....	15.885 Years
Average Coupon.....	4.6676627%
Net Interest Cost (NIC).....	4.6676627%
True Interest Cost (TIC).....	4.6602319%
Bond Yield for Arbitrage Purposes.....	4.6980872%
All Inclusive Cost (AIC).....	4.7689149%

### IRS FORM 8038

Net Interest Cost.....	4.6672567%
Weighted Average Maturity.....	15.779 Years

**Final Numbers**

**City of Kennedale, Texas**  
*Combination Tax & Revenue Certificates of Obligation*  
 Series 1998  
 \$5,150,000

**PRICING SUMMARY**

<b>Maturity</b>	<b>Type of Bond</b>	<b>Coupon</b>	<b>Yield</b>	<b>Maturity Value</b>	<b>Price</b>	<b>Dollar Price</b>	
2/15/2002	Serial	Coupon	5.875%	5.875%	65,000.00	100.000%	65,000.00
2/15/2003	Serial	Coupon	5.875%	5.875%	65,000.00	100.000%	65,000.00
2/15/2004	Serial	Coupon	5.875%	5.875%	160,000.00	100.000%	160,000.00
2/15/2005	Serial	Coupon	5.875%	5.875%	170,000.00	100.000%	170,000.00
2/15/2006	Serial	Coupon	5.875%	5.875%	180,000.00	100.000%	180,000.00
2/15/2007	Serial	Coupon	4.375%	4.375%	185,000.00	100.000%	185,000.00
2/15/2008	Serial	Coupon	4.375%	4.375%	190,000.00	100.000%	190,000.00
2/15/2009	Serial	Coupon	4.375%	4.375%	200,000.00	100.000%	200,000.00
2/15/2010	Serial	Coupon	4.375%	4.375%	210,000.00	100.000%	210,000.00
2/15/2011	Serial	Coupon	4.375%	4.375%	225,000.00	100.000%	225,000.00
2/15/2012	Serial	Coupon	4.375%	4.375%	230,000.00	100.000%	230,000.00
2/15/2013	Serial	Coupon	4.400%	4.400%	240,000.00	100.000%	240,000.00
2/15/2014	Serial	Coupon	4.450%	4.450%	250,000.00	100.000%	250,000.00
2/15/2015	Serial	Coupon	4.500%	4.500%	260,000.00	100.000%	260,000.00
2/15/2016	Serial	Coupon	4.550%	4.550%	275,000.00	100.000%	275,000.00
2/15/2017	Serial	Coupon	4.550%	4.550%	290,000.00	100.000%	290,000.00
2/15/2018	Serial	Coupon	4.600%	4.600%	305,000.00	100.000%	305,000.00
2/15/2019	Serial	Coupon	4.700%	4.700%	320,000.00	100.000%	320,000.00
2/15/2021	Term 1	Coupon	4.750%	4.750%	685,000.00	100.000%	685,000.00
2/15/2024	Term 2	Coupon	4.800%	4.800%	645,000.00	100.000%	645,000.00
<b>Total</b>	-	-	-	-	<b>5,150,000.00</b>	-	<b>5,150,000.00</b>

**BID INFORMATION**

Par Amount of Bonds.....	\$5,150,000.00
Gross Production.....	\$5,150,000.00
Bid (100.000%).....	5,150,000.00
Accrued Interest from 11/01/1998 to 12/09/1998.....	25,703.83
Total Purchase Price.....	\$5,175,703.83
Bond Year Dollars.....	\$81,807.78
Average Life.....	15.885 Years
Average Coupon.....	4.6676627%
Net Interest Cost (NIC).....	4.6676627%
True Interest Cost (TIC).....	4.6602319%

First Southwest Company  
 Public Finance

File = Kennedale.sf-98c/o-fsc- SINGLE PURPOSE  
 11/ 5/1998 11:31 AM

## Final Numbers

**City of Kennedale, Texas**  
*Combination Tax & Revenue Certificates of Obligation*  
*Series 1998*  
*CITY HALL, et al.*

### DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I	FISCAL TOTAL
12/09/1998	-	-	-	-	-
2/15/2000	-	-	188,090.78	188,090.78	-
8/15/2000	-	-	72,966.25	72,966.25	-
9/30/2000	-	-	-	-	261,057.03
2/15/2001	-	-	72,966.25	72,966.25	-
8/15/2001	-	-	72,966.25	72,966.25	-
9/30/2001	-	-	-	-	145,932.50
2/15/2002	-	-	72,966.25	72,966.25	-
8/15/2002	-	-	72,966.25	72,966.25	-
9/30/2002	-	-	-	-	145,932.50
2/15/2003	-	-	72,966.25	72,966.25	-
8/15/2003	-	-	72,966.25	72,966.25	-
9/30/2003	-	-	-	-	145,932.50
2/15/2004	90,000.00	5.875%	72,966.25	162,966.25	-
8/15/2004	-	-	70,322.50	70,322.50	-
9/30/2004	-	-	-	-	233,288.75
2/15/2005	95,000.00	5.875%	70,322.50	165,322.50	-
8/15/2005	-	-	67,531.88	67,531.88	-
9/30/2005	-	-	-	-	232,854.38
2/15/2006	100,000.00	5.875%	67,531.88	167,531.88	-
8/15/2006	-	-	64,594.38	64,594.38	-
9/30/2006	-	-	-	-	232,126.26
2/15/2007	105,000.00	4.375%	64,594.38	169,594.38	-
8/15/2007	-	-	62,297.50	62,297.50	-
9/30/2007	-	-	-	-	231,891.88
2/15/2008	105,000.00	4.375%	62,297.50	167,297.50	-
8/15/2008	-	-	60,000.63	60,000.63	-
9/30/2008	-	-	-	-	227,298.13
2/15/2009	110,000.00	4.375%	60,000.63	170,000.63	-
8/15/2009	-	-	57,594.38	57,594.38	-
9/30/2009	-	-	-	-	227,595.01
2/15/2010	115,000.00	4.375%	57,594.38	172,594.38	-
8/15/2010	-	-	55,078.75	55,078.75	-
9/30/2010	-	-	-	-	227,673.13
2/15/2011	130,000.00	4.375%	55,078.75	185,078.75	-
8/15/2011	-	-	52,235.00	52,235.00	-
9/30/2011	-	-	-	-	237,313.75
2/15/2012	130,000.00	4.375%	52,235.00	182,235.00	-
8/15/2012	-	-	49,391.25	49,391.25	-
9/30/2012	-	-	-	-	231,626.25
2/15/2013	135,000.00	4.400%	49,391.25	184,391.25	-
8/15/2013	-	-	46,421.25	46,421.25	-
9/30/2013	-	-	-	-	230,812.50
2/15/2014	140,000.00	4.450%	46,421.25	186,421.25	-
8/15/2014	-	-	43,306.25	43,306.25	-

# Final Numbers

**City of Kennedale, Texas**  
*Combination Tax & Revenue Certificates of Obligation*  
*Series 1998*  
*CITY HALL, et al.*

**DEBT SERVICE SCHEDULE**

Date	Principal	Coupon	Interest	Total P+I	FISCAL TOTAL
9/30/2014	-	-	-	-	229,727.50
2/15/2015	145,000.00	4.500%	43,306.25	188,306.25	-
8/15/2015	-	-	40,043.75	40,043.75	-
9/30/2015	-	-	-	-	228,350.00
2/15/2016	155,000.00	4.550%	40,043.75	195,043.75	-
8/15/2016	-	-	36,517.50	36,517.50	-
9/30/2016	-	-	-	-	231,561.25
2/15/2017	165,000.00	4.550%	36,517.50	201,517.50	-
8/15/2017	-	-	32,763.75	32,763.75	-
9/30/2017	-	-	-	-	234,281.25
2/15/2018	170,000.00	4.600%	32,763.75	202,763.75	-
8/15/2018	-	-	28,853.75	28,853.75	-
9/30/2018	-	-	-	-	231,617.50
2/15/2019	180,000.00	4.700%	28,853.75	208,853.75	-
8/15/2019	-	-	24,623.75	24,623.75	-
9/30/2019	-	-	-	-	233,477.50
2/15/2020	190,000.00	4.750%	24,623.75	214,623.75	-
8/15/2020	-	-	20,111.25	20,111.25	-
9/30/2020	-	-	-	-	234,735.00
2/15/2021	195,000.00	4.750%	20,111.25	215,111.25	-
8/15/2021	-	-	15,480.00	15,480.00	-
9/30/2021	-	-	-	-	230,591.25
2/15/2022	205,000.00	4.800%	15,480.00	220,480.00	-
8/15/2022	-	-	10,560.00	10,560.00	-
9/30/2022	-	-	-	-	231,040.00
2/15/2023	215,000.00	4.800%	10,560.00	225,560.00	-
8/15/2023	-	-	5,400.00	5,400.00	-
9/30/2023	-	-	-	-	230,960.00
2/15/2024	225,000.00	4.800%	5,400.00	230,400.00	-
9/30/2024	-	-	-	-	230,400.00
<b>Total</b>	3,100,000.00	-	2,458,075.82	5,558,075.82	-

First Southwest Company  
Public Finance

File = Kennedale.sf-98c/o-City Hall  
11/ 5/1998 1:29 PM

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**City of Kennedale, Texas**  
*Combination Tax & Revenue Certificates of Obligation*  
*Series 1998*  
*CITY HALL, et al.*

**DEBT SERVICE SCHEDULE**

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**YIELD STATISTICS**

Accrued Interest from 11/01/1998 to 12/09/1998.....	15,403.99
Bond Year Dollars.....	\$52,540.56
Average Life.....	16.949 Years
Average Coupon.....	4.6784352%
Net Interest Cost (NIC).....	4.6784352%
True Interest Cost (TIC).....	4.6670431%
Bond Yield for Arbitrage Purposes.....	4.6980873%
All Inclusive Cost (AIC).....	4.7707135%
<b>IRS FORM 8038</b>	
Net Interest Cost.....	4.6782530%
Weighted Average Maturity.....	16.843 Years

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First Southwest Company  
Public Finance

File = Kennedale.sf-98c/o-City Hall  
11/ 5/1998 1:29 PM

## Final Numbers

**City of Kennedale, Texas**  
*Combination Tax & Revenue Certificates of Obligation*  
 Series 1998  
 CITY HALL, et al.

### DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
9/30/1999	-	-	-	-
9/30/2000	-	-	261,057.03	261,057.03
9/30/2001	-	-	145,932.50	145,932.50
9/30/2002	-	-	145,932.50	145,932.50
9/30/2003	-	-	145,932.50	145,932.50
9/30/2004	90,000.00	5.875%	143,288.75	233,288.75
9/30/2005	95,000.00	5.875%	137,854.38	232,854.38
9/30/2006	100,000.00	5.875%	132,126.26	232,126.26
9/30/2007	105,000.00	4.375%	126,891.88	231,891.88
9/30/2008	105,000.00	4.375%	122,298.13	227,298.13
9/30/2009	110,000.00	4.375%	117,595.01	227,595.01
9/30/2010	115,000.00	4.375%	112,673.13	227,673.13
9/30/2011	130,000.00	4.375%	107,313.75	237,313.75
9/30/2012	130,000.00	4.375%	101,626.25	231,626.25
9/30/2013	135,000.00	4.400%	95,812.50	230,812.50
9/30/2014	140,000.00	4.450%	89,727.50	229,727.50
9/30/2015	145,000.00	4.500%	83,350.00	228,350.00
9/30/2016	155,000.00	4.550%	76,561.25	231,561.25
9/30/2017	165,000.00	4.550%	69,281.25	234,281.25
9/30/2018	170,000.00	4.600%	61,617.50	231,617.50
9/30/2019	180,000.00	4.700%	53,477.50	233,477.50
9/30/2020	190,000.00	4.750%	44,735.00	234,735.00
9/30/2021	195,000.00	4.750%	35,591.25	230,591.25
9/30/2022	205,000.00	4.800%	26,040.00	231,040.00
9/30/2023	215,000.00	4.800%	15,960.00	230,960.00
9/30/2024	225,000.00	4.800%	5,400.00	230,400.00
Total	3,100,000.00	-	2,458,075.82	5,558,075.82

#### YIELD STATISTICS

Accrued Interest from 11/01/1998 to 12/09/1998.....	15,403.99
Bond Year Dollars.....	\$52,540.56
Average Life.....	16.949 Years
Average Coupon.....	4.6784352%
Net Interest Cost (NIC).....	4.6784352%
True Interest Cost (TIC).....	4.6670431%
Bond Yield for Arbitrage Purposes.....	4.6980873%
All Inclusive Cost (AIC).....	4.7707135%
 <b>IRS FORM 8038</b>	
Net Interest Cost.....	4.6782530%
Weighted Average Maturity.....	16.843 Years

**City of Kennedale, Texas**  
*Combination Tax & Revenue Certificates of Obligation*  
*Series 1998*  
**WATER & SEWER SYSTEM IMPROVEMENTS**  
**DEBT SERVICE SCHEDULE**

Date	Principal	Coupon	Interest	Total P+I	FISCAL TOTAL
12/09/1998	-	-	-	-	-
2/15/2000	-	-	125,766.56	125,766.56	-
8/15/2000	-	-	48,788.75	48,788.75	-
9/30/2000	-	-	-	-	174,555.31
2/15/2001	-	-	48,788.75	48,788.75	-
8/15/2001	-	-	48,788.75	48,788.75	-
9/30/2001	-	-	-	-	97,577.50
2/15/2002	65,000.00	5.875%	48,788.75	113,788.75	-
8/15/2002	-	-	46,879.38	46,879.38	-
9/30/2002	-	-	-	-	160,668.13
2/15/2003	65,000.00	5.875%	46,879.38	111,879.38	-
8/15/2003	-	-	44,970.00	44,970.00	-
9/30/2003	-	-	-	-	156,849.38
2/15/2004	70,000.00	5.875%	44,970.00	114,970.00	-
8/15/2004	-	-	42,913.75	42,913.75	-
9/30/2004	-	-	-	-	157,883.75
2/15/2005	75,000.00	5.875%	42,913.75	117,913.75	-
8/15/2005	-	-	40,710.63	40,710.63	-
9/30/2005	-	-	-	-	158,624.38
2/15/2006	80,000.00	5.875%	40,710.63	120,710.63	-
8/15/2006	-	-	38,360.63	38,360.63	-
9/30/2006	-	-	-	-	159,071.26
2/15/2007	80,000.00	4.375%	38,360.63	118,360.63	-
8/15/2007	-	-	36,610.63	36,610.63	-
9/30/2007	-	-	-	-	154,971.26
2/15/2008	85,000.00	4.375%	36,610.63	121,610.63	-
8/15/2008	-	-	34,751.25	34,751.25	-
9/30/2008	-	-	-	-	156,361.88
2/15/2009	90,000.00	4.375%	34,751.25	124,751.25	-
8/15/2009	-	-	32,782.50	32,782.50	-
9/30/2009	-	-	-	-	157,533.75
2/15/2010	95,000.00	4.375%	32,782.50	127,782.50	-
8/15/2010	-	-	30,704.38	30,704.38	-
9/30/2010	-	-	-	-	158,486.88
2/15/2011	95,000.00	4.375%	30,704.38	125,704.38	-
8/15/2011	-	-	28,626.25	28,626.25	-
9/30/2011	-	-	-	-	154,330.63
2/15/2012	100,000.00	4.375%	28,626.25	128,626.25	-
8/15/2012	-	-	26,438.75	26,438.75	-
9/30/2012	-	-	-	-	155,065.00
2/15/2013	105,000.00	4.400%	26,438.75	131,438.75	-
8/15/2013	-	-	24,128.75	24,128.75	-
9/30/2013	-	-	-	-	155,567.50
2/15/2014	110,000.00	4.450%	24,128.75	134,128.75	-
8/15/2014	-	-	21,681.25	21,681.25	-

