To the City Council
City of Kennedale, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kennedale, Texas, for the year ended September 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 30, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note I to the financial statements, the City changed accounting policies related to reporting of bond issuance by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 65, Items Previously Reported as Assets and Liabilities, in 2014. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the governmental activities. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the useful lives of capital assets is based on the expected lifespan of the asset in accordance with standard guidelines. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible property taxes is based on a historical rate of ten percent of outstanding property taxes at September 30, 2014. We evaluated the key factors and assumptions used to develop the allowance for uncollectible property taxes in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible trade accounts receivable is based on historical trends. We evaluated the key factors and assumptions used to develop the allowance for uncollectible trade accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 13, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Council and management of the City of Kennedale, Texas and is not intended to be, and should not be, used by anyone other than these specified parties.

Significant Forthcoming Accounting Standards

Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27

Governmental Accounting Standards Board Statement No. 68 ("GASB 68"), *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, is effective for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The new standards are intended to provide more comparable and visible information within the annual financial statements of governments that provide defined benefit pensions.

Notably, GASB 68 requires employers to report the difference between the actuarial total pension liability and the fair value of the legally restricted plan assets as the net pension liability on the statement of net position. Previously, a liability was only recorded if the actual contributions made to the plan were less than the actuarial calculated contributions for the year. These new standards relate only to the *accounting and reporting* of defined benefit pensions within the GAAP based financial statements of governmental entities. They do not establish requirements as to the actual funding of these benefits. These decisions are left to management and the governing body. This Statement may have a material impact on recorded pension liabilities compared to application of current standards. Your processes should be updated to incorporate the new information requirements and begin gathering information now to determine the future impacts on financial reporting.

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

March 13, 2015

3/13/2015
3:27 PM

Client: *76705 - City of Kennedale, Texas*
Engagement: *2014 Audit - City of Kennedale, Texas*
Period Ending: *9/30/2014*
Trial Balance: *TB*
Workpaper: *AJE Report*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		**2931.01**		
Client proposed adjustment #1				
01-5796-90-00	TRANSFER OUT - CT SECURITY FUND		71,155.00	
12-1010-00-00	INVEST IN CONSOLIDATED CASH		71,155.00	
99-1201-00-00	GENERAL FUND		71,155.00	
01-1010-00-00	INVEST IN CONSOLIDATED CASH			71,155.00
12-4906-00-00	TRANSFER IN - GENERAL FUND			71,155.00
99-1212-00-00	COURT SECURITY FUND			71,155.00
Total			**213,465.00**	**213,465.00**
Adjusting Journal Entries JE # 2		**2931.01**		
Client proposed adjustment #2				
20-9010-00-00	2007 SALES TAX BONDS PAYABLE		45,000.00	
20-9020-00-00	2011 TX LEVERAGE LOAN PAYABLE		35,953.00	
20-9005-00-00	AMT TO BE PROVIDED-LTD			80,953.00
Total			**80,953.00**	**80,953.00**
Adjusting Journal Entries JE # 3		**2931.01**		
Client proposed adjustment #3				
02-5612-01-00	2007 4.365M GO RFND-INTEREST		33,708.00	
02-5602-01-00	2007 4.365M GO RFND-PRINCIPAL			33,708.00
Total			**33,708.00**	**33,708.00**
Adjusting Journal Entries JE # 4		**2931.01**		
Client proposed adjustment #4				
09-9013-00-00	2005 CO BONDS PAYABLE		35,000.00	
09-9014-00-00	2007 REFUND BONDS PAYABLE		160,550.00	
09-9015-00-00	2007 CO BONDS PAYABLE		145,000.00	
09-9016-00-00	CO BONDS PAYABLE		135,000.00	
09-9017-00-00	2010 CO BOND PAYABLE		80,000.00	
09-9042-00-00	2011 CO BONDS PAYABLE		205,000.00	
09-9059-00-00	CAPITAL LEASE PAYABLE		77,353.00	
09-9005-00-00	AMT TO BE PROVIDED-LTD			837,903.00
Total			**837,903.00**	**837,903.00**
Adjusting Journal Entries JE # 5		**2931.02**		
Client proposed adjustment #5				
03-1400-00-00	LAND		44,283.00	
03-1410-00-00	BUILDING & BLDG COMPONENTS		2,742,924.00	
03-1420-00-00	IMPROVE OTHER THAN BLDG		130,866.00	
03-1502-00-00	CONSTRUCTION IN PROGRESS		47,465.00	
03-3500-00-00	INVESTMENT IN FIXED ASSETS		284,892.00	
03-3500-00-00	INVESTMENT IN FIXED ASSETS		3,280,548.00	
03-1400-00-00	LAND			406,758.00
03-1500-00-00	ACCUMULATED DEPRECIATION			284,892.00
03-1502-00-00	CONSTRUCTION IN PROGRESS			2,873,790.00
03-3500-00-00	INVESTMENT IN FIXED ASSETS			2,965,538.00
Total			**6,530,978.00**	**6,530,978.00**

3/13/2015
3:27 PM

Client:	***76705 - City of Kennedale, Texas***
Engagement:	***2014 Audit - City of Kennedale, Texas***
Period Ending:	***9/30/2014***
Trial Balance:	***TB***
Workpaper:	***AJE Report***

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 6		**2931.03**		
Client proposed adjustment #6				
10-2154-00-00	2007 W/S CO BONDS PAYABLE		125,000.00	
10-2155-00-00	2007 GO REFUND BONDS PAYABLE		101,363.00	
10-2162-00-00	2013 GLOBAL LEASE-CURRENT		3,921.00	
10-2163-00-00	2013 GLOBAL LEASE PAYABLE		89,921.00	
10-2156-00-00	REVENUE BONDS-CURRENT			6,913.00
10-5603-01-03	2007 4.365M GO RFND-PRINCIPAL			99,450.00
10-5644-01-03	2007 2.9M CO-PRINCIPAL			120,000.00
10-5654-01-03	2012 1.721M CO-PRINCIPAL			93,842.00
Total			**320,205.00**	**320,205.00**
Adjusting Journal Entries JE # 7		**2931.04**		
Client proposed adjustment #7				
02-1010-00-00	INVEST IN CONSOLIDATED CASH		78,558.00	
04-5702-00-00	TRANSFER OUT-DEBT SERVICE FUND		78,558.00	
99-1204-00-00	CAPITAL PROJ-ST CONSTRUCTION		78,558.00	
02-4960-00-00	TRANSFER IN-PROJECTS FUND			78,558.00
04-1010-00-00	INVEST IN CONSOLIDATED CASH			78,558.00
99-1202-00-00	DEBT SERVICE			78,558.00
Total			**235,674.00**	**235,674.00**
Adjusting Journal Entries JE # 8		**2931.05**		
Client proposed adjustment #8				
01-5702-90-00	TRANSFER OUT - DEBT SERVICE FUND		83,274.00	
02-1010-00-00	INVEST IN CONSOLIDATED CASH		83,274.00	
99-1201-00-00	GENERAL FUND		83,274.00	
01-1010-00-00	INVEST IN CONSOLIDATED CASH			83,274.00
02-4960-00-00	TRANSFER IN-PROJECTS FUND			83,274.00
99-1202-00-00	DEBT SERVICE			83,274.00
Total			**249,822.00**	**249,822.00**
Adjusting Journal Entries JE # 9		**2931.06**		
Client proposed adjustment #9				
01-1010-00-00	INVEST IN CONSOLIDATED CASH		76,660.00	
15-5595-01-00	ADMIN CHARGE-GENERAL FUND		76,660.00	
99-1215-00-00	ECO DEV CORPORATION		76,660.00	
01-4512-00-00	ADMIN CHARGE-EDC			76,660.00
15-1010-00-00	INVEST IN CONSOLIDATED CASH			76,660.00
99-1201-00-00	GENERAL FUND			76,660.00
Total			**229,980.00**	**229,980.00**

3/13/2015
3:27 PM

Client: *76705 - City of Kennedale, Texas*
Engagement: *2014 Audit - City of Kennedale, Texas*
Period Ending: *9/30/2014*
Trial Balance: *TB*
Workpaper: *AJE Report*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 10		**2931.07**		
Client proposed adjustment #10				
01-1235-00-00	SALES TAX RECEIVABLE-INTERLOCA		8,321.00	
01-4083-00-00	SALES TAX-INTERLOCAL			8,321.00
Total			**8,321.00**	**8,321.00**
Adjusting Journal Entries JE # 11		**2931.08**		
Client proposed adjustment #11				
01-1231-00-00	PROPERTY TAX REC-DELINQUENT		49,474.00	
02-1231-00-00	PROPERTY TAX REC-DELINQUENT		20,446.00	
01-1232-00-00	ALLOWANCE DOUBTFUL-PROP TAX			32,292.00
01-2196-00-00	DEFERRED PROPERTY TAX-REVENUE			15,701.00
01-4011-00-00	PROPERTY TAX-DELINQUENT/PY			1,481.00
02-1250-00-00	ALLOWANCE FOR DOUBTFUL ACCOUNT			12,652.00
02-2196-00-00	DEFERRED PROP TAX-REVENUE-1985			6,999.00
02-4011-00-00	PROPERTY TAX-DELINQUENT/PY			795.00
Total			**69,920.00**	**69,920.00**
Adjusting Journal Entries JE # 12		**2931.09**		
Client proposed adjustment #12				
01-2203-00-00	DEFERRED AMB REV		244,228.00	
01-4390-00-00	AMBULANCE FEES-FROM 2006		2,353.00	
01-1241-00-00	RECEIVABLE-AMBULANCE NONMEMBER			245,994.00
01-1250-00-00	ALLOWANCE DOUBTFUL-AMB NONMEM			587.00
Total			**246,581.00**	**246,581.00**
Adjusting Journal Entries JE # 13		**2931.10**		
Client proposed adjustment #13				
05-1285-00-00	ACCRUED RECEIVABLE		7,946.00	
15-1285-00-00	ACCRUED RECEIVABLE		2,312.00	
17-1285-00-00	ACCRUED RECEIVABLE		14,581.00	
05-4409-00-00	MISCELLANEOUS INCOME			7,946.00
15-4409-00-00	MISCELLANEOUS INCOME			2,312.00
17-4071-00-00	FRANCHISE FEES-TELEPHONE			9,337.00
17-4075-00-00	FRANCHISE FEES-CABLE			5,244.00
Total			**24,839.00**	**24,839.00**
Adjusting Journal Entries JE # 14		**3800.04**		
Client proposed adjustment #14				
08-1410-00-00	BUILDINGS & BLDG COMPONENTS		9,035.00	
08-1490-00-00	INFRASTRUCTURE IMPROVE		9,145,215.00	
08-1502-00-00	CONSTRUCTION IN PROGRESS		487,550.00	
08-3500-00-00	INVEST IN FIXED ASSETS		9,145,215.00	
08-1502-00-00	CONSTRUCTION IN PROGRESS			9,145,215.00
08-3500-00-00	INVEST IN FIXED ASSETS			9,641,800.00
Total			**18,787,015.00**	**18,787,015.00**

Client: *76705 - City of Kennedale, Texas*
Engagement: *2014 Audit - City of Kennedale, Texas*
Period Ending: *9/30/2014*
Trial Balance: *TB*
Workpaper: *AJE Report*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 15		**3800.04**		
Client proposed adjustment #16				
08-3500-00-00	INVEST IN FIXED ASSETS		1,239,987.00	
08-1500-00-00	ACCUMULATED DEPRECIATION			1,239,987.00
Total			**1,239,987.00**	**1,239,987.00**
Adjusting Journal Entries JE # 16				
Client proposed adjustment #16				
10-1231-00-00	ACCRUED WS BILLING RECEIVABLE		67,506.00	
10-4010-00-00	WATER SERVICE		122,798.00	
10-4020-00-00	SEWER SERVICE		28,270.00	
10-1231-00-00	ACCRUED WS BILLING RECEIVABLE			151,068.00
10-4010-00-00	WATER SERVICE			42,431.00
10-4020-00-00	SEWER SERVICE			25,075.00
Total			**218,574.00**	**218,574.00**
Adjusting Journal Entries JE # 17		**3800.05**		
Client proposed adjustment #17				
10-5635-90-00	DEPRECIATION EXPENSES		487,061.00	
10-1500-00-00	ACCUMULATED DEPRECIATION			487,061.00
Total			**487,061.00**	**487,061.00**
Adjusting Journal Entries JE # 18		**3800.05**		
Client proposed adjustment #18				
10-1410-00-00	PLANT & EQUIPMENT		83,563.00	
10-5409-01-02	WASTEWATER SYSTEM MAINTENANCE			83,563.00
Total			**83,563.00**	**83,563.00**
Adjusting Journal Entries JE # 19		**3800.05**		
Client proposed adjustment #19				
07-1502-00-00	CONSTRUCTION IN PROGRESS		129,146.00	
10-1502-00-00	CONSTRUCTION IN PROGRESS		148,549.00	
07-5625-01-00	ENGINEERING SERVICES			61,446.00
07-5821-01-00	DRAINAGE IMPROVEMENTS			67,700.00
10-5570-01-02	SPECIAL SERVICES			1,247.00
10-5580-01-02	ENGINEERING SERVICES			50,542.00
10-5878-01-02	HIGHRIDGE WATER/SEWER LINE			96,760.00
Total			**277,695.00**	**277,695.00**
Adjusting Journal Entries JE # 20		**3800.05**		
Client proposed adjustment #20				
10-1490-00-00	CAPITAL OUTLAY-METERS & LINES		9,485.00	
10-5410-01-02	WATER SYSTEM MAINTENANCE			9,485.00
Total			**9,485.00**	**9,485.00**