**Final Numbers**

**City of Kennedale, Texas**  
*Combination Tax & Revenue Certificates of Obligation*  
*Series 1998*  
**WATER & SEWER SYSTEM IMPROVEMENTS**  
**DEBT SERVICE SCHEDULE**

Date	Principal	Coupon	Interest	Total P+I	FISCAL TOTAL
9/30/2014	-	-	-	-	155,810.00
2/15/2015	115,000.00	4.500%	21,681.25	136,681.25	-
8/15/2015	-	-	19,093.75	19,093.75	-
9/30/2015	-	-	-	-	155,775.00
2/15/2016	120,000.00	4.550%	19,093.75	139,093.75	-
8/15/2016	-	-	16,363.75	16,363.75	-
9/30/2016	-	-	-	-	155,457.50
2/15/2017	125,000.00	4.550%	16,363.75	141,363.75	-
8/15/2017	-	-	13,520.00	13,520.00	-
9/30/2017	-	-	-	-	154,883.75
2/15/2018	135,000.00	4.600%	13,520.00	148,520.00	-
8/15/2018	-	-	10,415.00	10,415.00	-
9/30/2018	-	-	-	-	158,935.00
2/15/2019	140,000.00	4.700%	10,415.00	150,415.00	-
8/15/2019	-	-	7,125.00	7,125.00	-
9/30/2019	-	-	-	-	157,540.00
2/15/2020	145,000.00	4.750%	7,125.00	152,125.00	-
8/15/2020	-	-	3,681.25	3,681.25	-
9/30/2020	-	-	-	-	155,806.25
2/15/2021	155,000.00	4.750%	3,681.25	158,681.25	-
9/30/2021	-	-	-	-	158,681.25
<b>Total</b>	<b>2,050,000.00</b>	<b>-</b>	<b>1,360,435.36</b>	<b>3,410,435.36</b>	<b>-</b>

**YIELD STATISTICS**

Accrued Interest from 11/01/1998 to 12/09/1998.....	10,299.85
Bond Year Dollars.....	\$29,267.22
Average Life.....	14.277 Years
Average Coupon.....	4.6483242%
Net Interest Cost (NIC).....	4.6483242%
True Interest Cost (TIC).....	4.6485619%
Bond Yield for Arbitrage Purposes.....	4.6980873%
All Inclusive Cost (AIC).....	4.7658325%
<b>IRS FORM 8038</b>	
Net Interest Cost.....	4.6474932%
Weighted Average Maturity.....	14.171 Years

First Southwest Company  
 Public Finance

File = Kennedale.sf-98c/o-Self-Supporting  
 11/ 5/1998 1:30 PM

# Final Numbers

**City of Kennedale, Texas**  
*Combination Tax & Revenue Certificates of Obligation*  
*Series 1998*  
**WATER & SEWER SYSTEM IMPROVEMENTS**  
**DEBT SERVICE SCHEDULE**

Date	Principal	Coupon	Interest	Total P+I
9/30/1999	-	-	-	-
9/30/2000	-	-	174,555.31	174,555.31
9/30/2001	-	-	97,577.50	97,577.50
9/30/2002	65,000.00	5.875%	95,668.13	160,668.13
9/30/2003	65,000.00	5.875%	91,849.38	156,849.38
9/30/2004	70,000.00	5.875%	87,883.75	157,883.75
9/30/2005	75,000.00	5.875%	83,624.38	158,624.38
9/30/2006	80,000.00	5.875%	79,071.26	159,071.26
9/30/2007	80,000.00	4.375%	74,971.26	154,971.26
9/30/2008	85,000.00	4.375%	71,361.88	156,361.88
9/30/2009	90,000.00	4.375%	67,533.75	157,533.75
9/30/2010	95,000.00	4.375%	63,486.88	158,486.88
9/30/2011	95,000.00	4.375%	59,330.63	154,330.63
9/30/2012	100,000.00	4.375%	55,065.00	155,065.00
9/30/2013	105,000.00	4.400%	50,567.50	155,567.50
9/30/2014	110,000.00	4.450%	45,810.00	155,810.00
9/30/2015	115,000.00	4.500%	40,775.00	155,775.00
9/30/2016	120,000.00	4.550%	35,457.50	155,457.50
9/30/2017	125,000.00	4.550%	29,883.75	154,883.75
9/30/2018	135,000.00	4.600%	23,935.00	158,935.00
9/30/2019	140,000.00	4.700%	17,540.00	157,540.00
9/30/2020	145,000.00	4.750%	10,806.25	155,806.25
9/30/2021	155,000.00	4.750%	3,681.25	158,681.25
<b>Total</b>	<b>2,050,000.00</b>	<b>-</b>	<b>1,360,435.36</b>	<b>3,410,435.36</b>

## YIELD STATISTICS

Accrued Interest from 11/01/1998 to 12/09/1998.....	10,299.85
Bond Year Dollars.....	\$29,267.22
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True Interest Cost (TIC).....	4.6485619%
Bond Yield for Arbitrage Purposes.....	4.6980873%
All Inclusive Cost (AIC).....	4.7658325%
<b>IRS FORM 8038</b>	
Net Interest Cost.....	4.6474932%
Weighted Average Maturity.....	14.171 Years

# City of Kennedale, Texas

## Tax Supported Debt Plan

### Tax Rate Impact, 25 Year Amortization

\$5,150,000

FYE 30-Sep	Net Taxable Valuation <sup>(b)</sup>	Outstanding Debt Service	Certificates of Obligation Series 1998		Less: Self Supporting	Fund Balance Contribution for Tax Rate Buy Down	Aggregate Debt Service	Required I & S Tax Rate <sup>(2)</sup>
			\$3,100,000 City Hall	\$2,050,000 Water System				
1998	\$ 173,194,984	\$ 122,767	\$ -	\$ -	(4) \$ 39,094	\$ -	\$ 83,673	0.04831
1999	187,259,946	119,227	-	-	37,240	-	81,987	0.04378
2000	198,495,543	120,725	261,057	174,555	232,790	194,524	129,022	0.06500
2001	210,405,275	117,632	145,933	97,578	144,914	58,424	157,804	0.07500
2002	223,029,592	119,950	145,933	160,668	205,823	31,150	189,577	0.08500
2003	236,411,367	119,135	145,933	156,849	204,639	-	217,278	0.09191
2004	250,596,049	57,473	233,289	157,884	209,463	1,115	238,066	0.09500
2005	250,596,049	59,728	232,854	158,624	212,428	712	238,066	0.09500
2006	250,596,049	61,635	232,126	159,071	214,729	37	238,066	0.09500
2007	250,596,049		231,892	154,971	171,802	-	215,061	0.08582
2008	250,596,049		227,298	156,362	172,859	-	210,801	0.08412
2009	250,596,049		227,595	157,534	174,053	-	211,076	0.08423
2010	250,596,049		227,673	158,487	175,012	-	211,148	0.08426
2011	250,596,049		237,314	154,331	171,555	-	220,089	0.08783
2012	250,596,049		231,626	155,065	171,877	-	214,815	0.08572
2013	250,596,049		230,813	155,568	172,320	-	214,060	0.08542
2014	250,596,049		229,728	155,810	172,484	-	213,054	0.08502
2015	250,596,049		228,350	155,775	172,349	-	211,776	0.08451
2016	250,596,049		231,561	155,458	172,264	-	214,754	0.08570
2017	250,596,049		234,281	154,884	171,888	-	217,277	0.08670
2018	250,596,049		231,618	158,935	175,746	-	214,807	0.08572
2019	250,596,049		233,478	157,540	174,486	-	216,532	0.08641
2020	250,596,049		234,735	155,806	172,843	-	217,698	0.08687
2021	250,596,049		230,591	158,681	175,418	-	213,855	0.08534
2022	250,596,049		231,040		16,769	-	214,271	0.08550
2023	250,596,049		230,960		16,763	-	214,197	0.08547
2024	250,596,049		230,400		16,723	-	213,677	0.08527
2025	250,596,049					-		
		\$ 898,270	\$ 5,558,076	\$ 3,410,435	\$ 4,148,331	\$ 285,963	\$ 5,432,487	

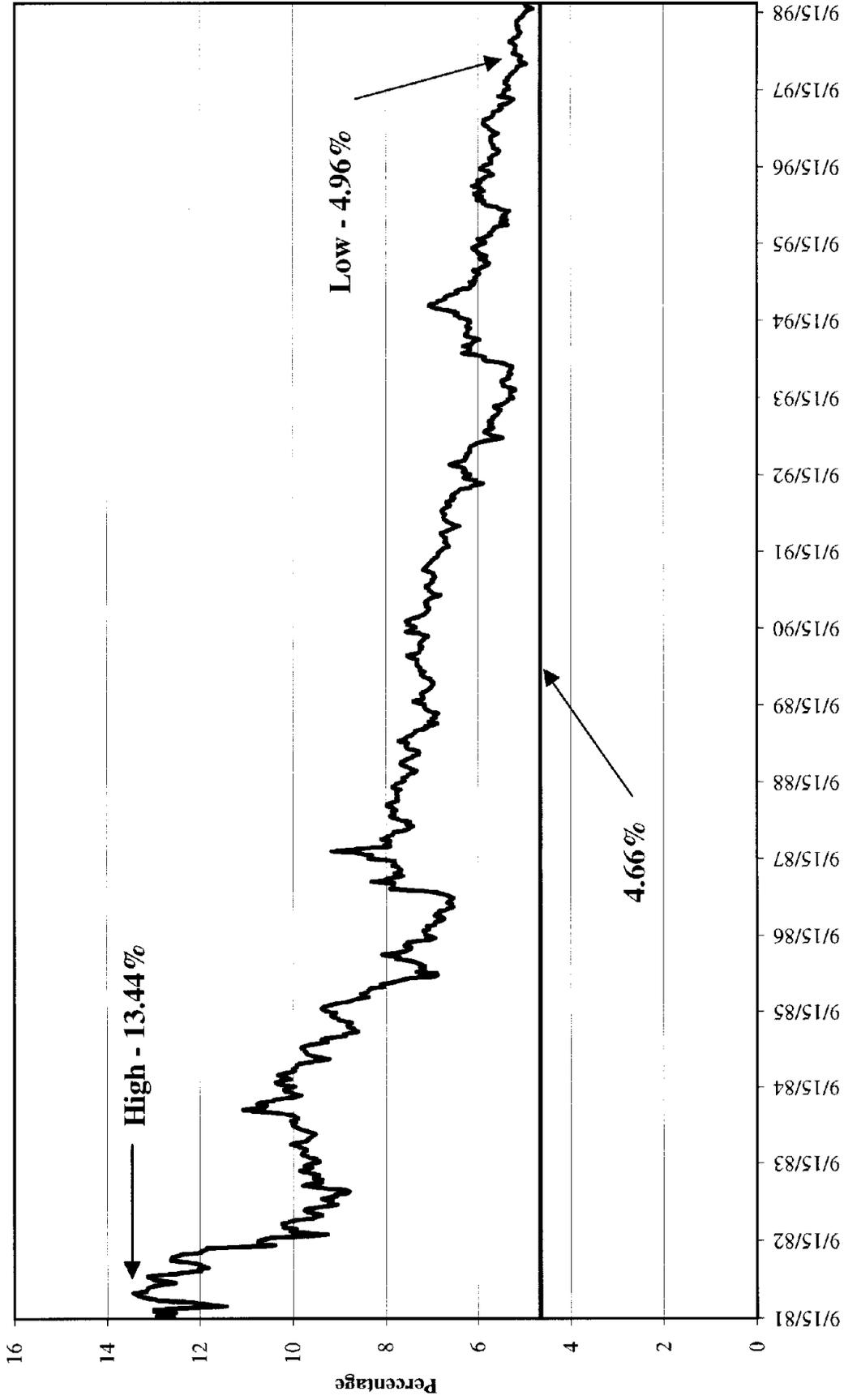
(1) Net Taxable Valuation growth assumed at 6% for five years and flat thereafter.

(2) Tax Collection Rate: 100%

(3) Assumes a sale date of November 2, 1998 with the first payment on February 15, 2000.

(4) Assumes 25% of \$900,000 paid from water and sewer system revenues. Water department would occupy 25% of new City Hall.  
Estimated cost of new City Hall, \$900,000.

City of Kennedale, Texas  
 "Bond Buyer's" Index of Municipal Bonds



— "Bond Buyer's" Index of Municipal Bonds  
 — City of Kennedale Combination Tax & Revenue Certificates of Obligation, Series 1998

**FIRST SOUTHWEST COMPANY**  
**"Bond Buyer's" Index of 20 Municipal Bonds**  
**Basis Valuation of Par Bonds**

The most important guide as to what the Municipal Bond Market has done in one time period versus another is the "Bond Buyer's" 20 Bond Index. Published on Thursday of each week, it is the accepted guide of the Municipal Bond Industry to determine trends and movements of interest rates in the market. To compute the index each week a poll is taken of several large investment banking houses on the 20 year price (expressed in terms of an interest rate) of the outstanding bonds of certain municipalities.

	<u>Week</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
January	1	7.83	7.44	7.03	7.09	6.52	6.17	5.34	6.66	5.37	5.70	5.07
	2	7.83	7.40	7.03	7.15	6.40	6.19	5.31	6.53	5.50	5.71	4.96
	3	7.61	7.29	7.14	7.10	6.56	6.16	5.29	6.44	5.40	5.72	5.03
	4	7.51	7.27	7.19	7.06	6.59	6.10	5.28	6.49	5.46	5.72	5.11
	5				7.00	6.65					5.73	
February	1	7.49	7.29	7.24	6.86	6.71	6.04	5.25	6.40	5.40	5.70	5.11
	2	7.40	7.38	7.20	6.81	6.74	5.97	5.36	6.18	5.37	5.62	5.08
	3	7.55	7.54	7.16	6.97	6.75	5.85	5.42	6.18	5.33	5.56	5.07
	4	7.52	7.55	7.27	7.01	6.74	5.60	5.58	6.11	5.48	5.65	5.14
	5									5.57		
March	1	7.47	7.56	7.25	7.06	6.71	5.47	5.84	6.08	5.59	5.70	5.25
	2	7.67	7.52	7.25	7.06	6.76	5.58	5.88	6.18	5.81	5.75	5.20
	3	7.75	7.52	7.32	7.13	6.79	5.71	5.84	6.06	5.86	5.78	5.19
	4	7.89	7.72	7.31	7.14	6.77	5.78	5.92	6.09	5.90	5.81	5.20
	5	7.90	7.64	7.33				6.07	6.07			
April	1	7.80	7.56	7.33	7.06	6.73	5.86	6.34	6.03	5.86	5.88	5.19
	2	7.81	7.54	7.31	7.02	6.66	5.84	6.22	6.01	6.03	5.88	5.18
	3	7.87	7.44	7.39	6.98	6.60	5.70	6.19	5.96	5.94	5.87	5.21
	4	7.77	7.40	7.51	7.01	6.68	5.67	6.16	6.06	5.91	5.87	5.25
	5					6.69	5.75					5.32
May	1	7.84	7.36	7.54	6.95	6.64	5.71	6.18	6.10	6.06	5.77	5.26
	2	7.85	7.36	7.39	6.93	6.54	5.69	6.32	5.96	6.08	5.71	5.23
	3	7.97	7.18	7.29	6.94	6.51	5.77	6.14	5.92	5.96	5.67	5.16
	4	7.96	7.11	7.26	6.98	6.58	5.73	6.13	5.83	5.87	5.66	5.13
	5			7.26	6.97					5.94	5.67	
June	1	7.87	7.15	7.21	7.06	6.57	5.67	6.09	5.79	5.94	5.60	5.13
	2	7.78	6.95	7.20	7.19	6.52	5.68	5.96	5.75	6.12	5.52	5.08
	3	7.73	6.88	7.28	7.15	6.46	5.61	6.04	5.86	6.06	5.48	5.11
	4	7.77	7.08	7.27	7.13	6.42	5.57	6.16	5.82	5.97	5.53	5.14
	5	7.74	7.02					6.28	5.97			
July	1	7.75	7.00	7.24	7.10	6.38	5.55	6.27	5.91	5.94	5.53	5.15
	2	7.77	6.92	7.21	7.07	6.17	5.55	6.22	5.81	6.00	5.38	5.12
	3	7.77	6.95	7.17	7.04	6.16	5.50	6.22	5.99	5.88	5.32	5.17
	4	7.76	6.95	7.15	7.00	6.05	5.61	6.22	5.97	5.86	5.28	5.16
	5					5.89	5.65				5.23	5.16
August	1	7.69	6.86	7.08	6.99	6.06	5.61	6.16	6.03	5.79	5.33	5.16
	2	7.83	7.02	7.22	6.94	6.05	5.45	6.25	6.07	5.67	5.55	5.11
	3	7.85	7.09	7.26	6.88	6.21	5.40	6.22	6.12	5.74	5.43	5.09
	4	7.80	7.15	7.56	6.86	6.31	5.35	6.21	6.08	5.75	5.45	5.03
	5		7.16	7.47	6.85				5.98	5.86		
September	1	7.76	7.15	7.41	6.86	6.24	5.35	6.16	5.90	5.95	5.42	5.03
	2	7.67	7.16	7.35	6.81	6.16	5.24	6.18	5.83	5.89	5.44	5.00
	3	7.59	7.33	7.41	6.78	6.27	5.27	6.24	5.91	5.88	5.33	4.97
	4	7.62	7.40	7.53	6.73	6.33	5.30	6.37	6.00	5.76	5.36	4.94
	5	7.64					5.30	6.43				
October	1	7.53	7.27	7.48	6.64	6.27	5.30	6.50	5.88	5.70	5.34	4.82
	2	7.52	7.19	7.56	6.66	6.29	5.20	6.44	5.82	5.73	5.38	4.88
	3	7.45	7.19	7.48	6.67	6.34	5.20	6.49	5.72	5.72	5.42	4.96
	4	7.36	7.22	7.43	6.73	6.53	5.31	6.64	5.76	5.75	5.42	4.99
	5				6.69	6.62				5.70	5.35	5.00
November	1	7.33	7.24	7.29	6.71	6.51	5.45	6.83	5.70	5.67	5.38	
	2	7.44	7.20	7.24	6.69	6.38	5.46	6.96	5.68	5.60	5.34	
	3	7.50	7.12	7.15	6.75	6.28	5.46	7.06	5.65	5.55	5.31	
	4	7.58	7.08	7.13	6.78	6.26	5.49	7.03	5.65	5.54	5.29	
	5		7.04	7.08					5.54			
December	1	7.66	7.00	7.06	6.80	6.28	5.46	6.90	5.35	5.57	5.25	
	2	7.68	6.99	7.05	6.71	6.22	5.33	6.88	5.51	5.66	5.21	
	3	7.66	6.96	7.11	6.66	6.25	5.36	6.77	5.51	5.67	5.17	
	4	7.57	6.97	7.14	6.58	6.19	5.34	6.70	5.44	5.66	5.14	
	5	7.50				6.17	5.28	6.71			5.15	

**CITY OF KENNEDALE, TEXAS  
(Tarrant County)**

**\$5,150,000  
COMBINATION TAX AND REVENUE  
CERTIFICATES OF OBLIGATION,  
SERIES 1998**

**Sealed Bids Due Thursday, November 5, 1998,  
at 11:00 AM, CST**

OFFICIAL STATEMENT

Dated October 22, 1998

Ratings:  
Moody's: Applied For  
See ("Other Information -  
Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations.

THE CERTIFICATES WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$5,150,000  
CITY OF KENNEDALE, TEXAS  
(Tarrant County)  
COMBINATION TAX AND REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 1998

Dated Date: November 1, 1998

Due: February 15, as shown below

**PAYMENT TERMS** . . . Interest on the \$5,150,000 City of Kennedale, Texas, Combination Tax and Revenue Certificates of Obligation, Series 1998 (the "Certificates") will accrue from November 1, 1998, (the "Dated Date") and will be payable February 15 and August 15 of each year commencing February 15, 2000, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Certificates - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Trust Company of Texas, N.A., Dallas, Texas (see "The Certificates - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and constitute direct obligations of the City of Kennedale, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000 over the life of the Certificates) of surplus net revenues of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "The Certificates - Authority for Issuance").

**PURPOSE** . . . Proceeds from the sale of the Certificates will be used to (i) acquire land for, and construct, a municipal complex, (ii) acquire and construct certain improvements for the City's water system, (iii) make improvements to City streets, and (iv) pay costs of issuance associated with the issuance of the Certificates.

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MATURITY SCHEDULE

See Schedule on inside front cover

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**LEGALITY** . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser(s) and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

**DELIVERY** . . . It is expected that the Certificates will be available for delivery through DTC on or about December 9, 1998.

**MATURITY SCHEDULE**

<u>Amount</u>	<u>Maturity</u>	<u>Rate</u>	<u>Price or Yield</u>	<u>Amount</u>	<u>Maturity</u>	<u>Rate</u>	<u>Price or Yield</u>
\$ 65,000	2002			\$ 250,000	2014		
65,000	2003			260,000	2015		
160,000	2004			275,000	2016		
170,000	2005			290,000	2017		
180,000	2006			305,000	2018		
185,000	2007			320,000	2019		
190,000	2008			335,000	2020		
200,000	2009			350,000	2021		
210,000	2010			205,000	2022		
225,000	2011			215,000	2023		
230,000	2012			225,000	2024		
240,000	2013						

(Accrued Interest from November 1, 1998 to be added)

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem the Certificates maturing on and after February 15, 2007, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2006, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (see "The Certificates - Redemption").

**MANDATORY SINKING FUND REDEMPTION . . .** In addition to being subject to optional redemption as provided above, should the Purchaser(s) select Alternate 2 (a combination of Serial Certificates and Term Certificates), the Term Certificates are subject to annual mandatory sinking fund redemption prior to maturity at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Interest and Sinking Fund on each February 15, commencing on the February 15 following the immediately preceding maturity for Certificates, until the stated maturity for the Term Certificates. The principal amount of Term Certificates to be redeemed on each mandatory redemption date shall be the principal amount that would have been due and payable in the Maturity Schedule shown on page 2 hereof had no conversion to Term Certificates occurred.

*This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.*

*No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.*

*The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.*

*The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.*

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

## OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

- THE CITY** ..... The City of Kennedale is a political subdivision and municipal corporation of the State, located in Tarrant County, Texas. The City covers approximately 4.5 square miles (see "Introduction - Description of City").
- THE CERTIFICATES** ..... The Certificates are issued as \$5,150,000 Combination Tax and Revenue Certificates of Obligation, Series 1998. The Certificates are issued as serial certificates maturing on February 15 in each of the years 2002 through 2024, unless the purchaser designates one or more maturities as a Term Certificate (see "The Certificates - Description of the Certificates").
- PAYMENT OF INTEREST** ..... Interest on the Certificates accrues from November 1, 1998, and is payable February 15, 2000, and each February 15 and August 15 thereafter until maturity or prior redemption (see "The Certificates - Description of the Certificates" and "The Certificates - Redemption").
- AUTHORITY FOR ISSUANCE** ..... The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended and an Ordinance passed by the City Council of the City (see "The Certificates - Authority for Issuance").
- SECURITY FOR THE CERTIFICATES** ..... The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000 over the life of the Certificates) of surplus net revenues of the City's Waterworks and Sewer System (see "The Certificates - Security and Source of Payment").
- QUALIFIED TAX-EXEMPT OBLIGATIONS** ..... The City will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see "Tax Matters - Qualified Tax-Exempt Obligations for Financial Institutions").
- REDEMPTION** ..... The City reserves the right, at its option, to redeem the Certificates maturing on and after February 15, 2007, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2006, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (see "The Certificates - Redemption"). Additionally, the Certificates may be subject to mandatory redemption in the event the initial purchaser elects to aggregate one or more maturities as a Term Certificate (see "The Certificates - Mandatory Sinking Fund Redemption").
- TAX EXEMPTION** ..... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "Tax Matters" herein, including the alternative minimum tax on corporations.
- USE OF PROCEEDS** ..... Proceeds from the sale of the Certificates will be used to: (i) acquire land for, and construct, a municipal complex, (ii) acquire and construct certain improvements for the City's water system, (iii) make improvements to City streets, and (iv) pay costs of issuance associated with the Certificates.
- RATINGS** ..... The presently outstanding tax supported debt of the City is rated "Baa1" by Moody's Investors Service, Inc. ("Moody's"). An application for a contract rating on the Certificates has been made to Moody's (see "Other Information - Ratings").
- BOOK-ENTRY-ONLY SYSTEM** ..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "The Certificates - Book-Entry-Only System").
- PAYMENT RECORD** ..... The City has never defaulted in payment of its general obligation tax debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population <sup>(1)</sup>	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	% of Current Tax Collections
1995	5,065	\$ 144,406,825	\$ 28,511	\$ 114,000	\$ 22.51	0.08%	97.99%
1996	5,100	155,180,766	30,428	535,000	104.90	0.34%	97.17%
1997	5,250	174,145,309	33,171	500,000	95.24	0.29%	98.00%
1998	5,350	171,997,677	32,149	450,000	84.11	0.26%	97.99%
1999	5,500	186,525,778	32,149	5,550,000 <sup>(2)</sup>	1,009.09	2.98%	N/A

(1) Source: City of Kennedale.

(2) Includes the Certificates.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30.				
	1998 <sup>(1)</sup>	1997	1996	1995	1994
Beginning Balance	\$ 680,857	\$ 653,831	\$ 521,585	\$ 451,881	\$ 589,550
Total Revenue	2,738,250	2,562,867	2,358,845	2,041,055	1,821,046
Total Expenditures	2,609,000	2,535,841	2,685,827	1,969,645	1,958,715
Net Transfers	-	-	459,228	(1,706)	-
Net Funds Available	<u>129,250</u>	<u>27,026</u>	<u>(326,982)</u>	<u>71,410</u>	<u>(137,669)</u>
Ending Balance	<u>\$ 810,107</u>	<u>\$ 680,857</u>	<u>\$ 653,831</u>	<u>\$ 521,585</u>	<u>\$ 451,881</u>

(1) Source: Unaudited numbers provided by the City of Kennedale.

For additional information regarding the City, please contact:

Lynette Whidden  
 Director of Finance  
 P.O. Box 268  
 Kennedale, Texas 76060  
 (817) 478-0351

Or

Chris Janning  
 Mark C. Kim  
 First Southwest Company  
 1700 Pacific Avenue, Suite 500  
 Dallas, Texas 75201  
 (214) 953-4000

**CITY OFFICIALS, STAFF AND CONSULTANTS**

**ELECTED OFFICIALS**

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Mark Wright Mayor	13 Yrs 5 Mo	2000	Sales
Ron Kovach Mayor Pro Tem	7 Yrs 5 Mo	2000	Management
George Barrett Councilman	4 Yrs 5 Mo	1999	Teacher
Nita Vaughn Councilman	5 Months	2000	Paralegal
John Clark Councilman	4 Months	1999	Attorney
Perry Hoover Councilman	1 Month	1999	Business Owner

**SELECTED ADMINISTRATIVE STAFF**

<u>Name</u>	<u>Position</u>	<u>Length of Service to City</u>	<u>Local Governmental Service</u>	<u>Military Service</u>
Ted Rowe	City Manager	14 Yrs 5 Mo	21 Years	25 Years
Kathy Turner	City Secretary	13 Yrs 8 Mo	-	-
Lynette Whidden	Finance Director	8 Yrs 8 Mo	-	-
Michael Box	Public Works Director	6 Yrs 6 Mo	-	20 Years
Linda Royster	Utility Billing Director	21 Yrs 2 Mo	-	-

**CONSULTANTS AND ADVISORS**

Auditors ..... Stovall, Grandey & Whitley  
Fort Worth, Texas

Bond Counsel ..... McCall, Parkhurst & Horton L.L.P.  
Dallas, Texas

Financial Advisor ..... First Southwest Company  
Dallas, Texas

## OFFICIAL STATEMENT

### RELATING TO

**\$5,150,000**  
**CITY OF KENNEDALE, TEXAS**  
**COMBINATION TAX AND REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 1998**

### INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$5,150,000 City of Kennedale, Texas, Combination Tax and Revenue Certificates of Obligation, Series 1998. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, Dallas, Texas.

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1947, and first adopted its Home Rule Charter in 1998. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in even-numbered years and the other terms of the three Councilmembers expiring in odd-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 1990 Census population for the City was 4,096, while the estimated 1999 population is 5,500. The City covers approximately 4.5 square miles.

### THE CERTIFICATES

**DESCRIPTION OF THE CERTIFICATES . . .** The Certificates are dated November 1, 1998, and mature on February 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2000. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "Book-Entry-Only System" herein.

**AUTHORITY FOR ISSUANCE . . .** The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an Ordinance passed by the City Council.

**SECURITY AND SOURCE OF PAYMENT . . .** All taxable property within the City is subject to a continuing direct annual ad valorem tax levied by the City sufficient to provide for the payment of principal of and interest on all obligations payable in whole or in part from ad valorem taxes, which tax must be levied within limits prescribed by law. Additionally, the Certificates are payable from and secured by a pledge of surplus net revenues of the City's Waterworks and Sewer System, provided such pledge is limited to an amount of \$1,000 over the life of the issue, as provided in the Ordinance authorizing the Certificates.