3/13/2015
3:27 PM

Client: *76705 - City of Kennedale, Texas*
Engagement: *2014 Audit - City of Kennedale, Texas*
Period Ending: *9/30/2014*
Trial Balance: *TB*
Workpaper: *AJE Report*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 21		**3800.05**		
Client proposed adjustment #21				
10-1480-00-00	OFFICE EQUIPMENT		29,826.00	
10-5410-01-02	WATER SYSTEM MAINTENANCE			6,198.00
10-5870-01-01	OTHER EQUIPMENT			23,628.00
Total			**29,826.00**	**29,826.00**
Adjusting Journal Entries JE # 22		**7001.00**		
To properly state principal and interest expense.				
15-5646-01-03	2011 1.7M TX LEVERAGE-PRI		8.00	
20-9020-00-00	2011 TX LEVERAGE LOAN PAYABLE		7.00	
15-5645-01-03	2011 1.7M TX LEVERAGE-INT			8.00
20-9005-00-00	AMT TO BE PROVIDED-LTD			7.00
Total			**15.00**	**15.00**
Adjusting Journal Entries JE # 23		**7001.00**		
To properly state principal and interest expense				
02-5604-01-00	1999 381K QUINT LEASE-PRI		3,275.00	
09-9059-00-00	CAPITAL LEASE PAYABLE		3,276.00	
02-5611-01-00	1999 381K QUINT LEASE-INT			3,275.00
09-9005-00-00	AMT TO BE PROVIDED-LTD			3,276.00
Total			**6,551.00**	**6,551.00**
Adjusting Journal Entries JE # 24		**4600.01**		
To adjust capital leases payable to actual at year-end				
10-5653-01-03	2012 1.721M CO-INTEREST		1,347.00	
10-2162-00-00	2013 GLOBAL LEASE-CURRENT			1,347.00
Total			**1,347.00**	**1,347.00**
Adjusting Journal Entries JE # 25		**3950.01**		
To eliminate bond issuance costs per GASB 65				
10-3600-00-00	PRIOR PERIOD ADJUSTMENT		38,762.00	
10-1395-00-00	UNAMORTIZED C.O. ISSUE			35,743.00
10-5630-90-00	AMORTIZATION EXPENSE-ISSUANCE			3,019.00
Total			**38,762.00**	**38,762.00**

3/13/2015
3:27 PM

Client: *76705 - City of Kennedale, Texas*
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Period Ending: *9/30/2014*
Trial Balance: *TB*
Workpaper: *AJE Report*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 26		**2931.11**		
To adjust due to Capital Projects				
01-1277-00-00	DUE FROM-CAPITAL PROJECTS FUND		7,485.00	
01-4401-00-00	INVESTMENT INCOME		1.00	
04-1010-00-00	INVEST IN CONSOLIDATED CASH		7,486.00	
99-1201-00-00	GENERAL FUND		7,486.00	
01-1010-00-00	INVEST IN CONSOLIDATED CASH			7,486.00
04-2801-00-00	DUE TO-GENERAL FUND			7,485.00
04-4401-00-00	INVESTMENT INCOME-LITTLE RD			1.00
99-1204-00-00	CAPITAL PROJ-ST CONSTRUCTION			7,486.00
Total			**22,458.00**	**22,458.00**
Adjusting Journal Entries JE # 27		**2931.12**		
To adjust library receivable to actual at year-end				
32-1331-00-00	RECEIVABLE-LIBRARY DONATION		471.00	
32-4501-00-00	CONTRIBUTION-LIBRARY			471.00
Total			**471.00**	**471.00**
Adjusting Journal Entries JE # 28		**2931.13**		
To post the prior period adjustment for water/sewer accounts receivable not properly shown on conversion.				
10-1230-00-00	WATER/SEWER ACCOUNTS REC		231,459.00	
10-3600-00-00	PRIOR PERIOD ADJUSTMENT			231,459.00
Total			**231,459.00**	**231,459.00**
Adjusting Journal Entries JE # 29		**2931.13**		
To adjust water/sewer receivable for amounts received in september but not given to the City until october so they are not included in the				
10-1230-00-00	WATER/SEWER ACCOUNTS REC		16,011.00	
10-4010-00-00	WATER SERVICE			16,011.00
Total			**16,011.00**	**16,011.00**
Adjusting Journal Entries JE # 30		**2931.13**		
To adjust garbage receivable and payable to actual at year-end.				
10-4010-00-00	WATER SERVICE		8,818.00	
10-4020-00-00	SEWER SERVICE		8,818.00	
10-1292-00-00	GARBAGE RECEIVABLE			7,770.00
10-2192-00-00	GARBAGE PAYABLE			9,866.00
Total			**17,636.00**	**17,636.00**
Adjusting Journal Entries JE # 31		**3310.041**		
To adjust allowance for doubtful accounts to actual at year-end.				
10-4010-00-00	WATER SERVICE		28,691.00	
10-4020-00-00	SEWER SERVICE		13,501.00	
10-1250-00-00	ALLOWANCE FOR UNCOLLECTABLE			42,192.00
Total			**42,192.00**	**42,192.00**

3/13/2015
3:27 PM

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Engagement: *2014 Audit - City of Kennedale, Texas*
Period Ending: *9/30/2014*
Trial Balance: *TB*
Workpaper: *AJE Report*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 32		**3310.08**		
To adjust water/sewer average billing to actual at year-end.				
10-1700-00-00	DEFERRED AVG BILLING-WATER		34,637.00	
10-4010-00-00	WATER SERVICE			34,637.00
Total			**34,637.00**	**34,637.00**

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Kennedale, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Kennedale, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Kennedale, Texas basic financial statements, and have issued our report thereon dated March 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Kennedale, Texas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Kennedale, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Kennedale, Texas's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

HILLSBORO, TX
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Hillsboro, Texas 76645
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956.544.7778
TEMPLE, TX
254.791.3460

WACO, TX
254.772.4901
ALBUQUERQUE, NM
505.266.5904

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kennedale, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 13, 2015

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF KENNEDALE, TEXAS

YEAR ENDED
SEPTEMBER 30, 2014

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF KENNEDALE, TEXAS

YEAR ENDED
SEPTEMBER 30, 2014

Prepared By: Department of Finance

CITY OF KENNEDALE, TEXAS
TABLE OF CONTENTS

SEPTEMBER 30, 2014

CITY OF KENNEDALE, TEXAS
TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2014

CITY OF KENNEDALE, TEXAS
TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2014

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INTRODUCTORY SECTION

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KENNEDALE
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Ph: (817) 478-5418 www.cityofkennedale.com

March 13, 2015

Honorable Mayor and City Council,
Citizens of Kennedale:

The City of Kennedale (the "City") Financial Management Policies requires that the City's Finance Department prepare a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Accordingly, the Comprehensive Annual Financial Report for the City of Kennedale, Texas for the fiscal year ended September 30, 2014, is hereby issued.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making representations, the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather that absolute, assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Pattillo, Brown and Hill LLP, Independent Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2014, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

PROFILE OF THE GOVERNMENT

The City of Kennedale was incorporated in 1947. The City of Kennedale is located at the apex of the southeast corner of Fort Worth and the southwest border of Arlington in south Tarrant County. The City currently occupies a land area of 6.2 square miles and serves a population of 7,740. The City is empowered to levy property tax on both real and business personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically, when deemed appropriate by the city council.

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 Council is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Secretary, and Municipal Judges. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the executive directors, and heads of departments, and the performance of functions within the municipal organization.

The City of Kennedale provides a full range of services including police, fire, emergency ambulance service, municipal court, library, parks, recreation, water, wastewater, solid waste collection and disposal, streets, storm water drainage, community development (planning and zoning), public improvements, and general administrative services.

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of Kennedale as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are legally separate entities and not part of the primary government's operations. The Kennedale Economic Development Corporation (KEDC) is included in the financial statements as a discretely presented component unit.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Kennedale operates.

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

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

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

Currently, the City is 6.2 square miles with the vast majority of this land undeveloped. This allows for selective locations for the incoming developments and pulls the citizen away from the crowds and traffic congestion of a major metropolitan city. As the economy continues to grow and expand into North Texas, Kennedale will be the leading choice for businesses and families alike.

The Kennedale Economic Development Corporation (KEDC) was formed in 1996 to spearhead the economic growth of the City. The KEDC is funded by a voter approved, half cent sales tax, which is used to offer grants and other economic incentives to existing and new businesses. The KEDC is pursuing a four-pronged approach to economic development: land assembly and clearing for resell, manufacturing expansion, retail development and quality of life improvements. The redevelopment of the north entry into Kennedale (Oak Crest area) is in progress. A master plan has been adopted. Link Street to Kennedale Parkway was opened in late 2014. The improved access has led to the development of a Popeye's and Burger King due to open in December 2014 and January 2015 respectively. Other retail sites have been secured and are ready for development. The KEDC is also working with property owners in the area to develop their land.

Accounting System and Budgetary Control. The City's accounting records for general government operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities incurred. Accounting records for the City's utilities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The annual budget serves as the foundation for the City of Kennedale's financial planning and control. All agencies of the City of Kennedale are required to submit requests for appropriation to the City Manager on or before June of each year. These requests are used to develop a proposed budget. The proposed budget is then presented to the City Council for review on or before August. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City of Kennedale's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Transfer of appropriations within a department and within funds may be made with approval from the City Manager. Transfers between funds or additional appropriation require the approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Long-Term Financial Planning.

CURRENT YEAR PROJECTS

The City of Kennedale leveraged its resources by working with Tarrant County to enhance its transportation network. The road projects are funded by the City purchasing road material, and the Tarrant County Precinct 2 road crews building the roadways. This approach allowed the city to construct a new section of Link Street so that it connects with Kennedale Parkway. Opening Link Street will enhance the opportunity for economic development at the north entry to Kennedale (Oak Crest area).

Economic development continues to be a primary focus within Kennedale. Improving the north entrance (Oak Crest area) of Kennedale is an ongoing priority. Quick Trip has opened its new store following the closure of the sexually oriented businesses. Opening the Oak Crest area will enable the KEDC to recruit a hotel, restaurants, and office warehouse businesses. Two fast food restaurants (Popeye's and Burger King) will open in December 21014 and January 2015 respectively.

An important element of the City's strategic plan – *Imagine Kennedale 2015* was to close the racetracks and convert the property to residential use. The City began that process with an update of the Comprehensive Land Use Plan. The City created a Tax Increment Reinvestment Zone (TIRZ) to fund off-site infrastructure improvements, namely the extension of water and sewer service, reconstruction of New Hope Road, and the addition of hike and bike trails along the tributary of Village Creek. TIRZ participation agreements with Tarrant County, Tarrant College District, and the Tarrant County Health District were completed in 2013. The City has a development agreement to convert the property following the 2016 racing season. A water and sewer study to plan for the extension of the utility services is complete.

Staff completed implementation of a combined dispatch center and jail with Mansfield, and water billing changes through an AMI system.

FUTURE PROJECTS

Council, Board, and staff activities are guided by the City's strategic plan – *Imagine Kennedale 2015* – and the newly adopted Comprehensive Land Use Plan. These plans call for the creation of residential areas on the southwest portion of Kennedale. The TIRZ, noted earlier, will guide this effort. Redevelopment of Oak Crest will be a long-term effort, and it too is underway. Restoration of Village Creek as a park and water quality feature will consume staff time and resources for many years to come. Village Creek will require the assistance of the City of Arlington, the Corps of Engineers, the Trinity River Authority (TRA), the Tarrant Regional Water District, the University of Texas at Arlington (UTA), the Environmental Protection Agency (EPA), the Texas Commission on Environmental Quality (TCEQ), and the Texas Water Development Board (TWDB). A Section 205 Flood Control study by the US Army Corps of Engineers will begin in early 2015. Water quality testing will also begin in 2015 through UTA with guidance from TRA.

Beyond physical improvements in Kennedale, there will continue to be a focus on operational efficiencies and strategic planning. The city council adopted the Policy Governance model espoused by Dr. John Carver. The governance model is enhanced with the focus on staff development following the management philosophy of the Requisite Organization, the Competing Values Framework, and the Ethical Climate Dimensions model.

Efforts will begin as the city council updates the City's strategic plan to 2020 or beyond. The initial phase will include the development of an Asset Management Plan with assistance from UTA and the Public Sector Digest, and a citizen opinion survey (administered by UTA).

RELEVANT FINANCIAL POLICIES

The City continues to budget cautiously in regards to anticipated revenues due to the economy. The City was able to budget its revenue within a small variance and maintain responsibility in its expenditures resulting in a better than anticipated increase in fund balance in the General Fund. However, the City will continue on with its current plans and has continued to monitor its budget responsibly.