**TAX RATE LIMITATION . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. The City operates under the general laws of the State of Texas as authorized by Article XI, Section 5 of the Texas Constitution, which limits the maximum tax rate to \$2.50 per \$100 Assessed Valuation for all City purposes. The City's home rule charter adopts the constitutional tax rate limitation of \$2.50 per \$100 Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$2.50 maximum tax rate for all General Obligation Debt, based on 90% tax collection.

**REDEMPTION . . .** The City reserves the right, at its option, to redeem the Certificates maturing on and after February 15, 2007, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2006, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

**MANDATORY SINKING FUND REDEMPTION . . .** In addition to being subject to optional redemption as provided above, should the Purchaser(s) select Alternate 2 (a combination of Serial Certificates and Term Certificates), the Term Certificates are subject to annual mandatory sinking fund redemption prior to maturity at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Interest and Sinking Fund on each February 15, commencing on the February 15 following the immediately preceding maturity for Certificates, until the stated maturity for the Term Certificates. The principal amount of Term Certificates to be redeemed on each mandatory redemption date shall be the principal amount that would have been due and payable in the Maturity Schedule shown on page 2 hereof had no conversion to Term Certificates occurred.

The principal amount of Term Certificates required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Term Certificates of the same maturity which (i) shall have been acquired by the City at least 50 days prior to the redemption date at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been redeemed pursuant to the optional redemption provision described above and not theretofore credited against a mandatory redemption requirement.

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. **ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.**

**BOOK-ENTRY-ONLY SYSTEM . . .** The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Certificates under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct or Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. **Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system described herein is discontinued.**

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Certificates with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date (hereinafter defined). The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts on each payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

*Use of Certain Terms in Other Sections of this Official Statement.* In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

DTC has established a Year 2000 Project Office and will provide information concerning DTC's year 2000 compliance to persons requesting such information. The address is as follows: The Depository Trust Company, Year 2000 Project Office, 55 Water Street, New York, New York 10041. Telephone numbers for the DTC Year 2000 Project Office are (212) 855-8068 and (212) 855-8881. In addition, information concerning DTC's Year 2000 compliance can be obtained from its website at the following address: [www.dtc.org](http://www.dtc.org).

Information concerning DTC and the Book-Entry System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Purchasers.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is U.S. Trust Company of Texas, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**BONDHOLDERS' REMEDIES . . .** The Ordinance does not establish specific events of default with respect to the Certificates. Under State law there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Ordinance. Although a registered owner of Certificates could presumably obtain a judgment against the City if a default occurred in the payment of principal of or interest on any such Certificates, such judgment could not be satisfied by execution against any property of the City. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The Ordinance does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

**USE OF CERTIFICATE PROCEEDS . . .** Proceeds from the sale of the Certificates will be used to: (i) acquire land for, and construct, a municipal complex, (ii) acquire and construct certain improvements for the City's water system, (iii) make improvements to the City streets, and (iv) pay costs of issuance associated with the Certificates.

## TAX INFORMATION

**AD VALOREM TAX LAW . . .** The appraisal of property within the City is the responsibility of the Tarrant County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the less of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the V.T.C.A., Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) An exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) An exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

The City and the other taxing bodies within its territory may agree to jointly create tax increment financing zones, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

**EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . .** By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per \$100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The City Council may not adopt a tax rate that exceeds the prior year's levy until it has held a public hearing on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

**PROPERTY ASSESSMENT AND TAX PAYMENT . . .** Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

**PENALTIES AND INTEREST . . .** Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**CITY APPLICATION OF TAX CODE . . .** The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$50,000; the disabled are also granted an exemption of \$50,000.

The City has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of \$5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt, since the City does not allow homestead exemptions.

The City does not tax nonbusiness personal property.

The City does permit split payments, and discounts are not allowed.

The City does not tax freeport property.

The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes.

**TAX ABATEMENT POLICY . . .** On November 14, 1991, the City established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The City reviews each abatement request on a case-by-case basis. Projects could be eligible for a tax abatement of up to 100% for a period of ten years. The value of property subject to abatement is shown in Table 1.

**TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

1998/99 Market Valuation Established by Tarrant County Appraisal District (excluding totally exempt property)		\$ 201,896,563
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead Exemptions	\$ -	
Disabled Veterans	206,499	
Agricultural Use Reductions	3,026,396	
Freeport Exemptions	3,583,036	
Over 65/Disabled	8,551,457	
Nominal Value Loss	<u>3,397</u>	<u>15,370,785</u>
1998/99 Net Taxable Assessed Valuation		\$ 186,525,778
General Obligation Debt Payable from Ad Valorem Taxes (as of November 1, 1998)		
General Obligation Debt	\$ 450,000	
The Certificates	<u>5,150,000</u>	
General Obligation Debt Payable from Ad Valorem Taxes		\$ 5,600,000
General Obligation Interest and Sinking Fund as of September 30, 1997		\$ 12,059
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		3.00%

1999 Estimated Population - 5,500  
Per Capita Taxable Assessed Valuation - \$33,914  
Per Capita Funded Debt - \$1,018

**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY**

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	1999		1998		1997	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 92,171,670	45.65%	\$ 85,839,677	45.10%	\$ 77,187,579	41.33%
Real, Residential, Multi-Family	11,829,321	5.86%	11,321,540	5.95%	11,624,364	6.22%
Real, Vacant Lots/Tracts	6,066,778	3.00%	5,684,732	2.99%	5,440,621	2.91%
Real, Acreage (Land Only)	3,636,873	1.80%	4,044,171	2.12%	3,862,710	2.07%
Real, Farm and Ranch Improvements	2,468,742	1.22%	2,570,357	1.35%	2,439,177	1.31%
Real, Commercial	18,247,562	9.04%	15,932,461	8.37%	16,360,277	8.76%
Real, Industrial	11,493,207	5.69%	10,948,888	5.75%	8,823,119	4.72%
Real and Tangible Personal, Utilities	16,019,529	7.93%	15,352,025	8.07%	14,622,573	7.83%
Tangible Personal, Commercial	11,530,435	5.71%	11,885,040	6.24%	11,211,273	6.00%
Tangible Personal, Industrial	27,103,407	13.42%	26,051,754	13.69%	34,077,564	18.25%
Tangible Personal, Other	21,889	0.01%	33,604	0.02%	35,305	0.02%
Tangible Personal, Mobile Homes	513,950	0.25%	503,670	0.26%	517,806	0.28%
Real Property, Inventory <sup>(1)</sup>	793,200	0.39%	171,600	0.09%	554,760	0.30%
Total Appraised Value Before Exemptions	\$ 201,896,563	100.00%	\$ 190,339,519	100.00%	\$ 186,757,128	100.00%
Less: Total Exemptions/Reductions	15,370,785		18,341,842		12,611,819	
Net Value	\$ 186,525,778		\$ 171,997,677		\$ 174,145,309	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	1996		1995	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 75,259,124	42.53%	\$ 70,654,524	42.99%
Real, Residential, Multi-Family	11,398,625	6.44%	8,787,006	5.35%
Real, Vacant Lots/Tracts	5,294,373	2.99%	5,490,618	3.34%
Real, Acreage (Land Only)	3,427,772	1.94%	3,101,964	1.89%
Real, Farm and Ranch Improvements	2,129,261	1.20%	1,971,061	1.20%
Real, Commercial	16,178,227	9.14%	14,870,165	9.05%
Real, Industrial	6,545,716	3.70%	6,753,615	4.11%
Real and Tangible Personal, Utilities	14,357,459	8.11%	14,563,682	8.86%
Tangible Personal, Commercial	10,712,449	6.05%	7,995,705	4.87%
Tangible Personal, Industrial	30,642,778	17.32%	29,376,932	17.87%
Tangible Personal, Other	35,940	0.02%	25,871	0.02%
Tangible Personal, Mobile Homes	511,552	0.29%	439,240	0.27%
Real Property, Inventory <sup>(1)</sup>	474,850	0.27%	319,240	0.19%
Total Appraised Value Before Exemptions	\$ 176,968,126	100.00%	\$ 164,349,623	100.00%
Less: Total Exemptions/Reductions	21,787,360		19,942,798	
Taxable Assessed Value	\$ 155,180,766		\$ 144,406,825	

(1) Real inventory properties in the hands of developers or builders: each group of properties in this category is appraised on the basis of its value as a sale to another developer or builder. This category initiated in 1988.

NOTE: Valuations shown are certified taxable assessed values reported by the Tarrant County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

**TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

Fiscal Year Ended	Estimated City Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Per Capita Taxable Assessed Per Capita	G.O. Tax Debt Outstanding At End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	Per Capita G.O. Tax Debt
1995	5,065	\$ 144,406,825	\$ 28,511	\$ 114,000	0.08%	\$ 22.51
1996	5,100	155,180,766	30,428	535,000	0.34%	104.90
1997	5,250	174,145,309	33,171	500,000	0.29%	95.24
1998	5,350	171,997,677	32,149	450,000	0.26%	84.11
1999	5,500	186,525,778	33,914	5,550,000 <sup>(3)</sup>	2.98%	1,009.09

(1) Source: City of Kennedale.

(2) As reported by the Tarrant County Appraisal District on City's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Includes the Certificates.

**TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levv	% Current Collections	% Total Collections
1995	\$ 0.562514	\$ 0.500269	\$ 0.062245	\$ 812,309	97.99%	101.24%
1996	0.582525	0.525856	0.056669	903,967	97.17%	99.90%
1997	0.578077	0.529473	0.048604	1,006,694	98.00%	101.82%
1998	0.600000	0.550544	0.049456	1,031,986	97.99%	100.23%
1999	0.611377	0.566296	0.045081	1,140,376	N/A	N/A

**TABLE 5 - TEN LARGEST TAXPAYERS<sup>(1)</sup>**

Name of Taxpayer	Nature of Property	1997/98 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Heidelberg Harris, Inc.	Printing press manufacturing	\$ 17,157,050	9.98 %
Southwestern Bell	Telephone utility	9,419,238	5.48
Fwt, Inc.	Radio/telephone tower manufacturing	5,760,000	3.35
Texas Utilities Electric Co	Electric utility	4,721,655	2.75
Chase Elastomer Corp	Rubber compounds	2,726,463	1.59
Speed Fab Crete Corp Intl	Manufacturing/building	2,427,209	1.41
Tealwood Apartments Co Ltd	Real Estate - apartments	1,948,421	1.13
Ma Hanna Co	Industrial	1,798,588	1.05
Sovran Acquisition Ltd Prtshp	Commercial	1,282,461	0.75
Storage Trust Properties	Commercial	891,565	0.52
		<u>\$ 48,132,650</u>	<u>27.98 %</u>

(1) 1998/99 Top Ten Taxpayers not available at this time.

**GENERAL OBLIGATION DEBT LIMITATION . . .** No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "Tax Rate Limitation").

**TABLE 6 - TAX ADEQUACY**

1999 Principal and Interest Requirements.....	\$	73,240
\$0.0414 Tax Rate at 95% Collection Produces.....	\$	73,360
Average Annual Principal and Interest Requirements, 1999-2024.....	\$	369,623
\$0.2086 Tax Rate at 95% Collection Produces.....	\$	369,638

**TABLE 7 - ESTIMATED OVERLAPPING DEBT**

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	1998/99		Total Tax Supported Debt	Estimated % Applicable	City's	Authorized But Unissued Debt As Of 11/1/98
	Taxable Assessed Value	1998/99 Tax Rate			Overlapping Tax Supported Debt As of 11/1/98	
City of Kennedale	\$ 186,525,778	\$0.611377	\$ 5,600,000 <sup>(1)</sup>	100.00%	\$ 5,600,000	\$ 0
Kennedale Independent School District	391,905,406	1.665641	5,566,000	44.67%	2,486,332	0
Fort Worth Independent School District	12,716,080,432	1.485000	103,795,118	0.02%	20,759	0
Tarrant County	54,553,465,696	0.264836	158,381,899	0.34%	538,498	500,000
Tarrant County Hospital District	54,553,465,696	0.234070	47,194,987	0.34%	160,463	0
Tarrant County Junior College District	55,244,176,140	0.106410	96,681,345	0.34%	<u>328,717</u>	0
Total Direct and Overlapping Tax Supported Debt					\$ 9,134,769	
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation					4.90%	
Per Capita Overlapping Tax Supported Debt					1,660.87	

(1) Includes the Certificates.

**DEBT INFORMATION**

**TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9/30	Outstanding Debt <sup>(1)</sup>			This \$5,150,000 Issue <sup>(2)</sup>			Total Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
1999	\$ 50,000	\$ 23,240	\$ 73,240	\$ -	\$ -	\$ -	\$ 73,240	
2000	55,000	19,738	74,738	-	439,657	439,657	514,395	
2001	55,000	16,645	71,645	-	245,771	245,771	317,416	2.9%
2002	60,000	13,963	73,963	65,000	243,919	308,919	382,881	
2003	65,000	10,848	75,848	65,000	240,214	305,214	381,061	
2004	50,000	7,473	57,473	160,000	233,801	393,801	451,274	
2005	55,000	4,728	59,728	170,000	224,396	394,396	454,124	15.2%
2006	60,000	1,635	61,635	180,000	215,771	395,771	457,406	
2007			-	185,000	208,014	393,014	393,014	
2008			-	190,000	199,904	389,904	389,904	
2009			-	200,000	191,371	391,371	391,371	
2010			-	210,000	182,299	392,299	392,299	33.5%
2011			-	225,000	172,564	397,564	397,564	
2012			-	230,000	162,298	392,298	392,298	
2013			-	240,000	151,634	391,634	391,634	
2014			-	250,000	140,455	390,455	390,455	
2015			-	260,000	128,756	388,756	388,756	55.0%
2016			-	275,000	116,383	391,383	391,383	
2017			-	290,000	103,101	393,101	393,101	
2018			-	305,000	88,894	393,894	393,894	
2019			-	320,000	73,814	393,814	393,814	
2020			-	335,000	57,888	392,888	392,888	82.2%
2021			-	350,000	41,148	391,148	391,148	
2022			-	205,000	27,396	232,396	232,396	
2023			-	215,000	16,791	231,791	231,791	
2024			-	225,000	5,681	230,681	230,681	100.0%
	<u>\$ 450,000</u>	<u>\$ 98,268</u>	<u>\$ 548,268</u>	<u>\$ 5,150,000</u>	<u>\$ 3,911,920</u>	<u>\$ 9,061,920</u>	<u>\$ 9,610,187</u>	

(1) "Outstanding Debt" does not include lease/purchase obligations.

(2) Average life of the issue - 15.885 years. Interest on the Certificates has been calculated at the rate of 4.70% for purposes of illustration.

**TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION**

Tax Supported Debt Service Requirements, Fiscal Year Ending 9-30-99		\$ 73,240
Interest and Sinking Fund, 9-30-97	\$ 12,059	
Interest and Sinking Fund Tax Levy @ 95% Collection	\$ 79,883	\$ 91,942
Estimated Balance, 9-30-99		\$ 18,702

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS.** . . . The City does not have any authorized but unissued General Obligation Bonds.

**ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT** . . . The City does not anticipate the issuance of additional general obligation debt within the next twelve months.

**OTHER OBLIGATIONS** . . . The City currently maintains a lease agreement for radio equipment. The annual payments are \$45,986.82 and the lease will expire in May, 2003.

**PENSION FUND** . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see Appendix B, "Excerpts from the City's Annual Financial Report" - Note # 7.)

**FINANCIAL INFORMATION**

**TABLE 10 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

	Fiscal Year Ended September 30,				
	1998 <sup>(1)</sup>	1997	1996	1995	1994
<b>Revenues:</b>					
Taxes	\$ 1,825,304	\$ 1,706,157	\$ 1,651,519	\$ 1,524,360	\$ 1,343,620
Licenses and Permits	90,264	89,529	85,809	53,584	47,869
Intergovernmental	159,267	146,127	123,651	123,948	119,845
Charges for Services	327,889	298,046	216,680	128,768	84,316
Fine and Forfeitures	196,584	179,112	156,733	128,344	122,320
Interest	61,231	50,460	46,681	42,257	19,776
Miscellaneous	77,711	93,436	77,772	39,794	83,300
<b>Total Revenues</b>	<b>\$ 2,738,250</b>	<b>\$ 2,562,867</b>	<b>\$ 2,358,845</b>	<b>\$ 2,041,055</b>	<b>\$ 1,821,046</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General Government	\$ 727,574	\$ 605,966	\$ 492,059	\$ 425,698	\$ 417,093
Police	829,798	838,130	763,304	716,397	704,178
Fire	495,302	432,707	350,554	324,759	331,797
Public Works	478,780	482,969	465,285	361,827	376,476
Culture and Recreation	77,546	90,467	64,121	52,155	39,164
Capital Outlay			463,753		
<b>Debt service:</b>					
Principal retirement		65,487	79,986	79,987	78,987
Interest and fiscal charges		20,115	6,765	8,822	11,020
<b>Total Expenditures</b>	<b>\$ 2,609,000</b>	<b>\$ 2,535,841</b>	<b>\$ 2,685,827</b>	<b>\$ 1,969,645</b>	<b>\$ 1,958,715</b>
Automotive Sub Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Transfer - Net	-	-	459,228	(1,706)	-
<b>Total Other Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 459,228</b>	<b>\$ (1,706)</b>	<b>\$ -</b>
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)</b>	<b>\$ 129,250</b>	<b>\$ 27,026</b>	<b>\$ 132,246</b>	<b>\$ 69,706</b>	<b>\$ (137,669)</b>
<b>Beginning Fund Balance</b>	<b>680,859</b>	<b>653,833</b>	<b>521,587</b>	<b>451,881</b>	<b>589,550</b>
<b>Ending Fund Balance</b>	<b>\$ 810,109</b>	<b>\$ 680,859</b>	<b>\$ 653,833</b>	<b>\$ 521,587</b>	<b>\$ 451,881</b>

(1) Unaudited.

**TABLE 11 - MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, VATCS, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. On August 13, 1987, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½% of 1%) for property tax reduction.

Fiscal Year Ended	Total Collected <sup>(1)</sup>	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
1994	\$ 365,802	49.94%	\$ 0.0025	\$ 85.79
1995	439,758	54.40%	0.0030	86.82
1996	466,848	51.91%	0.0030	91.54
1997	462,963	44.31%	0.0027	88.18
1998	582,213	55.37%	0.0034	108.82

**FINANCIAL POLICIES**

Basis of Accounting . . . The modified accrual basis of accounting is followed by the governmental funds. These revenues are recognized when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of current period. Expenditures, other than interest on long-term debt are recorded when the liability is incurred, if measurable. Interest on long-term debt is recorded when due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance.

Property and sales tax revenues are recorded under the susceptible to accrual concept. Franchise taxes, licenses and permits, fines and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

The accrual basis of accounting is utilized by the proprietary fund type.

For purposes of the statement of cash flows, the Water and Sewer Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Budgetary Procedures . . . The City Council follows these procedures in establishing the budgetary data reflected in the combined financial statements: (1) On or before August first each year, the Manager submits to the City Council a proposed budget. The budget includes proposed expenditures and the means of financing them. (2) Public hearings are conducted to obtain taxpayer comments. (3) Prior to September 30, the budget is legally enacted through passage of an ordinance. The annual appropriations lapse at year end. (4) Revisions that alter the total expenditures of any fund must be approved by the City Council. (5) Budgets for the General and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts presented in the general purpose financial statements are as originally adopted and amended by the City Council.

**INVESTMENTS**

The City of Kennedale invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City of Kennedale. Both state law and the City's investment policies are subject to change.

**LEGAL INVESTMENTS** . . . Under Texas law, the City is authorized 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 and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for City deposits, (7) certificates of deposit and share certificates issued by a state or federal credit union domiciled in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (5) or in any other manner and

amount provided by law for City deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

**INVESTMENT POLICIES . . .** Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

**ADDITIONAL PROVISIONS . . .** Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

It is the policy of the City to invest public funds in a manner which will provide highest investment return without safety or liquidity risk while meeting the daily cash flow demands of the City and conforming to all provisions of the Public Funds Investment Act (HB 2459).

Management responsibility for the investment program is hereby delegated to the Director of Finance under the direct supervision of the City Manager. The Director of Finance shall serve as the City's Investment Officer. The Director of Finance shall establish written procedures for the operations of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicitly delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided in the terms of this policy and the procedures established by the Director of Finance, under the supervision of the City Manager. The Director of Finance, under the supervision of the City

Manager shall be responsible for transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

The City will diversity its investments by security type and institution. No more than 50% of the City's total investment portfolio will be invested in a single security type with the exception of investment pool securities. No more than 50% of the City's total investment portfolio will be invested in any one specific investment pool.

The Director of Finance shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

The Director of Finance is charged with the responsibility of including a market report on investment activity and returns to Council not less than quarterly.

**TABLE 12 - CURRENT INVESTMENTS**

As of September 30, 1997, the City's investable funds were invested in the following categories:

Description	% of Portfolio	Purchase Price	Market Value
L.O.G.I.C.	32.0%	\$ 636,596	\$ 636,596
Lone Star Money Market	31.0%	632,267	632,267
TexPool	37.0%	740,715	740,715
	100.0%	\$ 2,009,578	\$ 2,009,578

As of such date, 100% of the City's investment portfolio will mature within 3.5 months. The market value of the investment portfolio was approximately 100% of its purchase price.

TexPool is a local government investment pool under the control of the Texas Comptroller of Public Accounts. The Comptroller has engaged Chase Bank of Texas, and its affiliates, to provide investment management and fund accounting services for TexPool. First Southwest Asset Management, Inc., an affiliate of First Southwest Company, provides customer service and marketing for the pool. TexPool currently maintains a AAAM rating from Standard & Poor's. The pool's investment objectives include achieving a stable net asset value of \$1.00 per share. Daily investment or redemption of funds is allowed by the participants.

## THE SYSTEM

### WATERWORKS SYSTEM AND SEWER SYSTEM DESCRIPTION

The City provides water and sewer service primarily for the City and has a small number of customers outside the City limits. The City purchases wastewater treatment from the City of Fort Worth. The City has one overhead storage tank and two ground storage tanks for a total storage capacity of 1.53 million gallons. The City has five water well sites, which provides the source of water.

**TABLE 13 - MONTHLY WATER RATES (EFFECTIVE JANUARY 1, 1999)**

	<u>Inside City Limits</u>		<u>Outside City Limits</u>		<u>Homeowners 65 and Older and/or Disabled Persons</u>	
First 2,000 gallons	\$7.50	(Minimum)	\$22.56	(Minimum)	\$4.61	(Minimum)
Over 2,000 gallons	\$3.00	Per 1,000 gallons	\$3.41	Per 1,000 gallons	\$2.61	Per 1,000 gallons

**TABLE 14 - HISTORICAL WATER CONSUMPTION (GALLONS)**

Fiscal Year Ended	Daily Average	Total Usage	Water Revenue
9-30			
1994	538,810	196,665,500	\$ 507,493
1995	582,451	212,544,700	546,755
1996	592,725	216,344,512	556,075
1997	708,450	258,584,209	621,940
1998	754,854	275,521,600	754,325

**TABLE 15 - MONTHLY SEWER RATES (EFFECTIVE JANUARY 1, 1999) <sup>(1)</sup>**

<u>Inside City Limits</u>	
<u>Residential</u>	<u>Homeowners over 65 and/or Disabled</u>
Basic Charge: \$6.50 plus \$1.50 per 1,000 gallons	Basic Charge: \$3.25 plus \$1.38 per 1,000 gallons
<u>Commercial</u>	
<u>Meter Size</u>	<u>Basic Charge <sup>(2)</sup></u>
3/4" & 1"	\$6.00
1-1/2"	7.15
2"	8.50
3"	11.70
4"	16.40

(1) Outside City rates - double City rate.

(2) Plus \$1.00 per 1,000 gallons.

TABLE 16 - WASTEWATER USAGE (GALLONS)

Fiscal Year Ended 9-30	Total Revenue
1994	\$ 240,123
1995	254,246
1996	233,941
1997	284,745
1998	280,308

TABLE 17 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	1997	1996	1995	1994	1993
Operating Revenue	\$ 1,085,347	\$ 1,100,786	\$ 963,731	\$ 884,418	\$ 926,061
Operating Expense	\$ 1,040,492	\$ 906,483	\$ 832,106	\$ 755,744	\$ 738,217
Net Available for Debt Service	* \$ 44,855	\$ 194,303	\$ 131,625	\$ 128,674	\$ 187,844
Water Customers	1,767	1,743	1,701	1,640	1,592
Sewer Customers	1,595	1,563	1,529	1,466	1,422

\* Purchased computer system for City Hall out of water fund reserves. General fund reimburses annually at 5.5%. (\$133,000)

## TAX MATTERS

**OPINION . . .** On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof, (1) interest on the Certificates will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as specified "private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C - Form of Bond Counsel's Opinion.

In rendering their opinion, Bond Counsel will rely upon (a) the City's no-arbitrage certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

The law upon which Bond Counsel have based their opinion is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

**FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . .** The initial public offering price to be paid for one or more maturities of the Certificates (the "Original Issue Discount Certificates") may be less than the principal amount thereof. In such event, the difference between (i) the amount payable at the maturity of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount with respect to such Original Issue Discount Certificate in the hands of any owner who has purchased such Original Issue Discount Certificate in the initial public offering of the Certificates. Under existing law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Certificate continues to be owned by such owner. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

**COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . .** The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed earned income credit, owners of an interest in a FASIT, certain S corporations with Subchapter C earnings and profits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

**INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO**

**RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.**

Prospective purchasers should be aware that because the first interest payment will be made more than one year after the issue date of the Bonds, the first payment may be treated as original issue discount. While such treatment of the payment will not adversely affect the excludability of the interest portion of the payment from a holder's gross income, special tax accounting treatment may apply. This tax accounting treatment would cause a portion of the interest payment to be recognized in the taxable year in which the Bonds are purchased, rather than the taxable year in which the payment is received by the holder. This treatment may accelerate any alternative minimum tax consequences for corporations, the recognition of any portion of the payment which is treated as market discount and any other collateral federal income tax consequences for certain holders. Prospective purchasers should consult their tax advisors for advice regarding such consequences.

Interest on the Certificates will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for non corporate taxpayers (28 percent for taxable excess exceeding \$175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Interest on the Certificates may be subject to the "branch profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds, although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

**STATE, LOCAL AND FOREIGN TAXES . . .** Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

**QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . .** Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a "financial institution" allocable to tax-exempt obligations, other than specified "private activity bonds," which are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any subordinate issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as referring to any corporation described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business which is subject to federal or state supervision as a financial institution.

The City expects to designate the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action which would assure or to refrain from such action which would adversely affect the treatment of the Certificates as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public (or, in the case of discount bonds, the amount payable at maturity) exceeds \$10,000,000, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be "qualified tax-exempt obligations."

## OTHER INFORMATION

### RATINGS

The presently outstanding tax supported debt of the City is rated "Baa1" by Moody's. An application for a contract rating on this issue has been made to Moody's. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of the company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the market price of the Certificates.

### LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

### REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 9 of the Bond Procedures Act provides that the Certificates "shall constitute negotiable instruments, and are investment securities governed by Chapter 8, Texas Uniform Commercial Code, notwithstanding any provisions of law or court decision to the contrary, and are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees, and for the sinking fund of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas". The Certificates are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (V.T.C.A., Government Code, Chapter 2256), the Certificates may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

### LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates.

## **AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION**

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

## **CONTINUING DISCLOSURE OF INFORMATION**

The offering of the Certificates qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City's continuing disclosure obligations because the City has not issued more than \$10,000,000 in aggregate amount of outstanding municipal securities and no person is committed by contract or other arrangement with respect to payment of the Certificates. Pursuant to the exemption, the City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

**ANNUAL REPORTS . . .** The City will provide certain financial information and operating data which is customarily prepared by the City and is publicly available to any person upon request made to the City in writing; provided that the City reserves the right at any time to commence making filings of such information with the Texas State Information Depository (the "SID") (if any, and if none, to each NRMSIR, as defined below) in lieu of providing such information to persons upon request. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 17 and in Appendix B. The City will update and provide this information within 6 months after the end of each fiscal year ending in or after 1998.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statement become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify each nationally recognized municipal securities information repository ("NRMSIR") and the SID of the change.

The Municipal Advisory Council of Texas has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the Municipal Advisory Council is 600 West 8th Street, P. O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947.

**MATERIAL EVENT NOTICES . . .** The City will also provide timely notices of certain events to certain information vendors. The City will provide notice of any of the following events with respect to the Certificates, if such event is material to a decision to purchase or sell Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Certificates; (7) modifications to rights of holders of the Certificates; (8) Certificate calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates; and (11) rating changes. (Neither the Certificates nor the Ordinance make any provision for debt service reserves or liquidity agreements.) In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to the SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

**AVAILABILITY OF INFORMATION FROM NRMSIRS AND SID . . .** The City has agreed to provide the foregoing information only to NRMSIRS and the SID. The information will be available to holders of Certificates only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

Information agreed to be provided by the City on request may be obtained by contacting the City at P.O. Box 268, Kennedale, Texas 76060.

**LIMITATIONS AND AMENDMENTS . . .** The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

#### **COMPLIANCE WITH PRIOR UNDERTAKINGS**

The City has not previously made a continuing disclosure agreement in accordance with SEC Rule 15c2-12.

#### **YEAR 2000 DISCLOSURE**

The year 2000 presents potential problems for computerized data files and computer programs. When developed, many computer applications were not expected to be in operation at the end of the century; however, many of these applications continue to be used by governments and businesses.