AWARDS AND ACKNOWLEDGEMENTS

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kennedale for its CAFR for the fiscal year ended September 30, 2013. This was the ninth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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

Acknowledgments. The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and our independent auditors. We would like to express our sincere appreciation to those persons who have made possible the publication of this report. We would also like to thank the mayor and the members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully Submitted,

Bob Hart
City Manager

Sakura Moten-Dedrick
Director of Finance & IT

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kennedale

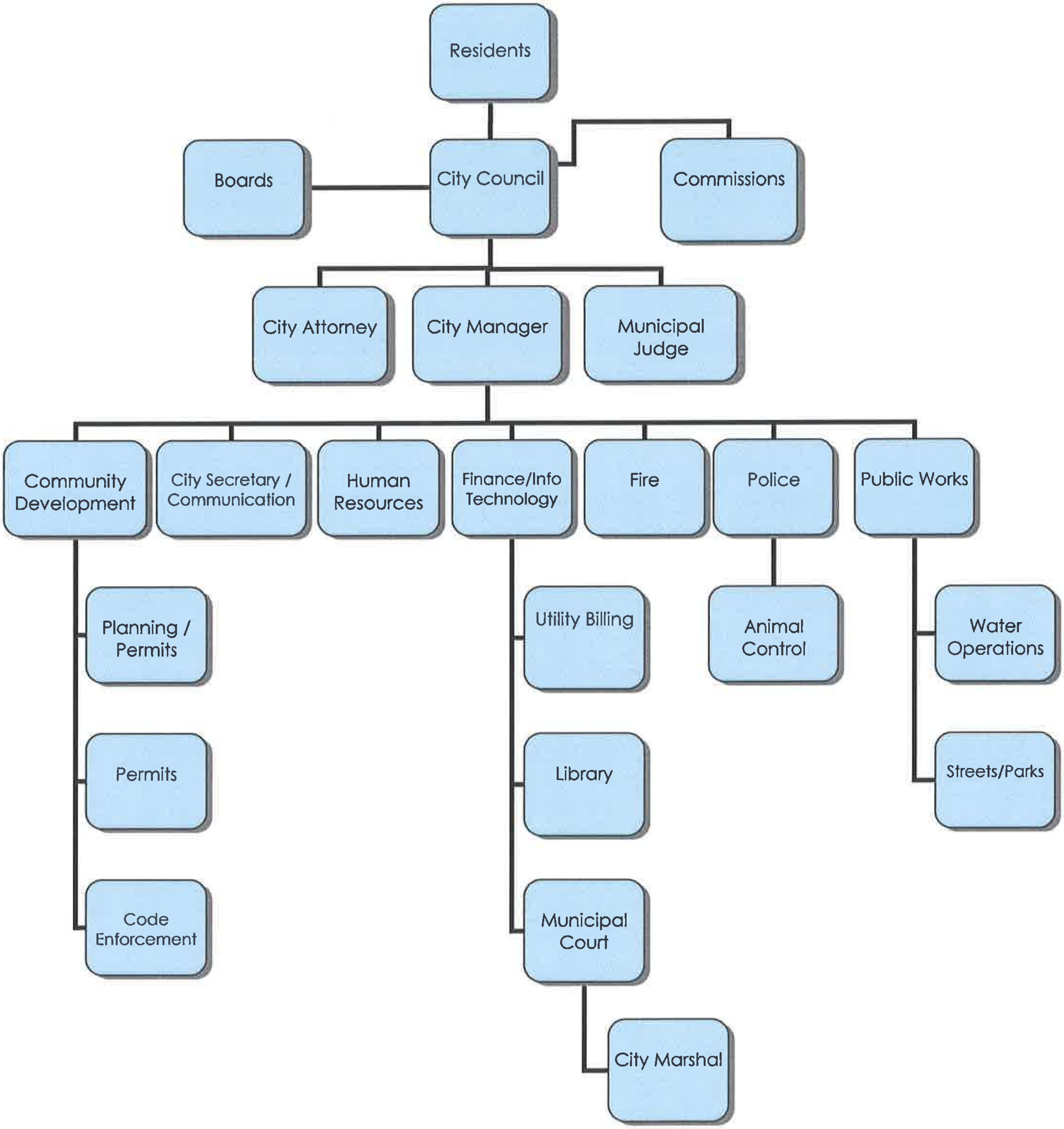
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

CITY ORGANIZATIONAL CHART



"EXEMPLIFYING EXCELLENCE"

KENNEDALE CITY COUNCILMEMBER LISTING

ELECTED OFFICIALS

Mayor	Brian Johnson
Council Member Place 1	Charles Overstreet
Council Member Place 2	Liz Carrington
Council Member Place 3/Mayor Pro Tem	Mike Walker
Council Member Place 4	Kelly Turner
Council Member Place 5	Frank Fernandez

APPOINTED & KEY OFFICIALS

City Manager	Bob Hart
City Secretary/Communications Coordinator	Vacant (City Secretary/Communications)
City Attorney	Taylor, Olson Adkins, Sralla & Elam, LLP
Director of Finance & IT	Sakura Moten-Dedrick
Human Resources Director	Kelly Cooper
Police Chief	Tommy Williams
Fire Chief	Mike Mcmurray
Director Of Public Works	Larry Ledbetter
Director of Development Services	James Cowey
Director of Planning	Rachel Roberts

ECONOMIC DEVELOPMENT CORPORATION OFFICIALS

Director Place 1	Michael Johnson
Director Place 2	Pat Turner
Director Place 3	Ronald Whitley
Director Place 4 - President	Robert Mundy
Director Place 5	Adrienne Kay
Director Place 6	Jon Mark Yeary
Director Place 7	Rebecca Mowell

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FINANCIAL SECTION

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PB&H

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Kennedale, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Kennedale's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kennedale, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the Financial Statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion in not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of finding progress and budgetary comparison information on pages 4 through 11 and 43 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kennedale's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2015, on our consideration of the City of Kennedale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kennedale's internal control over financial reporting and compliance.

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

March 13, 2015

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MANAGEMENT'S
DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kennedale, Texas, we offer readers of the City of Kennedale financial statements, this narrative overview, and analysis of the financial activities of the City of Kennedale for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Kennedale exceeded its liabilities at the close of the most recent fiscal year by $34,112,664. Of this amount, $2,384,417 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Kennedale's net position increased by $715,022. This increase is due to an increase in charges for services, property taxes and other taxes, as well as decreased general government expenses. These changes were offset by decreased operating and capital grants and contributions and increased public safety and public works expenses.
- As of the close of the current fiscal year, the City of Kennedale's governmental funds reported combined ending fund balances of $1,589,974, an increase of $396,634 in comparison with the prior year. Approximately, 75.07% of this amount, $1,193,553 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was $1,193,553 or 18.30% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City of Kennedale, Texas' basic financial statements. City of Kennedale's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Kennedale's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Kennedale's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Kennedale is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the full accrual basis of accounting.

In the Statement of Net Position and the Statement of Activities, the primary government is divided into two kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including administrative, police, fire, municipal court, community development, public works, parks, senior citizen center and library. Property taxes, sales taxes, franchise fees, license and permit fees finance most of these activities.

- **Business-type activities** – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water and wastewater system and solid waste system are reported here.

The government-wide financial statements include not only the City of Kennedale itself (known as the primary government), but also a legally separate economic development corporation. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. City of Kennedale, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Kennedale can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Kennedale maintains 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and Capital Bond Fund, which are considered to be major funds. Data from the other 7 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Kennedale adopts an annual appropriated budget for its General Fund and Debt Service Fund. Budgetary comparison statements have been provided for the General Fund and the Debt Service Fund to demonstrate compliance with the budget.

Proprietary funds. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. There is one type of proprietary fund: Enterprise Fund. The City's Enterprise Fund is identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City of Kennedale maintains one individual Enterprise Fund to account for its water and wastewater, and solid waste. This fund is considered to be a major fund of the City.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the financial section.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of a government's financial position. In the case of the City of Kennedale, assets exceeded liabilities by $34,112,664 at the close of the most recent fiscal year. By far the largest portion of the City's net position ($31,347,625 or 91.89%) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF KENNEDALE'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	Activities 2014	Activities 2013	Activities 2014	Activities 2013	2014	2013
Current and other assets	$ 2,275,619	$ 2,137,748	$ 2,175,513	$ 2,063,848	$ 4,451,132	$ 4,201,596
Capital assets	33,514,346	34,257,748	15,192,718	15,279,210	48,707,064	49,536,958
Total assets	35,789,965	36,395,496	17,368,231	17,343,058	53,158,196	53,738,554
Long-term liabilities	12,946,912	13,794,218	4,854,793	5,168,044	17,801,705	18,962,262
Other liabilities	624,538	658,241	619,289	608,738	1,243,827	1,266,979
Total liabilities	13,571,450	14,452,459	5,474,082	5,776,782	19,045,532	20,229,241
Net Position:						
Net investment in Capital Assets	20,904,287	21,100,450	10,443,338	10,217,885	31,347,625	31,318,335
Restricted	380,622	227,181	-	-	380,622	227,181
Unrestricted	933,606	615,406	1,450,811	1,348,391	2,384,417	1,963,797
Total net position	$ 22,218,515	$ 21,943,037	$ 11,894,149	$ 11,566,276	$ 34,112,664	$ 33,509,313

An additional portion of the City of Kennedale's net position ($380,622 or 1.12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($2,384,417 or 6.99%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported a positive balance in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

During the current fiscal year, the City's net position increased by $715,022. This increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This increase follows a prior year decrease of $80,799 due to increases in charges for services, property taxes and other taxes as well as decreased general government expenses and interest on long-term debt.

CITY OF KENNEDALE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	$ 1,660,099	$ 1,198,209	$ 3,775,546	$ 3,138,201	$ 5,435,645	$ 4,336,410
Operating grants and contributions	47,119	135,520	-	-	47,119	135,520
Capital grants and contributions	115,058	453,020	-	-	115,058	453,020
General revenues:						
Property taxes	4,143,977	3,951,116	-	-	4,143,977	3,951,116
Other taxes	1,965,297	1,826,608	-	-	1,965,297	1,826,608
Other revenues	509,676	426,792	218	535	509,894	427,327
Total revenues	8,441,226	7,991,265	3,775,764	3,138,736	12,216,990	11,130,001
Expenses:						
General government	1,242,021	1,338,046	-	-	1,242,021	1,338,046
Public safety	4,274,108	4,216,559	-	-	4,274,108	4,216,559
Public works	1,476,670	1,338,143	-	-	1,476,670	1,338,143
Culture and recreation	358,226	358,251	-	-	358,226	358,251
Interest on long-term debt	510,355	558,639	-	-	510,355	558,639
Water and wastewater	-	-	3,640,588	3,401,162	3,640,588	3,401,162
Total expenses	7,861,380	7,809,638	3,640,588	3,401,162	11,501,968	11,210,800
Change in Net Position	579,846	181,627	135,176	(262,426)	715,022	(80,799)
Net position beginning	21,943,037	21,801,713	11,566,276	11,828,702	33,509,313	33,630,415
Prior period adjustment	(304,368)	(40,303)	192,697	-	(111,671)	(40,303)
Net position, ending	$ 22,218,515	$ 21,943,037	$ 11,894,149	$ 11,566,276	$ 34,112,664	$ 33,509,313

Governmental activities. Governmental activities net position increased by $579,846. The increase is more than the prior year increase of $181,627 due primarily to an increase in charges for services, property taxes and other taxes and decreased general government expenses. These changes were offset by decreased operating and capital grants and contributions as well as increased public safety and public works expenses.

Business-type activities. Business-type activities net position increased by $135,176. Gross revenue of the Water and Sewer Fund was $3,775,764 for the fiscal year, which is $637,028 more than the 2012-2013 fiscal year gross revenue, $3,138,736. This increase is a result of an increase in charges for services. Direct operating expenses, excluding depreciation, were $2,960,030 for the fiscal year. Direct operating expenses are $233,824 more than 2012-2013 fiscal year direct operating expenses, $2,726,206, due to increased costs of sales and services.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $1,589,974. $40,633 of this total is nonspendable to indicate the amount cannot be spent and $355,788 is restricted to indicate constraints placed on the use of the resources either externally imposed by creditors, by laws or regulations of other governments imposed or imposed by law through constitutional provisions or enabling legislation. The remaining balance of $1,193,553 constitutes unassigned fund balance.

Of the $1,589,974 ending fund balance, $315,816 is accounted for in non-major governmental funds. The General Fund balance is $1,234,186 at year end – an increase of $250,192. This increase was created primarily by a combination of increased property taxes, sales taxes, licenses and permits and charges for services, as well as decreased general government and capital outlay expenditures. These are offset by increases in public safety and public works expenditures.

In the General Fund, the City budgeted for a decrease of fund balance in the amount of $306,293. The fund balance in the General Fund increased by $250,192, or 25.43% during the current fiscal year. Significant revenue and expenditure increases and decreases were in the following areas:

- Sales taxes
- Licenses and permits
- Intergovernmental revenues
- Charges for services
- Public works
- Capital outlay

The Debt Service Fund balance decreased $20,980 to $2,849 at year end. This decrease is primarily the result of decreased transfers in from other funds. The Capital Bond Fund balance increased $36,990 to a year-end total of $37,123. This increase is caused by miscellaneous revenues greater than capital outlay expenditures related to engineering costs for projects.

Proprietary funds – The City of Kennedale's proprietary funds provide the same type of information found in government-wide financial statements, but in more detail.

Year-end net position in the water and wastewater fund amounted to $11,894,149. This is an increase of $135,176 from last year. See the business-type activity discussion above for more information.

General Fund budgetary highlights. The actual expenditures for the year were $6,523,102, which was $175,635 under budget.

For FY 2013-2014, the actual revenues were $6,856,568 as compared to the budgeted amount of $6,555,450. Contributing to the variance was lower than anticipated property tax revenue ($107,785 less than the budget), and fines and forfeitures ($37,878 less than the budget). Also contributing to the variance was higher than anticipated revenues from sales tax revenue ($57,683 higher than the budget), licenses and permits ($96,778 higher than the budget), charges for services ($88,152 higher than the budget) and other revenue ($133,209 higher than the budget).

With revenues exceeding expectation and expenditures below appropriations, the fund balance in the General Fund increased by $250,192, which was $556,485 higher than the final budgeted decrease.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The investment in capital assets for its governmental and business type activities as of September 30, 2014, amounts to $49,536,958 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, infrastructure, construction work in progress, and water and sewer systems. Approximately 69.16% of the capital assets are governmental and 30.84% are business type activities.

CITY OF KENNEDALE'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	$ 3,988,595	$ 3,988,595	$ 233,452	$ 233,452	$ 4,222,047	$ 4,222,047
Buildings and improvements	4,968,901	4,959,866	5,253,412	5,169,849	10,222,313	10,129,715
Machinery and equipment	3,538,567	3,538,567	807,360	777,534	4,345,927	4,316,101
Infrastructure/water and wastewater distribution	35,036,791	25,891,576	13,682,836	13,673,351	48,719,627	39,564,927
Construction in progress	487,550	9,145,215	2,104,481	1,826,786	2,592,031	10,972,001
Less accumulated depreciation	(14,506,058)	(13,266,071)	(6,888,823)	(6,401,762)	(21,394,881)	(19,667,833)
Total capital assets, net	$ 33,514,346	$ 34,257,748	$ 15,192,718	$ 15,279,210	$ 48,707,064	$ 49,536,958

Major capital asset events during the current fiscal year included the following:

Governmental activities building improvements	$ 9,035
Governmental activities construction in progress	487,550
Governmental activities completed infrastructure additions	9,145,215
Business-type activities equipment purchase	29,826
Business-type activities improvements	9,485
Business-type activities building improvements	83,563
Business-type activities construction in progress	277,695

Additional information on the capital assets can be found in Note 3 on pages 33-34 of this report.

Long-term debt. At year-end, the City had total bonded debt and capital lease payable obligations of $17,269,599. Of this amount, $15,500,000 represents bonded debt backed by the full faith and credit of the City. The City's capitalized lease obligation of $1,769,599 pertains to the purchase of a fire truck, street equipment, utility vehicles and equipment and new water lines and meters.

OUTSTANDING DEBT AT YEAR-END
BONDS, CAPITAL LEASE AND LOAN PAYABLE

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Certificates of obligation bonds	$ 12,308,125	$ 13,068,675	$ 3,191,875	$ 3,411,325	$ 15,500,000	$ 16,480,000
Capital leases	140,436	221,065	1,629,163	1,721,658	1,769,599	1,942,723
Total	$ 12,448,561	$ 13,289,740	$ 4,821,038	$ 5,132,983	$ 17,269,599	$ 18,422,723

The City's certificates of obligation bonds continue to carry Baa1 from Moody's Investor Services.

Additional information on the long-term debt can be found in Note 3 on pages 35-37 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City Council approved a tax rate of $0.747500 per $100 assessed valuation for the new fiscal year. The budget was conservatively prepared in anticipation of a continued economic downturn. The fund balance for the General Fund is expected to increase slightly in fiscal year 2014-2015.

During the current year, the General Fund fund balance increased by $250,192, to $1,234,186. This increase was more than the anticipated decrease of $306,293 that was budgeted for fiscal year 2013-2014.

The Budget approach is based on six components:

1. Improve transparency for residents.

   Financial data and other pertinent documents have been added to the website. The city will maintain its gold level rating for transparency from the Texas State Comptroller's Office.

2. Governance.

   The City Council and staff will continue to focus on governance policies, and the involvement of Advisory Boards. A board handbook was completed. The City Council interviewed advisory board applicants against each Board's responsibilities and charge. The advisory board's discussions and exploration of issues are much improved. Board direction and feedback will continue in the future.

3. Encourage economic development.

   The City and the Kennedale Economic Development Corporation (KEDC) are working together on the redevelopment of the Oak Crest area. This development will improve north entry to the community and will be complimentary of the planned development of Village Creek Park. The

County constructed Link Street in order to open the area for access and development. The KEDC sold two lots for fast food restaurants: a Popeye's opened in mid-December and the Burger King opened in early January. The KEDC is also negotiating with a potential hotel developer to locate in the Oak Crest Area. Phase I of the Kennedale TownCenter is complete. Phase II is not expected to begin until additional residential housing is underway to support the TownCenter. Village Creek Park is moving into the initial phase with a Section 205 Flood Control Study by the US Army Corps of Engineers (authorized in the FY 15 federal budget). The Flood Control Study is expected to take 18 months to complete.

4. Residential development.

   The city is working with developers for the establishment of four subdivisions. These include The Vineyard (117 homes), Beacon Hill, phase II (48 homes), Hilltop (28 homes) and Falcon Crest (8 homes). Beacon Hill, The Vineyards and Falcon Crest are under construction. The City created a Tax Increment Reinvestment Zone (TIRZ) with support from Tarrant County, Tarrant County College District, and the Tarrant County Health District. The TIRZ will provide for an orderly closing of the race tracks and conversion of the property to residential development by early 2016. The anticipated initial phase will have 183 home sites.

5. Planning.

   The City will update the development and zoning codes and regulations to guide the physical development of the City consistent with the recently adopted Comprehensive Land Use Plan. This process will take 18 months to complete and require the active involvement of the Planning and Zoning Commission, KEDC, Parks and Recreation Board, Zoning Board of Adjustment, City Council, and interested residents. The City will also prepare an Asset Management Plan during the year. The City completed a water and sewer master plan during the past year. The study identified required system improvements and provided the data for the Capital Improvements Plan (CIP). The city installed an Automatic Metering Infrastructure (AMI) system with a customer support component. Analysis and testing of the rate structure vis-à-vis consumption patterns are in the early stages with the objective for the AMI system to provide the backbone of the city's water conservation program.

6. Organizational development.

   The quality delivery of services is of foremost importance. The City will continue staff development following the Requisite Organization principles, the Competing Values Framework, and the Ethical Climate Dimensions. Texas Wesleyan University completed an analysis of the city staff based on the Competing Values Framework and the Ethical Climate Dimensions in late December. This analysis will be the basis for further staff training.

The cumulative effect of these efforts is intended to generate a stronger investment image in the region.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Kennedale's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Kennedale, 405 Municipal Dr., Kennedale, Texas 76060.

BASIC
FINANCIAL STATEMENTS

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CITY OF KENNEDALE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
ASSETS				
Cash and investments	$ 1,777,432	$ 1,582,562	$ 3,359,994	$ 336,568
Receivables (net of allowances for uncollectibles)				
Taxes	296,924	-	296,924	55,464
Accounts	160,630	516,706	677,336	2,312
Inventories	-	76,245	76,245	-
Other assets	40,633	-	40,633	-
Capital assets:				
Land	3,988,595	233,452	4,222,047	1,340,853
Buildings and improvements	4,968,901	5,253,412	10,222,313	5,697,832
Machinery and equipment	3,538,567	807,360	4,345,927	-
Infrastructure/water and wastewater distribution	35,036,791	13,682,836	48,719,627	-
Construction in progress	487,550	2,104,481	2,592,031	171,641
Less: accumulated depreciation	(14,506,058)	(6,888,823)	(21,394,881)	(879,845)
Total capital assets	33,514,346	15,192,718	48,707,064	6,330,481
Total assets	35,789,965	17,368,231	53,158,196	6,724,825
LIABILITIES				
Accounts payable	226,013	316,850	542,863	3,355
Accrued liabilities	284,940	20,457	305,397	-
Due to other governments	24,391	-	24,391	-
Accrued interest payable	89,194	65,496	154,690	-
Customer deposits	-	216,486	216,486	14,899
Noncurrent liabilities:				
Due within one year	911,743	323,035	1,234,778	87,147
Due in more than one year	12,035,169	4,531,758	16,566,927	1,398,590
Total liabilities	13,571,450	5,474,082	19,045,532	1,503,991
NET POSITION				
Net investment in capital assets	20,904,287	10,443,338	31,347,625	4,844,744
Restricted for:				
Debt service	27,683	-	27,683	-
Capital improvements	341,663	-	341,663	-
Economic development	-	-	-	376,090
Other purposes	11,276	-	11,276	-
Unrestricted	933,606	1,450,811	2,384,417	-
Total net position	$ 22,218,515	$ 11,894,149	$ 34,112,664	$ 5,220,834

The notes to the financial statements are an integral part of this statement.

CITY OF KENNEDALE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2014

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 1,242,021	$ 975,684	$ -	$ -
Public safety	4,274,108	567,835	45,705	-
Public works	1,476,670	115,110	-	115,058
Culture and recreation	358,226	1,470	1,414	-
Interest on long-term debt	510,355	-	-	-
Total governmental activities	7,861,380	1,660,099	47,119	115,058
Business-type activities:				
Water/Wastewater	3,640,588	3,775,546	-	-
Total business-type activities	3,640,588	3,775,546	-	-
Total primary government	$ 11,501,968	$ 5,435,645	$ 47,119	$ 115,058
Component Unit:				
Kennedale Economic Development Corporation	$ 866,382	$ 149,950	$ -	$ -

General revenues:
Taxes:
Property - general purposes
Property - debt service
Sales
Franchise
Investment earnings
Miscellaneous
Total general revenues
Change in net position

Net position, beginning

Prior period adjustment

Net position, ending

The notes to the financial statements are an integral part of this statement.

	Net (Expense) Revenue and Changes in Net Assets		
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Corporation
$(266,337)	$ -	$(266,337)	$ -
(3,660,568)	-	(3,660,568)	-
(1,246,502)	-	(1,246,502)	-
(355,342)	-	(355,342)	-
(510,355)	-	(510,355)	-
(6,039,104)	-	(6,039,104)	-
-	134,958	134,958	-
-	134,958	134,958	-
$(6,039,104)	$ 134,958	$(5,904,146)	$ -
-	-	-	(716,432)
3,108,242	-	3,108,242	-
1,035,735	-	1,035,735	-
1,093,946	-	1,093,946	377,959
871,351	-	871,351	-
389	218	607	49
509,287	-	509,287	601,337
6,618,950	218	6,619,168	979,345
579,846	135,176	715,022	262,913
21,943,037	11,566,276	33,509,313	4,980,558
(304,368)	192,697	(111,671)	(22,637)
$ 22,218,515	$ 11,894,149	$ 34,112,664	$ 5,220,834

CITY OF KENNEDALE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	General	Debt Service	Capital Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 1,424,343	$ -	$ 37,273	$ 315,816	$ 1,777,432
Receivables (net of allowance for uncollectibles)					
Taxes	269,241	27,683	-	-	296,924
Accounts	153,145	-	-	7,485	160,630
Due from other funds	7,485	-	-	-	7,485
Prepaid items	40,633	-	-	-	40,633
Total assets	$ 1,894,847	$ 27,683	$ 37,273	$ 323,301	2,283,104
LIABILITIES					
Accounts payable	$ 225,863	$ -	$ 150	$ -	226,013
Accrued liabilities	284,940	-	-	-	284,940
Due to other governments	24,391	-	-	-	24,391
Due to other funds	-	-	-	7,485	7,485
Total liabilities	535,194	-	150	7,485	542,829
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	74,375	24,834	-	-	99,209
Unavailable revenue - ambulance	51,092	-	-	-	51,092
Total deferred inflows of resources	125,467	24,834	-	-	150,301
FUND BALANCES					
Nonspendable:					
Prepaid items	40,633	-	-	-	40,633
Restricted for:					
Debt service	-	2,849	-	-	2,849
Public safety	-	-	-	10,164	10,164
Economic development	-	-	-	1,112	1,112
Capital projects	-	-	37,123	304,540	341,663
Unassigned	1,193,553	-	-	-	1,193,553
Total fund balances	1,234,186	2,849	37,123	315,816	1,589,974
Total liabilites, deferred inflows of resources and fund balances	$ 1,894,847	$ 27,683	$ 37,273	$ 323,301	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					33,514,346
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.					150,301
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.					(13,036,106)
Net position of governmental activities					$ 22,218,515

The notes to the financial statements are an integral part of this statement.