The City recognizes the year 2000 problem and has taken certain steps to resolve these issues, including (i) the identification and replacement of non-year 2000 compliant hardware; (ii) with respect to software purchased since 1997, purchasing year 2000 compliant software; and (iii) the director of data processing is in the process of reviewing and resolving issues that may arise related to the City's software. It is anticipated that all systems relating to the City will be year 2000 compliant by the turn of the century, so it is not expected that year 2000 issues will pose significant problems for the City. No assurance can be given, however, that problems or delays will not occur in the ongoing modification and replacement efforts. In the event any such problems were to occur, there could be delays beyond such projected target dates.

The City further recognizes that the year 2000 problem may affect certain other third parties with whom the City has contracted and/or upon which it relies to provide certain services, including but not limited to, the Tarrant Appraisal District, the Paying Agent/Registrar and Depository Trust Company. The City cannot guarantee that computer systems of such third parties upon which the City relies will be timely modified or converted to address the year 2000 problem. Moreover, the City cannot give any assurances that it will be able to identify all potential year 2000 problems in computer systems of third parties upon which the City relies or that the computer systems of such entities will be timely modified or converted to address the year 2000 problem. To the extent that the year 2000 problem is not adequately addressed by such third parties, there could be interruptions in the operations of the City. See "The Bonds - Book-Entry-Only System" for a discussion of the Year 2000 compliance efforts of The Depository Trust Company.

#### **FINANCIAL ADVISOR**

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. First Southwest Company may submit a bid for the Certificates, either independently or as a member of a syndicate organized to submit a bid for the Certificates. First Southwest Company, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City.

**CERTIFICATION OF THE OFFICIAL STATEMENT**

At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

The Ordinance authorizing the issuance of the Certificates will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

\_\_\_\_\_  
Mayor  
City of Kennedale, Texas

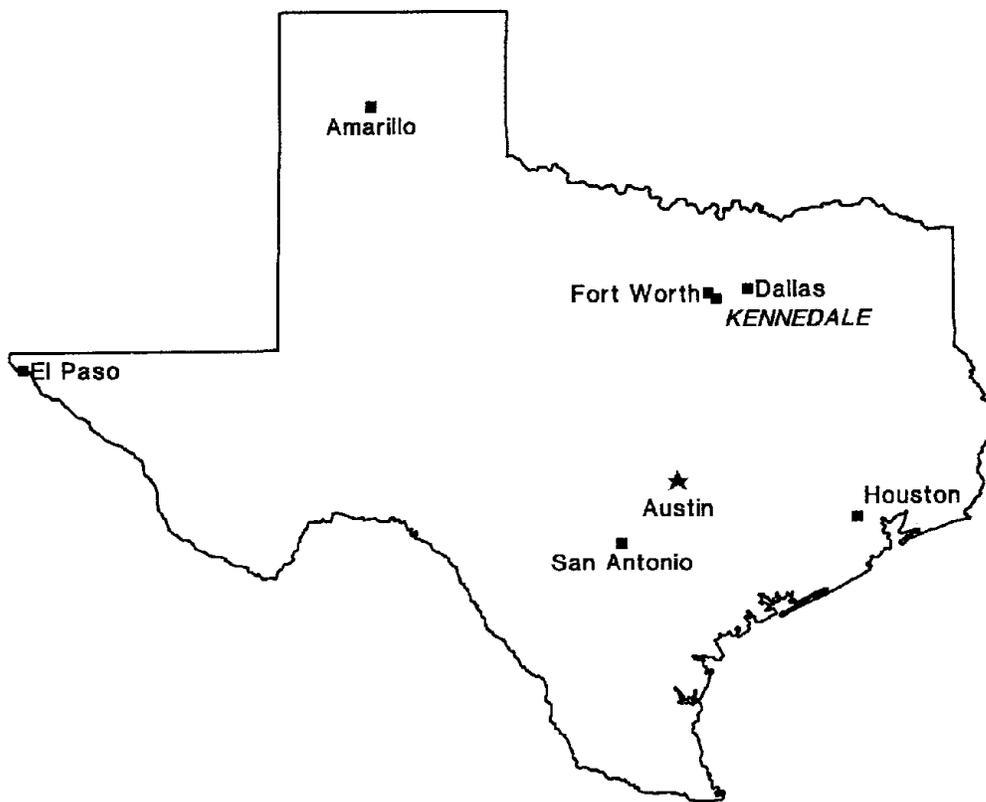
ATTEST:

\_\_\_\_\_  
City Secretary  
City of Kennedale, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY



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**THE CITY . . .** The City of Kennedale is situated at the apex of the southeast border of Fort Worth and the southwest border of Arlington in southern Tarrant County. The City's location is the hub of Interstate Highway 20, Loop 820, and U.S. Highway 287 which combine to provide the most vigorous transportation access in the Metroplex. Tens of thousands of motorists travel through this transportation hub daily. Business Highway 287 (Mansfield Highway) bisects the City of Kennedale from north to south providing easy accessibility to and from all areas of the City.

Twenty-five miles from Dallas/Fort Worth International Airport, ten miles from the downtown areas of the cities of Fort Worth and Arlington, thirty miles from downtown Dallas, and within fifteen miles of five major recreational lakes, the City of Kennedale combines the benefits of being part of one of the largest metropolitan areas in the nation with all of the advantages of a small community atmosphere.

The City of Kennedale has a population of approximately 5,350 with about 50% of its land area developed. Much of the remaining land has been identified and zoned for commercial and industrial use.

City leaders have directed their attention to planning for the future by placing priorities in the areas of economic development, emergency services, land use, water and sewer service, and recreation/open space.

Quality home construction continues at a high pace in Kennedale in several residential developments. The City of Kennedale exhibits pride in providing the type of industrial, commercial, and residential environment that will continue to make Kennedale the location of preference in the southern Metroplex.

**EDUCATION . . .** Most of Kennedale is located within the Kennedale Independent School District, however a portion of the City's northwest land area lies within the Fort Worth Independent School District. Both school districts provide excellent educational opportunities for Kennedale's youth.

With a total enrollment of over 2,100 students, Kennedale Independent School District host one elementary, one middle school and one high school. In addition to standard curriculum, Kennedale Independent School District provides educational opportunities for gifted and special needs students, as well as vocational and technical skills training.

The City is within commuting distance of nine universities and more than 25 colleges, junior and community colleges, and trade schools.

The major universities in the Dallas/Fort Worth area include Texas Christian University and Texas Wesleyan University in Fort Worth, Southern Methodist University in Dallas, the University of North Texas and Texas Woman's University in Denton, the University of Dallas in Irving, and the University of Texas at Arlington in Arlington. These universities offer a variety of undergraduate and graduate degrees in the arts, sciences, and business.

The Tarrant County Junior College system offers a variety of academic, technical and vocational courses toward a two year degree in arts or applied sciences at three campuses. TCJC South Campus is located within three miles of Kennedale.

**MEDICAL FACILITIES AND SERVICE . . .** The hospital needs of Kennedale are served by over 20 hospitals located throughout Tarrant County. Eight major hospitals located within fifteen miles of Kennedale provide a wide range of quality medical and surgical care, covering obstetrics, cardiac care, cancer, neurology, orthopedics, gynecology, kidney treatment, chemical dependency, pediatrics, physical therapy, respiratory treatment, psychiatric, major trauma, general emergency, and much more.

The City of Kennedale Fire Department provides superior emergency medical assistance through the operation of a fully equipped advanced life support ambulance system. Trained paramedics and EMT's respond to emergencies within four minutes of a call for help. The Kennedale ambulance transports to most of the major hospitals in Fort Worth and Arlington. I.S.O. rating of 4.

Helicopter ambulance service is provided to Kennedale from CareFlight, based at Harris Methodist Hospital Fort Worth. A helicopter will respond to an emergency call in less than ten minutes to transport the seriously injured.

Emergency "911" telephone service is available in Kennedale and throughout Tarrant County for police, fire and medical emergency help.

**PARKS AND RECREATIONAL FACILITIES . . .** There are approximately 25 acres of developed parkland in the Kennedale City Park which includes facilities for family or company picnics, fishing and ball fields for all ages.

**PUBLIC LIBRARY . . .** Opened in 1989, Friends of the Library - Kennedale worked diligently to open a library in Kennedale. Through their hard work and dedication of volunteers the Kennedale Library became State Accredited as of September 1, 1994.

**RESIDENTIAL HOUSING AND COMMUNITY CONVENIENCES . . .** Kennedale is about 50% developed not including individual vacant lots. About 2.5 square miles remain to be developed. Much of that land is to the northeast of Highway 287.

EMPLOYMENT . . . The labor market in Tarrant County continues to be strong. Unemployment figures are as follows:

Area	August 1998	Average Annual 1997	Average Annual 1996	Average Annual 1995	Average Annual 1994
Tarrant County					
Civilian Labor Force	763,874	736,552	726,348	714,214	704,191
Employed	738,194	709,798	698,011	679,411	665,138
Unemployed	25,680	26,754	28,337	34,890	39,053
% of Unemployment	3.4%	3.6%	3.9%	4.9%	5.5%
City of Kennedale					
Civilian Labor Force	2,583	2,489	2,451	2,400	2,360
Employed	2,532	2,435	2,394	2,330	2,282
Unemployed	51	54	57	70	78
% of Unemployment	2.0%	2.2%	2.3%	2.9%	3.3%

**PERSONAL INCOME AND BUYING POWER**

Entity	1997 Total Effective Buying Income	1997 Median Household
Tarrant County	\$ 24,748,227,000	39,722

**HOUSEHOLD EARNINGS**

	Tarrant County . . .
\$20,000 - \$34,999	21.8%
\$35,000 - \$49,999	18.4%
\$50,000 and over	37.5%

Source: Sales and Marketing Management Survey of Buying Power, August, 1998.

**APPENDIX B**

EXCERPTS FROM THE  
CITY OF KENNEDALE, TEXAS  
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 1997

The information contained in this Appendix consists of excerpts from the City of Kennedale, Texas Annual Financial Report for the Year Ended September 30, 1997, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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STOVALL, GRANDEY & WHATLEY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

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Members of  
American Institute of  
Certified Public Accountants  
Division of CPA Firms  
SEC and Private Companies  
Practice Sections

**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor, City Council and City Administrator  
City of Kennedale  
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, 1997, 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 generally accepted auditing standards. 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, 1997, and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

  
STOVALL, GRANDEY & WHATLEY

Fort Worth, Texas  
January 27, 1998

**CITY OF KENNEDALE, TEXAS**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**SEPTEMBER 30, 1997**

ASSETS	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPES			ACCOUNT GROUPS		TOTALS	
	GENERAL	DEBT SERVICE	ENTERPRISE		GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	(MEMORANDUM ONLY)		
			WATER AND SEWER	AMBULANCE			1997	1996	
Cash (Note 2)	\$ 138,128	\$ 11,908	\$ 124,391	\$ 37,132	\$	\$	\$ 311,559	\$ 344,305	
Investments at cost (Note 2)	932,954		684,394	5,215			1,622,563	1,399,718	
Receivables (net of allowance for estimated uncollectible accounts of \$50,485 in 1996 and \$48,059 in 1997:									
Taxes (Note 3)	42,974	6,278					49,252	54,084	
Accounts	18,840		142,846	6,479			168,165	170,212	
Accrued interest	2,924						2,924	4,738	
Due from other funds (Note 10)	11,542		57,153	338			69,033	42,822	
Due from other governments (Note 4)	34,934						34,934	29,351	
Restricted assets:									
Cash (Note 2)							825	-	
Investments (Note 2)							97,575	95,330	
Unamortized issue costs							10,013	11,190	
Property, plant and equipment (net, where applicable, of accumulated depreciation of \$2,310,781) (Note 5)									
Amount available in Debt Service Fund			5,353,080	29,126	6,432,311		11,814,517	10,753,998	
Amount to be provided for retirement of General long-term debt						12,059	12,059	18,144	
<b>TOTAL ASSETS</b>	<b>\$ 1,182,296</b>	<b>\$ 19,011</b>	<b>\$ 6,469,452</b>	<b>\$ 78,290</b>	<b>\$ 6,432,311</b>	<b>\$ 444,684</b>	<b>\$ 14,638,103</b>	<b>\$ 13,413,072</b>	

See accompanying Notes and auditor's report.

**CITY OF KENNEDALE, TEXAS**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**SEPTEMBER 30, 1997**

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPES		ACCOUNT GROUPS		TOTALS	
	DEBT SERVICE		ENTERPRISE		GENERAL	GENERAL	(MEMORANDUM ONLY)	
	GENERAL	DEBT SERVICE	WATER AND SEWER	AMBULANCE	FIXED ASSETS	LONG-TERM DEBT	1997	1996
<b>LIABILITIES</b>	\$		\$		\$	\$	\$	\$
Accounts payable	281,056		189,426	6,890			477,372	352,704
Accrued liabilities	134,051		23,931	6,956			164,938	148,099
Certificates of obligation - Current (Note 8)			24,800				24,800	15,500
Payable from restricted assets:								
Deposits			97,575				97,575	95,330
Interest		825					825	-
Due to other funds (Note 10)			338	11,542			69,033	42,822
Deferred revenue (Note 3)	57,153	6,127					47,363	54,048
Notes payable (Note 8)	41,236						223,343	254,424
General obligation bonds payable (Note 8)							70,000	80,000
Certificates of obligation (Note 8)			241,800				405,200	439,500
<b>TOTAL LIABILITIES</b>	<u>513,496</u>	<u>6,952</u>	<u>577,870</u>	<u>25,388</u>		<u>456,743</u>	<u>1,580,449</u>	<u>1,482,427</u>
<b>FUND EQUITY</b>								
Contributed capital:								
Municipality			1,084,727	622			1,085,349	1,085,349
Developers			1,747,449				1,747,449	1,264,936
Federal grants			2,078,591	5,281	6,432,311		2,078,591	1,943,266
Customers							5,281	5,281
Total			4,910,767	5,903	6,432,311		6,432,311	6,037,504
Retained earnings:								
Reserved for retirement, loans			980,815	46,999			1,027,814	10,375
Unreserved								930,101
Fund balances:								
Reserved for encumbrances	12,500						12,500	12,500
Unreserved:								
Designated for debt service		12,059					12,059	18,144
Designated for subsequent years' expenditures	389,202						389,202	159,961
Undesignated	267,098						267,098	463,228
<b>TOTAL FUND EQUITY</b>	<u>668,800</u>	<u>12,059</u>	<u>5,891,582</u>	<u>52,902</u>	<u>6,432,311</u>		<u>13,057,654</u>	<u>11,930,645</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 1,182,296</u>	<u>\$ 19,011</u>	<u>\$ 6,469,452</u>	<u>\$ 78,290</u>	<u>\$ 6,432,311</u>	<u>\$ 456,743</u>	<u>\$ 14,538,103</u>	<u>\$ 13,413,072</u>

See accompanying Notes and auditor's report.

**CITY OF KENNEDALE, TEXAS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**YEAR ENDED SEPTEMBER 30, 1997**

	GOVERNMENTAL FUND TYPES		TOTALS
REVENUES:	GENERAL	DEBT SERVICE	(MEMORANDUM ONLY) SEPTEMBER 30:
Taxes	1997	1996	1996
Property taxes	\$ 876,460	\$ 76,140	\$ 952,600
Franchise taxes	290,594		290,594
Sales taxes	462,963		462,963
<b>TOTAL TAXES</b>	<b>1,630,017</b>	<b>76,140</b>	<b>1,706,157</b>
Licenses and permits	89,529		89,529
Intergovernmental revenues	146,127		146,127
Charges for services	298,046		298,046
Fines and forfeits	179,112		179,112
Miscellaneous:			
Interest on investments	50,460		50,460
Other	90,059	3,377	93,436
<b>TOTAL REVENUES</b>	<b>2,483,350</b>	<b>79,517</b>	<b>2,562,867</b>
<b>EXPENDITURES:</b>			
Current			
General government	605,966		605,966
Public safety:			
Police	838,130		838,130
Fire	432,707		432,707
Public works and streets	482,969		482,969
Culture and recreation	90,467		90,467
Capital outlay			
Debt service:			
Principal retirement		65,487	65,487
Interest and fiscal charges		20,115	20,115
<b>TOTAL EXPENDITURES</b>	<b>2,450,239</b>	<b>85,602</b>	<b>2,535,841</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>33,111</b>	<b>(6,085)</b>	<b>(326,982)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Certificate of obligation proceeds			455,000
Operating transfers in			23,228
Operating transfers out			(11,780)
Expense of certificate of obligation issue			(7,220)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			<b>459,228</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>33,111</b>	<b>(6,085)</b>	<b>132,246</b>
Fund balance, October 1			521,587
Fund balance, September 30	<b>635,689</b>	<b>18,144</b>	<b>653,833</b>
	<b>668,800</b>	<b>12,059</b>	<b>680,859</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>

See accompanying Notes and auditor's report.

**CITY OF KENNEDALE, TEXAS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**GENERAL AND DEBT SERVICE FUNDS**  
**YEAR ENDED SEPTEMBER 30, 1997**

	GENERAL FUND		DEBT SERVICE FUND		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	BUDGET	ACTUAL	
<b>REVENUES:</b>					
<b>Taxes</b>					
Property taxes	\$ 872,106	\$ 876,460	\$ 84,549	\$ 76,140	\$ (8,409)
Franchise taxes	277,200	290,594			
Sales taxes	440,000	462,963			
<b>TOTAL TAXES</b>	<u>1,589,306</u>	<u>1,630,017</u>	<u>84,549</u>	<u>76,140</u>	<u>(8,409)</u>
Licenses and permits	105,033	89,529			
Intergovernmental revenues	146,127	146,127			
Charges for services	227,500	298,046			
Fines and forfeits	167,000	179,112			
Miscellaneous					
Interest on investments	32,500	50,460			
Other	50,382	90,059			
<b>TOTAL REVENUES</b>	<u>2,317,848</u>	<u>2,483,350</u>	<u>84,549</u>	<u>79,517</u>	<u>3,377</u> <u>(5,032)</u>
<b>EXPENDITURES:</b>					
General government	528,712	605,966			
Public safety:					
Police	851,450	838,130			
Fire	430,158	432,707			
Public works and streets	518,704	482,969			
Culture and recreation	81,085	90,467			
Debt service:					
Principal retirement			65,487	65,487	0
Interest and fiscal agent charges			19,062	20,115	(1,053)
<b>TOTAL EXPENDITURES</b>	<u>2,410,109</u>	<u>2,450,239</u>	<u>84,549</u>	<u>85,602</u>	<u>(1,053)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(92,261)</u>	<u>33,111</u>	<u>0</u>	<u>(6,085)</u>	<u>(6,085)</u>
Fund balance, October 1, 1996	635,689	635,689	18,144	18,144	0
Fund balance, September 30, 1997	<u>\$ 543,428</u>	<u>\$ 668,800</u>	<u>\$ 18,144</u>	<u>\$ 12,059</u>	<u>\$ (6,085)</u>

See accompanying Notes and auditor's report.

**CITY OF KENNEDALE, TEXAS**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED**  
**EARNINGS**  
**PROPRIETARY FUND TYPES - ALL ENTERPRISE FUND TYPES**  
**YEAR ENDED SEPTEMBER 30, 1997**

	<u>WATER AND SEWER FUND</u>	<u>AMBULANCE FUND</u>	<u>TOTALS</u> <u>(MEMORANDUM ONLY)</u>	
			<u>SEPTEMBER 30:</u>	
			<u>1997</u>	<u>1996</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,085,347	\$ 185,682	\$ 1,271,029	\$ 1,280,172
<b>OPERATING EXPENSES</b>				
Personal services	210,342	78,663	289,005	329,655
Contractual services	40,478	-	40,478	19,190
Supplies	29,468	12,778	42,246	32,772
Materials	18,226	2,720	20,946	19,005
General services	262,529	25,829	288,358	274,330
Depreciation	175,514	16,175	191,689	228,460
Bad debts	2,990	25,444	28,434	33,810
Intergovernmental charges	300,945	-	300,945	254,850
	<u>1,040,492</u>	<u>161,609</u>	<u>1,202,101</u>	<u>1,192,120</u>
<b>TOTAL OPERATING EXPENSES</b>				
<b>OPERATING INCOME</b>	<u>44,855</u>	<u>24,073</u>	<u>68,928</u>	<u>88,050</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest revenue	42,899	730	43,629	30,450
Interest expense and fiscal charges	(24,646)	(573)	(25,219)	(1,450)
	<u>18,253</u>	<u>157</u>	<u>18,410</u>	<u>29,000</u>
<b>TOTAL NONOPERATING REVENUE (EXPENSE)</b>				
<b>NET INCOME</b>	63,108	24,230	87,338	117,050
<b>RETAINED EARNINGS, October 1</b>	<u>917,707</u>	<u>22,769</u>	<u>940,476</u>	<u>823,420</u>
<b>RETAINED EARNINGS, September 30</b>	<u>\$ 980,815</u>	<u>\$ 46,999</u>	<u>\$ 1,027,814</u>	<u>\$ 940,470</u>

See accompanying Notes and auditor's report.

**CITY OF KENNEDALE, TEXAS  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE - ALL ENTERPRISE FUND TYPES  
 YEAR ENDED SEPTEMBER 30, 1997  
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	WATER AND SEWER FUND	AMBULANCE FUND	TOTALS (MEMORANDUM ONLY)	
			SEPTEMBER 30:	
			1997	1996
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 1,086,975	\$ 158,969	\$ 1,245,944	\$ 1,269,087
Cash paid to suppliers	(633,139)	(41,511)	(674,650)	(600,076)
Cash paid to employees	(210,342)	(78,663)	(289,005)	(329,691)
Net cash provided by operating activities	<u>243,494</u>	<u>38,795</u>	<u>282,289</u>	<u>339,320</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Water & sewer deposits	<u>2,245</u>		<u>2,245</u>	<u>2,854</u>
Net cash provided by noncapital financing activities	<u>2,245</u>		<u>2,245</u>	<u>2,854</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Advance to General Fund	(57,174)		(57,174)	-
Capital expenditures	(239,028)	(535)	(239,563)	(384,098)
Interest and fiscal charges paid	(24,646)		(24,646)	(11,780)
Payment of COS	(15,500)		(15,500)	-
Principal payments on loan		(5,958)	(5,958)	(6,500)
Proceeds of Cos			-	282,100
Capital contribution from CIP			-	5,608
Advance from CIP			-	<u>23,228</u>
Net cash used for capital and related financing activities	<u>(336,348)</u>	<u>(6,493)</u>	<u>(342,841)</u>	<u>(91,442)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on investments	<u>42,313</u>	<u>730</u>	<u>43,043</u>	<u>29,064</u>
Net cash provided by investing activities	<u>42,313</u>	<u>730</u>	<u>43,043</u>	<u>29,064</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(48,296)</b>	<b>33,032</b>	<b>(15,264)</b>	<b>279,796</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>954,656</u>	<u>9,315</u>	<u>963,971</u>	<u>684,175</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 906,360</u>	<u>\$ 42,347</u>	<u>\$ 948,707</u>	<u>\$ 963,971</u>

See accompanying Notes and  
auditor's report.

**CITY OF KENNEDALE, TEXAS**  
**COMBINED STATEMENT OF CASH FLOWS (CONTINUED)**  
**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY**  
**OPERATING ACTIVITIES**  
**PROPRIETARY FUND TYPE - ALL ENTERPRISE FUND TYPES**  
**YEAR ENDED SEPTEMBER 30, 1997**

	<u>WATER AND SEWER FUND</u>	<u>AMBULANCE FUND</u>	<u>TOTALS</u> <u>(MEMORANDUM ONLY)</u>	
			<u>SEPTEMBER 30:</u>	
			<u>1997</u>	<u>1996</u>
<b>OPERATING INCOME</b>	\$ 44,855	\$ 24,073	\$ 68,928	\$ 88,050
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	176,692	16,174	192,866	228,460
Provision for uncollectible accounts			-	656
Change in assets and liabilities:				
Decrease in accounts receivable	4,618		4,618	-
Increase in accounts receivable		(1,269)	(1,269)	(11,741)
Decrease in due from other funds			-	16
Increase in due from other funds	(20,775)	(338)	(21,113)	(395)
Increase in accounts payable	43,050	4,267	47,317	50,112
Decrease in accounts payable			-	(328)
Increase in accrued liabilities			-	689
Decrease in accrued liabilities	(4,946)	(4,112)	(9,058)	(16,199)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 243,494</u>	<u>\$ 38,795</u>	<u>\$ 282,289</u>	<u>\$ 332,320</u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Developers paid for and contributed waterlines and storm sewers in the amount of	\$ 482,513
C.D.B.G. lines were completed in the amount of	135,325

See accompanying Notes and  
auditor's report.

**CITY OF KENNEDALE, TEXAS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 1997**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Kennedale was incorporated in 1947. The City operates under a Mayor-Council form of government and provides the following services:

Police and fire protection, public works, public library, ambulance and general administrative services. In addition, the City owns and operates a water and sewer system.

The combined general purpose financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units.

The reporting entity for financial reporting purposes include all activities over which the City Council exercises oversight responsibility. The activities of the Kennedale Economic Development Corporation, a non-profit corporation established during the current year, are blended and reported in the General Fund because the City Council has oversight responsibility. Therefore, the following are not included because they are autonomous entities:

Kennedale Independent School District - provides educational services.

The accounting policies of the City of Kennedale, Texas, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

**A. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues and expenditures/expenses. The various funds are grouped by type in the combined general purpose financial statements. The following fund types and account groups are used by the City:

**GOVERNMENTAL FUND TYPES**

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in the proprietary fund type) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental fund types:

General Fund - The General Fund is 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. There are two sub funds of the general fund; and, they are reported there.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**PROPRIETARY FUND TYPE**

Enterprise Funds - Enterprise Funds are used to account for operations (a) 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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CITY OF KENNEDALE, TEXAS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 1997

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. The following are the City's account groups:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the City, other than those accounted for in proprietary funds.

General Long-Term Debt Account Group - This group of accounts is established to account for all long-term debt of the City except that accounted for in proprietary funds.

Total Columns On Combined Statements - Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position 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.

**B. BASIS OF ACCOUNTING**

The modified accrual basis of accounting is followed by the governmental funds. These revenues are recognized when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures other than interest on long-term debt, are recorded when the liability is incurred, if measurable. Interest on long-term debt is recorded when due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance.

Property and sales tax revenues are recorded under the susceptible to accrual concept. Franchise taxes, licenses and permits, fines and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

The accrual basis of accounting is utilized by the proprietary fund type.

For purposes of the statement of cash flows, the Water and Sewer Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**CITY OF KENNEDALE, TEXAS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 1997**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. BUDGETARY DATA**

(1) General Budget Policies

The City Council follows these procedures in establishing the budgetary data reflected in the combined financial statements:

1. Prior to the beginning of the fiscal year, the City Administrator submits to the City Council a proposed budget. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance. The annual appropriations lapse at year end.
4. Revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Budgets for the General and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts presented in the general purpose financial statements are as originally adopted and amended by the City Council.

**D. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental fund types. Encumbrances outstanding at year end are reported as reservations of fund balances because they do not constitute expenditures or liabilities.

**E. INVESTMENTS**

Investments are stated at cost, which approximates market. (See Note 2)

**F. GENERAL FIXED ASSETS**

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost in the General Fixed Assets Account Group. Contributed fixed assets are recorded at estimated fair market value at the time received.

Fixed assets consisting of certain improvements (other than buildings and street improvements funded by General Obligation Bonds) including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have not been capitalized prior to 1980. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures is satisfied without recording these assets.

No depreciation has been provided on general fixed assets and no interest has been capitalized.

**CITY OF KENNEDALE, TEXAS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 1997**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. PROPERTY, PLANT AND EQUIPMENT - ENTERPRISE FUNDS**

Property, plant and equipment owned by Enterprise Funds are stated at cost or estimated fair market value at the date contributed. Depreciation has been provided on a straight-line basis over the estimated useful lives of the respective assets as follows:

Buildings, structures and improvements	20 & 50 years
Machinery and equipment	4 - 10 years
No interest has been capitalized.	

**H. COMPENSATED ABSENCES**

Vacation, sick leave and compensatory time are granted to City employees in limited amounts. Accumulated vested amounts that are expected to be liquidated with expendable available financial resources are accrued as expenditures and fund liabilities in the General Fund and Enterprise Funds. Liabilities accrued as of September 30, 1997, by fund are:

General Fund	\$	76,973
Water and Sewer Fund		13,461
Ambulance Fund		1,994
	\$	<u>92,428</u>

**I. RESERVES**

Retained earnings have been reserved for the excess of restricted assets over related liabilities.

**J. UNBILLED CHARGES**

Unbilled utility service charges of the Water and Sewer Fund at year end are estimated and recorded as receivables, net of estimated uncollectibles.

**K. TRANSACTIONS BETWEEN FUNDS**

Residual equity transfers between funds are reported as changes to fund balances of governmental funds and contributed capital of the proprietary funds. There were none this year. All other transfers between funds are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

CITY OF KENNEDALE, TEXAS  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 SEPTEMBER 30, 1997

**NOTE 2 - CASH AND INVESTMENTS**

The City maintains a cash pool and an investment pool that is available for use by all funds. Each fund type's portion of these pools is displayed on the combined balance sheet as "Cash" and "Investments". In addition, investments are separately held by several of the City's funds.

Deposits

At year-end, the carrying amount of the City's cash on hand and deposits was \$312,384 (including deposits in transit) and the bank balance was \$307,515. The bank balance was entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Investments

The City in general, is authorized to invest its public funds in any obligations or securities described in Section 2 or 3 of the Public Funds Investment Act of 1987 as amended; and, specifically four government pools within certain limitations.

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

	CATEGORY			CARRYING AMOUNT	MARKET VALUE	
	1	2	3			
	\$	0	\$	0	\$	0
Mutual funds/pools:						
Texpool				576,678	576,678	
Lone Star Investment Pool				532,857	532,857	
Alliance Government Series				212	212	
Local Government Investment Cooperative				610,391	610,391	
Total Investments				\$ 1,720,138	\$ 1,720,138	

Investments during the fiscal years ended September 30, 1996 and 1997 were limited to governmental pools investing in government securities and to U. S. Treasury obligations only.