CITY OF KENNEDALE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General	Debt Service	Capital Bond Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	$ 3,091,746	$ 1,029,531	$ -	$ -	$ 4,121,277
Sales	1,093,946	-	-	-	1,093,946
Franchise fees	871,351	-	-	-	871,351
Licenses and permits	362,337	-	-	115,110	477,447
Fines and forfeitures	272,943	-	-	1,470	274,413
Public safety fees	243,002	-	-	-	243,002
Intergovernmental	45,311	-	-	2,920	48,231
Charges for services	614,145	-	-	-	614,145
Investment earnings	328	16	2	43	389
Contributions	-	-	-	2,314	2,314
Other	261,459	155,119	115,058	89,283	620,919
Total revenues	6,856,568	1,184,666	115,060	211,140	8,367,434
EXPENDITURES					
Current:					
General government	1,126,632	-	-	-	1,126,632
Public safety	4,050,516	-	-	1,800	4,052,316
Public works	1,051,794	-	-	-	1,051,794
Culture and recreation	271,752	-	-	350	272,102
Capital outlay	22,408	-	78,070	-	100,478
Debt service:					
Principal	-	841,178	-	-	841,178
Interest and fiscal charges	-	526,300	-	-	526,300
Total expenditures	6,523,102	1,367,478	78,070	2,150	7,970,800
EXCESS OF REVENUES OVER EXPENDITURES	333,466	(182,812)	36,990	208,990	396,634
OTHER FINANCING SOURCES (USES)					
Transfers in	-	161,832	-	-	161,832
Transfers out	(83,274)	-	-	(78,558)	(161,832)
Total other financing sources and (uses)	(83,274)	161,832	-	(78,558)	-
NET CHANGE IN FUND BALANCES	250,192	(20,980)	36,990	130,432	396,634
FUND BALANCES, BEGINNING	983,994	23,829	133	185,384	1,193,340
FUND BALANCES, ENDING	$ 1,234,186	$ 2,849	$ 37,123	$ 315,816	$ 1,589,974

The notes to the financial statements are an integral part of this statement.

CITY OF KENNEDALE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Amounts reported for governmental activities in the Statement of Activities (pages 12 - 13) are different because:	
Net change in fund balances - total governmental funds (page 15)	$ 396,634
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(743,402)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	73,792
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	11,643
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	841,179
Change in net position of governmental activities (pages 12 -13)	$ 579,846

The notes to the financial statements are an integral part of this statement.

CITY OF KENNEDALE, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2014

	Business-type Activities- Enterprise Fund Water and Wastewater
ASSETS	
Current assets:	
Cash and investments	$ 1,582,562
Accounts receivable - net of allowances for uncollectibles	516,706
Inventories	76,245
Total current assets	2,175,513
Noncurrent assets:	
Capital assets:	
Land	233,452
Buildings and improvements	5,253,412
Equipment	807,360
Water and wastewater distribution	13,682,836
Construction in progress	2,104,481
Less: accumulated depreciation	(6,888,823)
Total capital assets	15,192,718
Total noncurrent assets	15,192,718
Total assets	17,368,231
LIABILITIES	
Current liabilities:	
Accounts payable	316,850
Accrued liabilities	20,457
Accrued interest	65,496
Customer deposits	216,486
Compensated absences	6,751
Capital leases payable	89,921
Certificates of obligation	226,363
Total current liabilities	942,324
Long-term liabilities:	
Compensated absences	27,004
Capital leases payable	1,539,242
Certificates of obligation	2,965,512
Total long-term liabilities	4,531,758
Total liabilities	5,474,082
NET POSITION	
Net investment in capital assets	10,443,338
Unrestricted	1,450,811
Total net position	$ 11,894,149

The notes to the financial statements are an integral part of this statement.

CITY OF KENNEDALE, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities- Enterprise Fund Water and Wastewater
OPERATING REVENUES	
Water sales	$ 1,846,930
Wastewater charges	1,222,892
Tap and collection fees	420,074
Other service charges	239,976
Miscellaneous income	45,674
Total operating revenues	3,775,546
OPERATING EXPENSES	
Cost of sales and services	1,606,604
Administration	1,353,426
Depreciation	487,061
Total operating expenses	3,447,091
OPERATING INCOME	328,455
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	218
Interest and fiscal charges on debt	(193,497)
Total nonoperating revenues (expenses)	(193,279)
Income before transfers	135,176
Transfers in	210,200
Transfers out	(210,200)
CHANGE IN NET POSITION	135,176
TOTAL NET POSITION, BEGINNING	11,566,276
PRIOR PERIOD ADJUSTMENT	192,697
TOTAL NET POSITION, ENDING	$ 11,894,149

The notes to the financial statements are an integral part of this statement.

CITY OF KENNEDALE, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-tvpe Activities- Enterprise Fund Water and Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 4,014,710
Cash payments to employees for services	(1,355,690)
Cash payments to suppliers for goods and services	(1,607,407)
Cash provided by operating activities	1,051,613
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Loans repaid by other governments	607,000
Transfers from other funds	210,200
Transfers to other funds	(210,200)
Cash used for noncapital financing activities	607,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal repayments on debt	(311,945)
Interest and fiscal charges on debt	(194,251)
(Acquisition) disposal of capital assets	(400,569)
Cash used for capital and related financing activities	(906,765)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	218
Cash provided by investing activities	218
NET INCREASE IN CASH AND CASH EQUIVALENTS	752,066
CASH AND CASH EQUIVALENTS, BEGINNING	830,496
CASH AND CASH EQUIVALENTS, ENDING	$ 1,582,562
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 328,455
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	487,061
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	239,164
Decrease (increase) in inventories	(13,066)
Increase (decrease) in accounts payable	9,571
Increase (decrease) in accrued liabilities	(958)
Increase (decrease) in customer deposits	2,692
Increase (decrease) in compensated absences	(1,306)
Total adjustments	723,158
Net cash provided by operating activities	$ 1,051,613

The accompanying notes are an integral part of this statement.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting and reporting policies:

A. Reporting Entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the Town.

***Discretely Presented Component Unit*:** The Kennedale Economic Development Corporation ("KEDC"). KEDC is a legally separate entity incorporated on December 2, 1996. The Corporation's purpose is to promote economic development within the City, including, but not limited to, construction, operation and administration, as permitted by Section 4B of the Act, as amended. The City Council appoints the governing board for this entity and is able to impose its will upon the Corporation. KEDC is presented as a governmental fund type.

A separately issued financial report is available for the Kennedale Economic Development Corporation. This report may be obtained by contacting the following office.

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue.*

Separate financial statements are provided for governmental funds and proprietary funds. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Debt Service Fund*** is used to account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The ***Capital Bond Fund*** is a capital projects fund. It is used to account for the acquisition and construction of various capital improvements and is funded by general obligation bonds.

The City reports the following major proprietary fund:

The ***Water and Wastewater Fund*** accounts for the activities necessary for the provision of water and wastewater services.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities and Net Position or Equity

Deposits and Investments

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

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

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

The City also invests in Texas Short-term Asset Reserve Program (TexSTAR). TexSTAR is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and authorize eligible governmental entities to invest their public funds and funds under their control through the investment pools. TexSTAR is currently rated AAAm by Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share.

The City also invests in TexasTERM. TexasTERM is a local government investment portfolio established to allow counties, municipalities, school districts, municipal authorities and other governmental entities in Texas to pool their funds for investment under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, the PTIA and other cooperative statutes and under the statutes governing investment of funds by those local governments. TexasTERM is rated AAAm by Standard and Poor's. TexasTERM seeks to maintain a constant net asset value of $1.00 per share.

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

As a City that operates under a home-rule charter, the City has a tax rate limitation of $2.50 per $100 assessed valuation. For the year ended September 30, 2014, the City had a tax rate of $0.7475 per $100 of which $0.560454 was allocated for general government and $0.187046 was allocated for payment of principal and interest on general long-term debt.

Inventories and Prepaid Items

All inventories are valued using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Certain proceeds of the Enterprise Fund bonds and certain resources set aside for their repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Assets	Years
Plants and buildings	20
Machinery and equipment	4 - 10
Infrastructure (streets and drainage)	35 - 125
Other structures	50

Compensated Absences

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

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

All unused vested vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the period of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

Net Position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the city council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the city council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The city council has by resolution authorized the city manager and finance director to assign fund balance. The council may also assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The government-wide and fund level financial statements report restricted fund balances for amounts not available for appropriation or legally restricted for specific uses. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted resources first, then unrestricted resources as needed. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category in the current fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, unavailable, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and ambulance. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of Net Position. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $13,036,106 difference are as follows:

Certificates of obligation bonds	$(12,308,125)
Premiums on issuance of debt (to be amortized over life of debt)	(161,498)
Capitalized lease obligations	(140,436)
Accrued interest payable	(89,194)
Compensated absences	(336,853)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$(13,036,106)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $743,402 difference are as follows:

Capital outlay (includes $396,107 not classified as capital expenditures on the fund statements)	$	496,585
Depreciation expense	(	1,239,987)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$(	743,402)

Another element of that reconciliation states, "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this $841,179 difference are as follows:

Principal repayments:		
General obligation debt	$	760,550
Capital lease		80,629
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	841,179

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $11,643 difference are as follows:

Compensated absences	$(	4,301)
Accrued interest		5,516
Amortization of premium		10,428
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net* position *of governmental activities*	$	11,643

3. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the **Public Funds Investment Act**, the City has adopted a deposit and investment policy. That policy does address the following risks:

a. ***Custodial Credit Risk:*** Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2014, $1,412,771 of the City's $1,662,933 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, $250,162, was covered by FDIC insurance.

b. ***Credit Risk:*** It is the City's policy to limit investments to investment types with an investment quality rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The City's investments were rated AAAm by Standard and Poor's Investors Services.

c. ***Interest Rate Risk:*** In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 90 days or less, dependent on market conditions.

d. ***Concentration of Credit Risk:*** The government's investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

At September 30, 2014, the primary government's investments consisted of:

		Fair Value
TexStar	$	326,822
Texas Term		31,352
State Treasurer's Investment Pool (TexPool)		1,395,816
	$	1,753,990

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

		Fair Value
State Treasurer's Investment Pool (TexPool)	$	336,568
	$	336,568

At September 30, 2014, all of the above investments are not categorized by risk. TexStar, TexPool, and Texas Term balances are not evidenced by securities that exist in physical or book entry form and, accordingly, are not categorized by risk. However, the nature of these funds requires that they be used to purchase investments authorized by the Texas Public Funds Investment Act of 1995. The primary objective of these investment pools is to provide a safe environment for the placement of public funds in short-term, fully collateralized investments.

Receivables

Receivables as of year-end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Water and Wastewater	Nonmajor Governmental	Total
Receivables:					
Taxes	$ 399,737	$ 71,228	$ -	$ -	$ 470,965
Accounts	768,871	-	732,447	7,485	1,508,803
Gross receivables	1,168,608	71,228	732,447	7,485	1,979,768
Less: allowance for uncollectibles	(746,222)	(43,545)	(215,741)	-	(1,005,508)
Net total receivables	$ 422,386	$ 27,683	$ 516,706	$ 7,485	$ 974,260

Deferred Inflows of Resources

Governmental funds report *deferred inflows of resources - unavailable* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred inflows of resources* reported in the governmental funds were as follows:

	Unavailable
General fund:	
Delinquent property taxes receivable	$ 74,375
Ambulance charges	51,092
	125,467
Debt service fund:	
Delinquent property taxes receivable	24,834
Governmental Funds	$ 150,301

Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	$ 3,988,595	$ -	$ -	3,988,595
Construction work in progress	9,145,215	487,550	9,145,215	487,550
Total capital assets not being depreciated	13,133,810	487,550	9,145,215	4,476,145
Capital assets, being depreciated:				
Buildings	4,959,866	9,035	-	4,968,901
Machinery and equipment	3,538,567	-	-	3,538,567
Infrastructure	25,891,576	9,145,215	-	35,036,791
Total capital assets being depreciated	34,390,009	9,154,250	-	43,544,259
Less accumulated depreciation:				
Buildings	1,971,891	163,572	-	2,135,463
Machinery and equipment	2,487,895	271,658	-	2,759,553
Infrastructure	8,806,285	804,757	-	9,611,042
Total accumulated depreciation	13,266,071	1,239,987	-	14,506,058
Total capital assets, being depreciated, net	21,123,938	7,914,263	-	29,038,201
Governmental activities capital assets, net	$ 34,257,748	$ 8,401,813	$ 9,145,215	$ 33,514,346

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 233,452	$ -	$ -	$ 233,452
Construction work in progress	1,826,786	277,695	-	2,104,481
Total capital assets not being depreciated	2,060,238	277,695	-	2,337,933
Capital assets, being depreciated:				
Buildings	5,169,849	83,563	-	5,253,412
Machinery and equipment	777,534	29,826	-	807,360
Improvements other than buildings	13,673,351	9,485	-	13,682,836
Total capital assets being depreciated	19,620,734	122,874	-	19,743,608
Less accumulated depreciation:				
Buildings	2,081,558	108,591	-	2,190,149
Machinery and equipment	601,598	57,993	-	659,591
Improvements other than buildings	3,718,606	320,477	-	4,039,083
Total accumulated depreciation	6,401,762	487,061	-	6,888,823
Total capital assets, being depreciated, net	13,218,972	(364,187)	-	12,854,785
Business-type activities capital assets, net	$ 15,279,210	$(86,492)	$ -	$ 15,192,718

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 91,330
Public safety	228,776
Public works	833,757
Culture and recreation	86,124
Total depreciation expense - governmental activities	$ 1,239,987
Business-type activities:	
Water and wastewater	$ 487,061
Total depreciation expense - business-type activities	$ 487,061

Discretely presented component units

A summary of discretely presented component units' capital assets for the year ended September 30, 2014, follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,703,328	$ 44,283	$ 406,758	$ 1,340,853
Construction in progress	2,997,966	47,465	2,873,790	171,641
Totals, capital assets, not being depreciated	4,701,294	91,748	3,280,548	1,512,494
Capital assets, being depreciated:				
Buildings	1,937,215	2,742,924	-	4,680,139
Improvements	886,827	130,866	-	1,017,693
Totals, capital assets being depreciated	2,824,042	2,873,790	-	5,697,832
Less accumulated depreciation for:				
Buildings	468,922	234,007	-	702,929
Improvements	126,031	50,885	-	176,916
Total accumulated depreciation	594,953	284,892	-	879,845
Total capital assets, being depreciated, net	2,229,089	2,588,898	-	4,817,987
Capital assets, net	$ 6,930,383	$ 2,680,646	$ 3,280,548	$ 6,330,481

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2014 is as follows:

Interfund receivables/payables:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	$ 7,485
Total		$ 7,485

The amount payable to the General Fund is to cover expenditures in the Capital Projects Fund. Interfund transfers:

Transfers In	Transfers Out	Amount
Debt Service	General Fund	$ 83,274
Debt Service	Nonmajor	78,558
Water and Wastewater	Water and Wastewater	210,200
Total		$ 372,032

The transfers were used to move unrestricted revenues collected in various funds to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

Capital Leases

The City has acquired certain fixed assets for governmental and business-type activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities	Total
Assets:			
Machinery and Equipment	$ 108,492	$ 218,489	$ 326,981
Buildings and Improvements	221,887	-	221,887
Construction in Progress	-	1,650,000	1,650,000
Less: Accumulated depreciation	(159,964)	(175,676)	(335,640)
Total	$ 170,415	$ 1,692,813	$ 1,863,228

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, were as follows:

Year Ending September 30,	Governmental Activities	Business-Type Activities
2014	$ 46,146	$ 152,813
2015	46,146	152,813
2016	20,414	152,813
2017	20,414	152,813
2018	20,414	152,813
2019-2023	-	764,063
2024-2028	-	611,250
Total minimum lease payments	153,534	2,139,378
Less: amount representing interest	13,098	510,215
Present value of minimum lease payments	$ 140,436	$ 1,629,163

Long-term Debt

General Obligation Bonds

The City issues certificates of obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenue. The original amount of general obligation bonds issued in prior years was $20,550,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	3.65 - 4.65	$ 10,610,000
Governmental activities - refunding	3.97	1,698,125
Business-type activities	4.10	2,140,000
Business-type activities - refunding	3.97	1,051,875
		$ 15,500,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2104	$ 803,637	$ 484,649	$ 226,363	$ 124,925
2015	852,900	456,146	237,100	115,559
2016	912,163	424,375	252,837	105,659
2017	943,338	390,117	261,662	95,260
2018	867,600	355,804	272,400	84,468
2019 - 2023	4,578,487	1,245,024	1,341,513	256,007
2024 - 2028	2,850,000	415,403	600,000	37,720
2029 - 2033	500,000	21,550	-	-
Total	$ 12,308,125	$ 3,793,068	$ 3,191,875	$ 819,598

General obligation bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions.

The various bond obligations contain certain financial limitations and restrictions. The ordinances authorizing the issuance of certificates of obligation bonds created an interest and sinking fund (general debt service fund). The ordinances require the City to ascertain a rate and amount of tax which will be sufficient to pay interest as it comes due and provide a reserve fund which is adequate to meet principal as it matures. The City is in compliance with all such significant financial restrictions.

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government activities					
General obligation bonds	$ 13,068,675	$ -	$ 760,550	$ 12,308,125	$ 803,637
Premium on bonds	171,926	-	10,428	161,498	-
Capital leases	221,065	-	80,629	140,436	40,735
Compensated absences	332,552	189,548	185,247	336,853	67,371
Governmental activity Long-term liabilities	$ 13,794,218	$ 189,548	$ 1,036,854	$ 12,946,912	$ 911,743
Business-type activities					
General obligation bonds	$ 3,411,325	$ -	$ 219,450	$ 3,191,875	$ 226,363
Capital leases	1,721,658	-	92,495	1,629,163	89,921
Compensated absences	35,067	25,629	26,941	33,755	6,751
Business-type activity Long-term liabilities	$ 5,168,050	$ 25,629	$ 338,886	$ 4,854,793	$ 323,035

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

Discretely Presented Long-Term Debt

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	990,000	-	45,000	945,000	50,000
Texas leverage fund loan	576,697	-	35,960	540,737	37,147
Long-term liabilities	1,566,697	-	80,960	1,485,737	87,147

Other Information

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk-Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in TML is limited to payment of premiums. During the year ended September 30, 2014, the City paid premiums to TML for provisions of various liability, property and casualty insurance. The City has various deductible amounts ranging from $500 to $5,000 on various policies. At year-end, the City did not have any significant claims.

The City also provides workers' compensation insurance on its employees through TML. Workers' compensation is subject to change when audited by TML. At year-end, September 30, 2014, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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

Employees' Retirement System

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2013	Plan Year 2014
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation/(asset) are as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/12	413,503	100%	-
09/30/13	414,854	100%	-
09/30/14	400,456	100%	-

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Actuarial Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortiztion period	21.0 years; closed period	19.9 years; closed period	30.0 years; closed period
Amortization period for new gains/losses	25 years	25 years	25 years
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment rate of return *	7.0%	7.0%	7.0%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service
* Includes inflation at	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2013	$ 9,076,228	$ 11,192,430	81.1%	$ 2,116,202	$ 3,437,343	61.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Other Postemployment Benefits

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Schedule of Contribution Rates
(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2011	0.02%	0.02%	100%
2012	0.02%	0.02%	100%
2013	0.02%	0.02%	100%

Prior Period Adjustment

During the current fiscal year, a prior period adjustment was made to adjust water and sewer accounts receivable in the amount of $231,459 for items not included in accounts receivable at year end in the prior year. Amounts were not included in the accounts receivable balance obtained from the third party collector because they had been received prior to year-end; however, these payments had not been remitted to the City at year-end. Therefore, these amounts should have still been included in accounts receivable at year-end since they were not received by the City until October. The prior period adjustment increased net position in the proprietary fund and business-type activities as of October 1, 2013.

Change in Accounting Principles

As the result of implementing GASB Statement No. 65, the City has decreased beginning net positon as of October 1, 2013 by $304,368 for the governmental activities and by $38,762 for business-type activities. These decreases result from no longer deferring and amortizing bond issuance costs.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF KENNEDALE, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Property	$ 3,199,531	$ 3,199,531	$ 3,091,746	$(107,785)
Sales	1,036,263	1,036,263	1,093,946	57,683
Franchise fees	827,948	827,948	871,351	43,403
Licenses and permits	148,919	265,559	362,337	96,778
Fines and forfeitures	310,821	310,821	272,943	(37,878)
Public safety fees	212,297	212,297	243,002	30,705
Intergovernmental	48,000	48,000	45,311	(2,689)
Charges for service	525,993	525,993	614,145	88,152
Investment earnings	788	788	328	(460)
Other	128,250	128,250	261,459	133,209
Total revenues	6,438,810	6,555,450	6,856,568	301,118
EXPENDITURES				
Current:				
General government	1,169,061	1,174,361	1,126,632	47,729
Public safety	4,124,987	4,148,327	4,050,516	97,811
Public works	847,625	1,051,625	1,051,794	(169)
Culture and recreation	298,754	300,204	271,752	28,452
Capital outlay	24,220	24,220	22,408	1,812
Total expenditures	6,464,647	6,698,737	6,523,102	175,635
EXCESS OF REVENUES OVER EXPENDITURES	(25,837)	(143,287)	333,466	476,753
OTHER FINANCING SOURCES (USES)				
Transfers out	(75,006)	(163,006)	(83,274)	79,732
Total other financing sources (uses)	(75,006)	(163,006)	(83,274)	79,732
NET CHANGE IN FUND BALANCE	(100,843)	(306,293)	250,192	556,485
FUND BALANCE, BEGINNING	983,994	983,994	983,994	-
FUND BALANCE, ENDING	$ 883,151	$ 677,701	$ 1,234,186	$ 556,485

CITY OF KENNEDALE, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2011	$ 7,065,871	$ 9,646,174	73.3%	$ 2,580,303	$ 3,521,706	73.3%
12/31/2012	8,032,638	10,250,775	78.4%	2,218,137	3,498,642	63.4%
12/31/2013	9,076,228	11,192,430	81.1%	2,116,202	3,437,343	61.6%

CITY OF KENNEDALE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2014
(Unaudited)

BUDGETARY INFORMATION - The City follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules:

1. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.

3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.

4. The City Manager has the authority to transfer appropriation balances from one expenditure account to another such as from salaries to maintenance within a single fund as well as transfer appropriations between departments. The City Council, however, must approve any transfer of unencumbered appropriation balances or portions thereof from one fund to another as well as any increases in fund appropriations. At the end of the fiscal year, all appropriations lapse.

5. Annual budgets are only adopted for the General and Debt Service Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

6. The budgetary data presented has been amended from the original budget by the City Council. All significant supplemental appropriations were offset either by increased revenue or decreased expenditures in other accounts. Expenditures exceeded appropriations for public works in the General Fund. This excesse was covered by excess revenue and additional appropriations in other functions. Total expenditures did not exceed appropriations in the General Fund. Expenditures exceeded appropriations in principal in the Debt Service Fund. This excess was covered by expenditures under appropriations in interest and fiscal charges. Total expenditures did not exceed appropriations in the Debt Service Fund.

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COMBINING FUND STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenue that is legally restricted to expenditures for particular purposes.

> ***Police Seizure*** – to account for the receipt and expenditures of revenues derived from crime seizures that are for police purposes.
>
> ***LEOSE*** – to account for grant revenue that is legally restricted to expenditures for LEOSE program.
>
> ***TIF #1 (New Hope) Fund*** – to account for the construction of New Hope Road from funds contributed by the City, School District and County.

The ***Capital Projects*** Fund is used to account for financial resources to be used for the acquisition or construction of general major capital facilities. Financing is provided primarily by the sale of general obligation bonds and developer contributions.

> ***Park Dedication*** – to account for the acquisition, improvement and maintenance of park areas funded by neighborhood park land dedication fees.
>
> ***Capital Projects*** – to account for various constructions within the city from funds contributed by third parties.
>
> ***Roadway Impact Fee*** – to account for the assessments to developers on projects identified in the roadway impact fee study that was adopted by the City Council on May 9, 2002.
>
> ***Library Building*** – to account for the construction of a new library from funds contributed by third parties.

CITY OF KENNEDALE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	Special Revenue Funds		
	Police Seizure	LEOSE Fund	TIF #1 (New Hope) Fund
ASSETS			
Cash and investments	$ 10,156	$ 8	$ 1,112
Receivables (net of allowance for uncollectibles):			
Other	-	-	-
Total assets	$ 10,156	$ 8	$ 1,112
LIABILITIES			
Due to other funds	$ -	$ -	$ -
Total liabilities	-	-	-
FUND BALANCES			
Restricted for:			
Public safety	10,156	8	-
Economic development	-	-	1,112
Capital projects	-	-	-
Total fund balances	10,156	8	1,112
Total liabilities and fund balances	$ 10,156	$ 8	$ 1,112

Capital Projects Funds				
Park Dedication	Capital Projects	Roadway Impact Fee	Library Building	Total Nonmajor Governmental Funds
$ 34,070	$ -	$ 262,250	$ 8,220	$ 315,816
-	7,485	-	-	7,485
$ 34,070	$ 7,485	$ 262,250	$ 8,220	$ 323,301
$ -	$ 7,485	$ -	$ -	$ 7,485
-	7,485	-	-	7,485
-	-	-	-	10,164
-	-	-	-	1,112
34,070	-	262,250	8,220	304,540
34,070	-	262,250	8,220	315,816
$ 34,070	$ 7,485	$ 262,250	$ 8,220	$ 323,301

CITY OF KENNEDALE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds		
	Police Seizure	LEOSE Fund	TIF #1 (New Hope) Fund
REVENUES			
Intergovernmental	$ -	$ 1,808	$ 1,112
Fines and forfeitures	-	-	-
Licenses and permits	-	-	-
Investment earnings	1	-	-
Contributions	-	-	-
Other	10,152	-	-
Total revenues	10,153	1,808	1,112
EXPENDITURES			
Current:			
Public safety	-	1,800	-
Culture recreation	-	-	-
Total expenditures	-	1,800	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,153	8	1,112
OTHER FINANCING SOURCES(USES)			
Transfers out	-	-	-
Total other financing sources(uses)	-	-	-
NET CHANGE IN FUND BALANCES	10,153	8	1,112
FUND BALANCES, BEGINNING	3	-	-
FUND BALANCES, ENDING	$ 10,156	$ 8	$ 1,112