**CITY OF KENNEDALE, TEXAS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 1997**

**NOTE 3 - PROPERTY TAX**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each October on the assessed value for all real property and certain personal property located in the City. The assessed value, net of exemptions, upon which the fiscal 1996-97 levy was based was approximately \$162,090,521.

General property taxes are limited by the Texas Constitution to \$1.50 per \$100 of assessed valuation. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 1997 was \$.57807 per \$100 of assessed valuation.

Property taxes are due by January 31 following the levy date. Current tax collections for the year ended September 30, 1997 were 97.81% of the tax levy. Property taxes are being collected by Tarrant County for the City.

Property taxes of \$937,095 were levied for 1996-97 and are recorded as receivables, net of estimated uncollectibles. The net receivables collected and those considered "available" at September 30, 1997 (i.e. property taxes collected within 60 days of year end) are recognized as revenues in 1997. Prior year levies were recorded using these same principles. The remaining receivables are reflected as deferred revenue.

The appraisal of property within the City is the responsibility of a county-wide Appraisal District required by legislation passed by the Texas Legislature. The Appraisal District is required under such legislation to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of the property within the Appraisal District must be reviewed every two years; however, the City may, at its own expense, require annual reviews of appraised values.

**NOTE 4 - DUE FROM OTHER GOVERNMENTS**

The amount due for City sales tax revenue for September 1997 amount to \$34,934.

**CITY OF KENNEDALE, TEXAS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 1997**

**NOTE 5 - FIXED ASSETS**

A summary of changes in general fixed assets follows:

	<u>BALANCE OCTOBER 1 1996</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE SEPTEMBER 30 1997</u>
Land, buildings and improvements	\$ 1,581,370	\$ 6,300	\$	\$ 1,587,670
Machinery and equipment	1,716,364	178,921	71,259	1,824,026
Streets and other improvements	<u>2,739,770</u>	<u>280,845</u>	<u>                    </u>	<u>3,020,615</u>
	<u>\$ 6,037,504</u>	<u>\$ 466,066</u>	<u>\$ 71,259</u>	<u>\$ 6,432,311</u>

A summary of proprietary fund type property, plant and equipment at September 30, 1997 follows:

	<u>WATER AND SEWER FUND</u>	<u>AMBULANCE FUND</u>
Land	\$ 66,060	\$
Buildings, structures and improvements	7,098,857	
Machinery and equipment	<u>368,323</u>	<u>159,748</u>
	7,533,240	159,748
Less accumulated depreciation	<u>2,180,160</u>	<u>130,622</u>
	<u>\$ 5,353,080</u>	<u>\$ 29,126</u>

**CAPITAL LEASES**

Leased property at September 30, 1997 under Capital leases is capitalized in general fixed assets - Machinery and equipment in the amount of \$475,726.

The following is a schedule by years of future minimum lease payments under Capital leases together with the present value of the net minimum lease payments as of September 30, 1997:

Year ending September 30:	
1998	\$ 49,056
1999	48,034
2000	45,987
2001	45,987
2002	45,987
2003	<u>45,987</u>
Total minimum lease payments	281,038
Less: Amount representing interest	<u>57,695</u>
Present value of net minimum lease payments	<u>\$ 223,343</u>

**CITY OF KENNEDALE, TEXAS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 1997**

**NOTE 6 - RISK MANAGEMENT**

The City carries its general insurance risks with a public entity risk pool by transferring all risks to an insurance carrier except for small deductible amounts.

**NOTE 7 - EMPLOYEE PLANS**

a. **Deferred Compensation Plan**

The government offers its employees a deferred compensation plan administered by a trust established by public employers in which the deferred amounts are not held by nor required to be considered assets of the City and are not subject to the claims of the City's general creditors. No costs or liabilities are incurred by the City.

b. **Volunteer Fire/Ambulance Incentive Program (VIP)**

This program was established March 9, 1989 by City Council as an incentive to encourage volunteers to join and/or stay in the program by providing life insurance and savings plan benefits. All costs are to be paid by the City and includes furnishing \$10,000 of term life insurance and \$200 per year in the savings plan for each volunteer. The volunteers may continue the insurance coverage at their own expense in case of departure. The savings program vests 75% after 10 years up to 100% after 15 years. The City reserves the right to discontinue the program at anytime by giving 30 days notice.

The contribution by the City to the savings plan for the current year amounted to \$5,200. The balance including interest in the cash account at September 30, 1997 was \$23,413. Life insurance premiums paid during the year amounted to \$2,106.

c. **Cafeteria Plan (IRC Sec 125)**

Plan benefits consist of a health plan (hospitalization) and a dental plan for which the City pays the employee portion of the premiums. Dependent coverage is funded by charges to employees. Disability and accident coverage is paid entirely by employees.

d. **Pension Plan**

1. **Plan Description**

Beginning April 1, 1992, all full-time employees of the City are covered by the Texas Municipal Retirement System (TMRS), which is a multiple-employer public employee retirement system. It is the opinion of the TMRS management that the plans in TMRS are substantially defined contribution plans but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the plan.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest prior to establishment of the plan. Monetary credits for service since the plan began are a 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 and the employer-financed monetary credits with interest were used to purchase an annuity.

**CITY OF KENNEDALE, TEXAS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 1997**

**NOTE 7 - EMPLOYEE PLANS (continued)**

Members can retire at ages 60 and above with 10 or more years of service or with 25 years of service regardless of age. The plan also provides death and disability benefits. A member is vested after 10 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he is vested. 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.

**2. Contributions**

The contribution rate for the employees is 5%, and the City matching percent is currently 100%, both as adopted by the governing body of the City. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. 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 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 retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. When the City periodically adopts updated service credits and increases its annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period which began April 1992. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

The City's total payroll for the year ended September 30, 1997, was \$1,370,481, and their contributions were based on a participating payroll of \$1,348,835. Both the City and the employees made the required contributions, amounting to \$53,653 at a retirement rate of 4.05% for the City and \$67,442 (5%) for the employees. There were no related party transactions.

**3. Funding Status and Progress**

Even though the substance of the City's plan is not to provide a defined benefit in some form, some additional voluntary disclosure is appropriate due to the nontraditional nature of the defined contribution plan which had an initial unfunded pension benefit obligation due to the monetary credits granted by the City for service rendered before the plan began and which can have additions to the unfunded pension benefit obligation through the periodic adoption of increases in benefit credits and benefits. Statement No. 5 of the Governmental Accounting Standards Board (GASB 5) defines pension benefit obligation as a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of public employee pension plans, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee pension plans.

**CITY OF KENNEDALE, TEXAS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 1997**

**NOTE 7 - EMPLOYEE PLANS** (continued)

The pension benefit obligation shown below is similar in nature to the standardized disclosure measure required by GASB 5 for defined benefit plans except that there is no need to project salary increases since the benefit credits earned for service to date are not dependent upon future salaries. The calculations were made as part of the annual actuarial valuation as of December 31, 1996. Because of the money-purchase nature of the plan, the interest rate assumption, currently 5.0% per year, does not have as much impact on the results as it does for a defined benefit plan. Market value of assets is not determined for each city's plan, but the market value of assets for TMRS as a whole was 102.7% of book value as of December 31, 1996.

Pension benefit obligation	MEMBER CITIES (Amounts in Millions)	
Annuitants currently receiving benefits	\$	581.7
Terminated employees		485.0
Current employees -		
Accumulated employee contributions including allocated invested earnings		1,539.6
Employer - financed vested		2,413.4
Employer - financed nonvested		<u>313.6</u>
Total		5,333.3
Net assets available for benefits, at book value		<u>4,148.6</u>
Unfunded pension benefit obligation	\$	<u>1,184.7</u>

The book value of assets is the amortized cost for bonds and original cost for short-term securities and stocks. The actuarial assumptions used to compute the actuarially determined City contribution rate are the same as those used to compute the pension benefit obligation.

**4. City's Contributions**

	<u>FYE 9-30-97</u>	<u>FYE 9-30-96</u>
General Fund	\$ 43,567	\$ 36,530
Water and Sewer Fund	7,213	6,081
Ambulance Fund	<u>2,873</u>	<u>3,944</u>
	<u>\$ 53,653</u>	<u>\$ 46,555</u>

**5. Trend Information**

Ten-year historical trend information presenting the TMRS progress in accumulating sufficient assets to pay benefits when due is presented in the TMRS December 31, 1996, Comprehensive Annual Financial Report.

**CITY OF KENNEDALE, TEXAS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 1997**

**NOTE 8 - LONG-TERM DEBT**

Long-term debt transactions of the City for the year ended September 30, 1997, were as follows:

	DATE OF ISSUE	ORIGINAL AMOUNT	BALANCE AT 10-01-96	DEBT INCURRED	DEBT RETIRED	BALANCE AT 09-30-97	INTEREST RATE	MATURITY
<b>GENERAL LONG-TERM DEBT GROUP</b>								
<u>General Obligation Bonds</u>								
Sewer system	03-01-60	\$ 80,000	\$ 10,000	\$	\$ 10,000	\$ 0	5 ½ %	10M 97
Sewer system	11-01-62	30,000	30,000			30,000	5 ½	10M 11-1-98/2000
Sewer construction	07-10-64	25,000	25,000			25,000	5	10M 1-10-2001; 15M 2002
Sewer system	05-01-65	15,000	15,000			15,000	5 ½	15M 5-1-2003
		<b>TOTAL BONDS</b>	<b>80,000</b>		<b>10,000</b>	<b>70,000</b>		
<u>Certificates of Obligation</u>								
* Series 1996	03-01-96	172,900	172,900		9,500	163,400	4 ¼ - 5 ¼	9,500 97; 15,200 98/99; 17,100 00/02; 19M 03/04; 20,900 05; 22,800 06
<u>Other Long-Term Debt</u>								
<u>To Whom Payable Security</u>								
Liabilities on Capital Lease/Purchase:								
Corporation	03-02-94	12,789	6,415		2,405	4,010		Payable \$269.14 per month for 5 yrs
Corporation	05-27-93	323,291	248,099		28,676	219,333		Payable \$45,987 per year for 10 yrs
		<b>TOTAL OTHER</b>	<b>254,424</b>		<b>31,081</b>	<b>223,343</b>		
<b>TOTALS PER GENERAL LONG-TERM DEBT ACCOUNT GROUP</b>			<b>\$ 507,324</b>	<b>\$</b>	<b>\$ 50,581</b>	<b>\$ 456,743</b>		
<b>WATER AND SEWER FUND</b>								
<u>Certificates of Obligation</u>								
* Series 1996	03-01-96	282,100	282,100		15,500	266,600	4 ¼ - 5 ¼	15,500 97; 24,800 98/99; 27,900 00/02; 31M 03/04; 34,100 05; 37,200 06
* Combination Tax and Revenue Certificates of Obligation issued 3-01-96			\$ 455,000					
Less: Revenue certificates to be paid by the Water & Sewer Fund			282,100					
<b>BALANCE - TAX CERTIFICATES</b>			<b>\$ 172,900</b>					

**CITY OF KENNEDALE, TEXAS**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 1997**

**NOTE 8 - LONG-TERM DEBT (continued)**

The annual requirements to amortize all debt outstanding as of September 30, 1997, including interest of \$182,743 are as follows:

FISCAL YEAR	NOTES PAYABLE	GENERAL OBLIGATION BONDS	C.O. SERIES 1996	WATER & SEWER C.O. 1996	TOTAL
97/98	\$ 49,056	\$ 13,725	\$ 23,961	\$ 39,094	\$ 125,836
98/99	48,034	13,175	22,825	37,240	121,274
99/00	45,987	12,625	23,603	38,510	120,725
00/01	45,987	12,075	22,637	36,933	117,632
01/02	45,987	16,575	21,807	35,580	119,949
02/03	45,987	15,825	22,809	37,214	121,835
03/04			21,840	35,633	57,473
04/05			22,696	37,031	59,727
05/06			23,420	38,215	61,635
	\$ 281,038	\$ 84,000	\$ 205,598	\$ 335,450	\$ 906,086

The ordinances authorizing the issuance of General Obligation Bonds created the Debt Service Fund. All taxes levied and collected for and on account of said bonds are pledged to the Debt Service Fund in amounts authorized by the City Council, but never less than annual maturing interest and principal requirements. \$12,059 is available in the Debt Service Fund to service the General Obligation Bonds.

**NOTE 9 - SEGMENTS OF ENTERPRISE ACTIVITIES**

This requirement is effectively met in this report by the combined financial statement presentations because the City maintains only two Enterprise Funds and both are reported individually in the statements.

**CITY OF KENNEDALE, TEXAS  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 1997**

**NOTE 10 - TRANSACTIONS BETWEEN FUNDS**

Individual fund interfund receivable and payable balances at September 30, 1997, were as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 11,542	\$ 57,153
Water & Sewer Fund	57,153	338
Ambulance Fund	<u>338</u>	<u>11,542</u>
	69,033	69,033

The Water & Sewer Fund paid the General Fund \$146,127 as its share of overhead expense as authorized in the budget. The charges are classified as intergovernmental charges.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

A sewer contract with the City of Fort Worth is based on volume and is paid monthly.

A garbage disposal contract with a third party commercial contractor is paid monthly with a portion retained as franchise revenue.

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**APPENDIX C**

**FORM OF BOND COUNSEL'S OPINION**

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**Proposed Form of Opinion of Bond Counsel**

*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates, assuming no material changes in facts or law.*

**CITY OF KENNEDALE, TEXAS  
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION  
SERIES 1998, DATED NOVEMBER 1, 1998  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,150,000**

---

AS BOND COUNSEL for the City of Kennedale, Texas, the issuer (the "Issuer") of the Certificates of Obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the date specified in the text of the Certificates, until maturity or redemption, at the rates and payable on the dates as stated in the text of the Certificates, and maturing on February 15 in each of the years 2002 through 2024, all in accordance with the terms and conditions stated in the text of the Certificates.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Certificates, including one of the executed Certificates (Certificate Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Certificates have been authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from a limited pledge of the revenues of the Issuer's Waterworks and Sewer System remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding), which are payable from all or part of said revenues, all as provided in the Ordinance of the Issuer authorizing the issuance of the Certificates.

IN OUR OPINION, except as discussed below, the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the

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aforementioned opinions, we have relied on, and assume compliance by the Issuer with, certain representations and covenants regarding the use and investment of the proceeds of the Certificates. We call your attention to the fact that failure by the Issuer to comply with such representations and covenants may cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Certificates.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, is (a) included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code, (b) subject to the branch profits tax imposed on foreign corporations by section 884 of the Code and (c) included in the passive investment income of an S corporation and subject to the tax imposed by section 1375 of the Code.

WE HAVE ACTED AS BOND COUNSEL for the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income for federal income tax purposes of the interest on the Certificates, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data or other material relating to the financial condition or capabilities of the Issuer, and have not assumed any responsibility with respect thereto. We have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer.

Respectfully,