Capital Projects Funds				
Park Dedication	Capital Projects	Roadway Impact Fee	Library Building	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ 2,920
-	-	-	1,470	1,470
-	-	115,110	-	115,110
5	4	32	1	43
-	-	-	2,314	2,314
874	78,257	-	-	89,283
879	78,261	115,142	3,785	211,140
-	-	-	-	1,800
350	-	-	-	350
350	-	-	-	2,150
529	78,261	115,142	3,785	208,990
-	(78,558)	-	-	(78,558)
-	(78,558)	-	-	(78,558)
529	(297)	115,142	3,785	130,432
33,541	297	147,108	4,435	185,384
$ 34,070	$ -	$ 262,250	$ 8,220	$ 315,816

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CITY OF KENNEDALE, TEXAS

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes - property	$ 1,065,781	$ 1,065,781	$ 1,029,531	$(36,250)
Investment earnings	75	75	16	(59)
Other	155,118	155,118	155,119	1
Total revenues	1,220,974	1,220,974	1,184,666	(36,308)
EXPENDITURES				
Debt service:				
Principal	837,903	837,903	841,178	(3,275)
Interest and fiscal charges	531,567	531,567	526,300	5,267
Total debt service	1,369,470	1,369,470	1,367,478	1,992
Total expenditures	1,369,470	1,369,470	1,367,478	1,992
EXCESS OF REVENUES OVER EXPENDITURES	(148,496)	(148,496)	(182,812)	(34,316)
OTHER FINANCING SOURCES (USES)				
Transfers in	125,655	125,655	161,832	36,177
Total other financing sources (uses)	125,655	125,655	161,832	36,177
NET CHANGE IN FUND BALANCE	(22,841)	(22,841)	(20,980)	1,861
FUND BALANCE, BEGINNING	23,829	23,829	23,829	-
FUND BALANCE, ENDING	$ 988	$ 988	$ 2,849	$ 1,861

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STATISTICAL SECTION

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CITY OF KENNEDALE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014
STATISTICAL SECTION INDEX
(Unaudited)

This part of the City of Kennedale's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Tables
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-4
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	5-8
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.	9-13
Economic and Demographic Indicators These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	14-15
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	16-18

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF KENNEDALE, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Net investment in capital assets	$ 10,564,804	$ 12,250,813	$ 12,344,055	$ 12,612,099	$ 12,781,452	$ 11,814,703	$ 16,014,362	$ 20,730,909	$ 21,100,450	$ 20,904,287
Restricted	2,070,810	259,631	78,464	48,766	12,623	38,754	1,936,156	288,215	227,181	380,622
Unrestricted	2,127,810	3,995,504	3,921,649	3,766,881	3,842,214	4,168,387	1,023,286	782,589	615,406	933,606
Total governmental activities net position	$ 14,763,424	$ 16,505,948	$ 16,344,168	$ 16,427,746	$ 16,636,289	$ 16,021,844	$ 18,973,804	$ 21,801,713	$ 21,943,037	$ 22,218,515
Business-type activities:										
Net investment in capital assets	$ 7,832,602	$ 8,553,929	$ 6,903,231	$ 7,664,665	$ 8,245,479	$ 9,643,354	$ 10,134,416	$ 10,304,477	$ 10,217,885	$ 10,443,338
Restricted	635,342	924,985	924,985	-	-	-	-	-	-	-
Unrestricted	1,009,278	1,515,805	3,563,454	3,885,235	3,396,673	1,858,510	1,668,685	1,524,225	1,348,391	1,450,811
Total business-type activities net position	$ 9,477,222	$ 10,994,719	$ 11,391,670	$ 11,549,900	$ 11,642,152	$ 11,501,864	$ 11,803,101	$ 11,828,702	$ 11,566,276	$ 11,894,149
Primary government:										
Net investment in capital assets	$ 18,397,406	$ 20,804,742	$ 19,247,286	$ 20,276,764	$ 21,026,931	$ 21,458,057	$ 26,148,778	$ 31,035,386	$ 31,318,335	$ 31,347,625
Restricted	2,706,152	1,184,616	1,003,449	48,766	12,623	38,754	1,936,156	288,215	227,181	380,622
Unrestricted	3,137,088	5,511,309	7,485,103	7,652,116	7,238,887	6,026,897	2,691,971	2,306,814	1,963,797	2,384,417
Total primary government net position	$ 24,240,646	$ 27,500,667	$ 27,735,838	$ 27,977,646	$ 28,278,441	$ 27,523,708	$ 30,776,905	$ 33,630,415	$ 33,509,313	$ 34,112,664

TABLE 2

CITY OF KENNEDALE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EXPENSES										
Governmental activities:										
General government	$ 1,053,375	$ 1,069,043	$ 1,051,485	$ 1,614,745	$ 1,281,430	$ 1,687,785	$ 1,346,455	$ 1,400,946	$ 1,338,046	$ 1,242,021
Public Safety	3,305,087	3,807,180	3,895,186	3,843,086	3,915,078	4,135,114	4,149,812	4,334,370	4,216,559	4,274,108
Public works	909,595	1,030,851	1,227,223	1,162,378	1,279,797	956,657	1,386,156	1,209,842	1,338,143	1,476,670
Culture and recreation	138,623	254,602	251,217	273,145	324,858	346,896	335,884	344,900	358,251	358,226
Economic development	-	-	-	-	-	2,006,635	-	-	-	-
Interest on long-term debt	163,618	191,755	184,457	297,360	438,799	490,601	536,449	578,936	558,639	510,355
Total governmental activities expenses	5,570,298	6,353,431	6,609,568	7,190,714	7,239,962	9,623,688	7,754,756	7,868,994	7,809,638	7,861,380
Business-type activities:										
Water and wastewater	2,207,935	2,628,222	2,377,911	2,542,766	2,722,295	3,002,002	3,334,413	3,240,582	3,401,162	3,640,588
Total business-type activities expenses	2,207,935	2,628,222	2,377,911	2,542,766	2,722,295	3,002,002	3,334,413	3,240,582	3,401,162	3,640,588
Total primary government program expenses	$ 7,778,233	$ 8,981,653	$ 8,987,479	$ 9,733,480	$ 9,962,257	$ 12,625,690	$ 11,089,169	$ 11,109,576	$ 11,210,800	$ 11,501,968
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	$ 712,712	$ 958,694	$ 489,421	$ 578,314	$ 476,934	$ 487,416	$ 514,732	$ 668,345	$ 554,664	$ 975,684
Public safety	627,204	717,527	648,597	607,201	485,605	435,195	460,983	459,955	556,655	567,835
Public works	106,801	175,655	57,840	37,377	26,018	25,174	44,910	58,007	52,299	115,110
Culture and recreation	50,571	115,403	66,291	2,424	2,180	1,674	2,023	1,554	34,591	1,470
Operating grants and contributions	139,802	99,692	191,039	143,139	74,554	67,924	64,217	83,005	135,520	47,119
Capital grants and contributions	1,346,349	1,397,176	-	402,146	1,215	1,424,036	2,793,402	2,872,517	453,020	115,058
Total governmental activities program revenues	2,983,439	3,464,147	1,453,188	1,770,601	1,066,506	2,441,419	3,880,267	4,143,383	1,786,749	1,822,276
Business-type activities:										
Charges for services:										
Water/Wastewater	2,495,593	3,209,086	2,552,255	2,585,218	2,833,378	2,856,494	3,633,725	3,264,892	3,138,201	3,775,546
Capital grants and contributions	-	843,221	-	-	-	-	-	-	-	-
Total business-type activities program revenues	2,495,593	4,052,307	2,552,255	2,585,218	2,833,378	2,856,494	3,633,725	3,264,892	3,138,201	3,775,546
Total primary government program revenues	$ 5,479,032	$ 7,516,454	$ 4,005,443	$ 4,355,819	$ 3,899,884	$ 5,297,913	$ 7,513,992	$ 7,408,275	$ 4,924,950	$ 5,597,822
NET (EXPENSE) REVENUES										
Governmental activities	$(2,586,859)	$(2,889,284)	$(5,156,380)	$(5,420,113)	$(6,173,456)	$(7,182,269)	$(3,874,489)	$(3,725,611)	$(6,022,889)	$(6,039,104)
Business-type activities	287,658	1,424,085	174,344	42,452	111,083	(145,508)	299,312	24,310	(262,961)	134,958
Total primary government net expense	(2,299,201)	(1,465,199)	(4,982,036)	(5,377,661)	(6,062,373)	(7,327,777)	(3,575,177)	(3,701,301)	(6,285,850)	(5,904,146)

(continued)

TABLE 2

CITY OF KENNEDALE, TEXAS

CHANGES IN NET POSITION
(Continued)
LAST TEN FISCAL YEARS

	Fiscal Year 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Taxes										
Property	2,504,352	2,638,356	2,891,614	3,194,210	3,555,215	3,945,627	3,811,589	4,010,855	3,951,116	4,143,977
Franchise	468,431	511,818	693,093	704,743	799,291	755,273	808,918	856,096	817,733	871,351
Sales	1,004,050	1,069,028	973,244	993,288	1,065,875	1,488,953	1,222,642	1,298,044	1,008,875	1,093,946
Investment earnings	104,592	239,006	242,876	190,424	86,660	14,263	6,401	2,885	724	389
Miscellaneous	119,841	173,600	193,773	401,026	815,390	363,708	976,899	385,640	426,068	509,287
Transfers	-	-	-	20,000	55,772	-	-	-	-	-
Total governmental activities	4,201,266	4,631,808	4,994,600	5,503,691	6,378,203	6,567,824	6,826,449	6,553,520	6,204,516	6,618,950
Business-type activities:										
Investment earnings	37,538	86,434	214,352	135,778	30,642	5,220	1,925	1,291	535	218
Miscellaneous	962,001	6,978	8,255	-	-	-	-	-	-	-
Transfers	-	-	-	(20,000)	(55,772)	-	-	-	-	-
Total business-type activities	999,539	93,412	222,607	115,778	(25,130)	5,220	1,925	1,291	535	218
Total primary government	5,200,805	4,725,220	5,217,207	5,619,469	6,353,073	6,573,044	6,828,374	6,554,811	6,205,051	6,619,168
CHANGE IN NET POSITION										
Governmental activities	1,614,407	1,742,524	(161,780)	83,578	204,747	(614,445)	2,951,960	2,827,909	181,627	579,846
Business-type activities	1,287,197	1,517,497	396,951	158,230	85,953	(140,288)	301,237	25,601	(262,426)	135,176
Total primary government	$ 2,901,604	$ 3,260,021	$ 235,171	$ 241,808	$ 290,700	$(754,733)	$ 3,253,197	$ 2,853,510	$(80,799)	$ 715,022

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TABLE 3

CITY OF KENNEDALE, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	1,954,861	2,206,719	2,162,064	1,433,468	1,572,628	1,508,586	-	-	-	-
Nonspendable	-	-	-	-	-	-	31,348	5,751	46,486	40,633
Unassigned	-	-	-	-	-	-	1,332,648	1,108,068	937,508	1,193,553
Total general fund	$ 1,954,861	$ 2,206,719	$ 2,162,064	$ 1,433,468	$ 1,572,628	$ 1,508,586	$ 1,363,996	$ 1,113,819	$ 983,994	$ 1,234,186
All other governmental funds										
Reserved	$ 53,381	$ 61,105	$ 78,464	$ 48,766	$ 12,623	$ 38,754	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	1,892	1,613,553	9,076	11,525	5,409	6,995	-	-	-	-
Capital projects funds	2,027,553	199,587	1,701,253	9,233,185	7,171,604	2,863,606	-	-	-	-
Nonspendable	-	-	-	-	-	-	800	800	-	-
Restricted for:										
Debt service funds	-	-	-	-	-	-	50,965	90,920	23,829	2,849
Public safety	-	-	-	-	-	-	10,948	10,056	3	10,164
Economic development	-	-	-	-	-	-	-	-	-	1,112
Capital projects funds	-	-	-	-	-	-	1,874,243	187,239	185,514	341,663
Total all other governmental funds	$ 2,082,826	$ 1,874,245	$ 1,788,793	$ 9,293,476	$ 7,189,636	$ 2,909,355	$ 1,936,956	$ 289,015	$ 209,346	$ 355,788

Source: The City implemented GASB Statement No. 54 in fiscal year 2011.

TABLE 4

CITY OF KENNEDALE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES										
Taxes	$ 3,970,653	$ 4,211,922	$ 4,501,130	$ 4,937,787	$ 5,559,101	$ 6,175,282	$ 5,862,988	$ 6,136,869	$ 5,799,322	$ 6,086,574
Licenses, fees and permits	526,515	863,073	533,138	328,638	183,454	191,016	209,047	311,921	261,451	477,447
Fines and penalties	205,432	338,261	409,850	348,630	276,347	234,065	259,073	246,438	298,964	274,413
Public safety fees	340,433	217,560	237,691	257,942	209,253	200,904	201,483	210,676	257,998	243,002
Charges for services	345,522	389,187	81,470	292,252	321,683	323,474	353,045	418,826	379,796	614,145
Intergovernmental	216,048	255,888	141,039	43,139	74,554	1,487,099	2,278,514	2,955,522	588,540	48,231
Investment earnings	104,592	239,006	242,876	190,424	86,660	14,263	6,401	2,885	724	389
Contributions	-	-	-	-	1,215	4,861	579,105	-	-	2,314
Other revenues	142,528	179,586	243,773	901,026	815,390	363,708	976,899	385,640	426,068	620,919
Total revenues	5,851,723	6,694,483	6,390,967	7,299,838	7,527,657	8,994,672	10,726,555	10,668,777	8,012,863	8,367,434
EXPENDITURES										
General government	1,070,024	1,008,572	1,030,068	1,594,288	1,347,642	1,777,568	1,263,666	1,276,738	1,238,641	1,126,632
Public Safety	764,102	566,520	593,442	530,189	435,273	440,498	513,351	553,941	552,481	560,845
Police	1,490,159	1,700,514	1,645,191	1,769,777	1,794,737	1,843,836	1,809,077	1,963,838	1,808,186	1,941,598
Fire	1,078,069	1,417,683	1,583,739	1,578,759	1,669,033	1,667,982	1,669,707	1,632,091	1,603,894	1,549,873
Other public works	569,404	764,483	793,397	685,053	874,612	613,759	974,083	840,656	684,840	1,051,794
Parks and recreation	40,524	38,657	39,086	37,147	39,689	40,935	49,279	47,298	50,964	49,387
Library	86,576	203,345	147,622	167,809	188,146	200,573	210,914	209,805	219,240	222,715
Economic development	-	-	-	-	-	2,006,635	-	-	-	-
Capital outlay	38,797	708,868	717,577	623,084	2,311,107	5,958,166	7,527,192	4,826,076	664,329	100,478
Debt service										
Principal	144,582	152,685	171,139	450,944	453,480	488,495	660,969	751,913	806,600	841,178
Interest and fiscal charges	156,818	199,551	175,078	248,077	434,390	452,946	494,039	589,539	552,879	526,300
Bond issuance costs	-	-	-	156,195	-	87,409	114,480	-	-	-
Total expenditures	5,439,056	6,760,878	6,896,339	7,841,322	9,548,109	15,578,802	15,286,757	12,691,895	8,182,054	7,970,800

(continued)

CITY OF KENNEDALE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 412,667	$(66,395)	$(505,372)	$(541,484)	$(2,020,452)	$(6,584,130)	$(4,560,202)	$(2,023,118)	$(169,191)	$ 396,634
OTHER FINANCING SOURCES (USES)										
Debt issuance	790,000	-	2,995,388	7,235,000	-	2,000,000	3,260,000	-	-	-
Issuance of capital lease	-	-	-	-	-	154,388	119,597	125,000	-	-
Cost to issue debt	(34,416)	-	-	62,571	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	85,419	63,616	-	-	-
Refunding bonds/lease issued	-	109,666	89,877	-	-	-	-	-	-	-
Paymt to refinance lease	-	-	(2,710,000)	-	-	-	-	-	-	-
Transfers in	97,187	73,714	57,545	599,646	397,667	158,850	949,476	92,038	295,373	161,832
Transfers out	(97,187)	(73,714)	(57,545)	(579,646)	(341,895)	(158,850)	(949,476)	(92,038)	(295,373)	(161,832)
Total other financing sources (uses)	755,584	109,666	375,265	7,317,571	55,772	2,239,807	3,443,213	125,000	-	-
NET CHANGE IN FUND BALANCES	$ 1,168,251	$ 43,271	$(130,107)	$ 6,776,087	$(1,964,680)	$(4,344,323)	$(1,116,989)	$(1,898,118)	$(169,191)	$ 396,634
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	5.6%	5.8%	5.6%	12.1%	12.9%	10.1%	15.3%	17.7%	18.1%	18.3%

TABLE 5

CITY OF KENNEDALE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2005	228,701,836	76,773,837	74,894,566	24,709,991	$ 355,660,248	$ 0.722500	333,704,742
2006	245,139,446	77,256,198	85,856,921	24,184,114	$ 384,068,451	$ 0.722500	355,857,239
2007	270,260,979	100,479,893	63,873,173	24,256,548	$ 410,357,497	$ 0.722500	387,653,132
2008	312,684,160	134,767,896	63,410,764	67,863,127	$ 442,999,693	$ 0.722500	435,040,102
2009	350,723,577	149,299,553	63,260,388	65,266,179	$ 498,017,339	$ 0.722500	465,458,096
2010	393,021,180	155,428,659	73,950,746	80,779,880	$ 541,620,705	$ 0.722500	510,872,435
2011	381,137,736	151,493,926	52,806,301	63,490,789	$ 521,947,174	$ 0.722500	515,013,256
2012	367,644,619	130,187,379	54,138,047	63,654,327	$ 488,315,718	$ 0.722500	546,171,493
2013	363,808,684	121,802,411	60,407,246	70,604,766	$ 475,413,575	$ 0.722500	539,484,058
2014	369,809,150	122,562,814	62,617,391	74,529,874	$ 480,459,481	$ 0.747500	531,917,562

Source: Tarrant Appraisal District Totals Report (September 01, 2013).

TABLE 6

CITY OF KENNEDALE, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

	City Direct Rates				Overlapping Rates			
Fiscal Year	City Rate	General Obligation Debt Service	Property Tax Relief	Total Direct Rate	Kennedale School District	Tarrant County	Tarrant County College District	Tarrant County Hospital District
2005	$ 0.632409	$ 0.090091	$ -	$ 0.722500	$ 1.804252	$ 0.272500	$ 0.139380	$ 0.235397
2006	$ 0.624805	$ 0.097695	$ -	$ 0.722500	$ 1.804252	$ 0.272500	$ 0.139380	$ 0.235397
2007	$ 0.628186	$ 0.094314	$ -	$ 0.722500	$ 1.720362	$ 0.271500	$ 0.139380	$ 0.235397
2008	$ 0.572665	$ 0.149835	$ -	$ 0.722500	$ 1.358610	$ 0.266500	$ 0.139380	$ 0.230397
2009	$ 0.569197	$ 0.153303	$ -	$ 0.722500	$ 1.488610	$ 0.264000	$ 0.137960	$ 0.227897
2010	$ 0.572729	$ 0.149771	$ -	$ 0.722500	$ 1.488610	$ 0.264000	$ 0.137670	$ 0.227897
2011	$ 0.571103	$ 0.151397	$ -	$ 0.722500	$ 1.544821	$ 0.264000	$ 0.137640	$ 0.227897
2012	$ 0.516013	$ 0.206487	$ -	$ 0.722500	$ 1.512068	$ 0.264000	$ 0.148970	$ 0.227897
2013	$ 0.549582	$ 0.172918	$ -	$ 0.722500	$ 1.512068	$ 0.264000	$ 0.148970	$ 0.227897
2014	$ 0.560454	$ 0.187046	$ -	$ 0.747500	$ 1.492068	$ 0.264000	$ 0.149500	$ 0.227897

Source: Tarrant Appraisal District (2013 Tax Rates).

Note: Overlapping rates are those of local and county governments that apply to property owners within the City of Kennedale, Texas.

CITY OF KENNEDALE, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

	2014		2005	
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Chesapeake Operating	25,954,630	5.40%	-	- %
FWT Inc	15,173,385	3.16%	8,413,924	2.37%
Goss International Americas Inc	9,882,855	2.06%	-	- %
Hawk Steel Industrial Inc	7,503,783	1.56%	2,360,544	0.66%
Oncor Electric Delivery Co LLC	6,966,842	1.45%	7,353,265	2.07%
Trinidad Drilling LP	6,850,000	1.43%	-	- %
Kennedale Holdings LLC	6,667,908	1.39%	-	- %
Hexpol Compounding LLC	4,898,074	1.02%	-	- %
Harrison Jet Guns II LP	4,653,285	0.97%	4,245,143	1.19%
XTO Energy Inc	4,636,140	0.96%	-	- %
Heidelberg Web Press Inc	-	- %	10,202,886	2.87%
Southwestern Bell	-	- %	6,707,981	1.89%
Poly One Corp & MA Hanna Co.	-	- %	4,534,372	1.27%
Hogan Hardwoods & Molding, Inc. and Petrey, Gary Way	-	- %	3,842,705	1.08%
Rebar Services & Supply Co.	-	- %	2,563,187	0.72%
Tealwood Apartments Ltd Prtshp	-	- %	2,000,306	0.56%
Total	$ 93,186,902	19.40%	$ 52,224,313	14.68%
Total City Taxable Assessed Value	**480,459,481**		**355,660,248**	

Source: Tarrant Appraisal District (October 1, 2013 Top Taxpayers & October 1, 2004 Top Taxpayers).

CITY OF KENNEDALE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected With the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	2,411,016	2,368,435	98.23%	21,291	2,389,726	99%
2006	2,571,069	2,530,550	98.42%	20,260	2,550,809	99%
2007	2,825,644	2,748,063	97.25%	56,046	2,804,109	99%
2008	3,170,554	3,103,077	97.87%	67,450	3,170,527	100%
2009	3,645,994	3,362,931	92.24%	213,578	3,576,509	98%
2010	3,885,545	3,809,167	98.03%	78,849	3,888,016	100%
2011	3,749,561	3,695,515	98.56%	64,478	3,759,993	100%
2012	3,964,881	3,890,850	98.13%	52,738	3,943,588	99%
2013	3,937,340	3,880,817	98.56%	55,843	3,936,661	100%
2014	4,083,024	4,015,994	98.36%	20,978	4,036,972	99%

Source: Tarrant County Tax Office, Summary Part C (As Of September 30, 2014).

CITY OF KENNEDALE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

	Governmental Activities				Business-Type Activities							
Fiscal Year	General Obligation Bonds	Revenue Bonds	Certificates of Obligation	Capital Leases	Water Revenue Bonds	General Obligation Bonds	Term Loan	Certificates of Obligation	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2005	-	-	3,833,825	548,127	-	-	566,790	1,761,175	109,666	6,819,584	0.72%	1,108.9
2006	-	-	3,605,000	388,419	-	-	462,145	1,695,000	208,086	6,358,650	0.77%	1,033.9
2007	-	265,000	3,485,388	342,704	-	-	354,855	4,569,613	177,613	9,195,173	0.53%	1,495.2
2008	-	225,000	10,341,888	276,534	-	-	242,849	4,398,113	139,533	15,623,916	0.31%	2,422.3
2009	-	185,000	9,982,213	226,461	-	-	125,247	4,217,788	107,087	14,843,795	0.33%	2,199.1
2010	-	140,000	11,576,363	323,204	-	-	-	4,028,638	73,068	16,141,272	0.30%	2,386.7
2011	-	95,000	14,396,250	249,888	-	-	-	3,828,750	37,399	18,607,287	0.26%	2,751.3
2012	-	50,000	13,930,405	298,290	-	-	-	3,621,950	-	17,900,645	0.27%	2,632.4
2013	-	-	13,240,601	221,065	-	-	-	3,411,325	1,721,658	18,594,649	0.26%	2,726.5
2014	-	-	12,469,623	140,436	-	-	-	3,191,875	1,629,163	17,431,097	0.28%	2,421.0

Source: Notes to the financial statements and Table 14.

Notes: The City issued $455,000 in certificates of obligation bonds in 1996 that was split between Governmental Activities 38% and Business Activities 62%.

The City issued over $5 million of new certificates of obligation bonds in 1998. And it was split between Governmental Activities 61.75% and Business Activities 38.25%. However, the first few years of the bond balance did not require any principal payments. The first principal payment due 2002.

The City issued $790,000 in new certificates of obligation bonds in 2005. The first principal payment due 2008.

The Water/Sewer Fund borrowed $857,189 from the Texas Department of Transportation in State Infrastructure Bank Loan for improvements of Bus. 287 Hwy.

The City entered into a capital lease for $339,000 for equipment - split between Governmental Activities 67.65% and Business Activities 32.35%.
The City also has capital lease on Fire Truck that was issued in 2003 for $380,543 - 10 year amortization.

The City issued $2,735,000 in new certificates of obligation bonds in 2007. First principal payment due 2008.

The City issued $4,500,000 in new certificates of obligation bonds in 2008. First principal payment due 2009.

The City issued $2,000,000 in new certificates of obligation bonds in 2010. First principal payment due 2011.

The City issued $3,260,000 in new certificates of obligation bonds in 2011. First principal payment due 2012.

The City entered into a capital lease for $125,000 for police radios in 2012. First principal payment due 2013.

The City entered into a capital lease for $1,539,536 for Global Water Automatic Meter Reader (AMR) equipment in 2012. First principal payment due 2013.

The City amended its 2012 capital lease by adding an additional $182,122 for Global AMR equipment in 2013. Updated total $1,721,658. First principal payment due 2013.

CITY OF KENNEDALE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

	General Bonded Debt Outstanding				
Fiscal Year	General Obligation Bonds	Revenue Bonds	Total	Percentage of Actual Taxable Value of Property	Per Capita
2005	3,833,825	-	3,833,825	1.08%	$ 623.4
2006	3,605,000	-	3,605,000	0.94%	$ 586.2
2007	3,485,388	265,000	3,750,388	0.91%	$ 609.8
2008	10,341,888	225,000	10,566,888	2.39%	$ 1,638.3
2009	9,982,213	185,000	10,167,213	2.04%	$ 1,506.3
2010	11,576,363	140,000	11,716,363	2.16%	$ 1,732.4
2011	14,396,250	95,000	14,491,250	2.78%	$ 2,142.7
2012	13,930,405	50,000	13,980,405	2.86%	$ 2,055.9
2013	13,240,601	-	13,240,601	2.79%	$ 1,935.3
2014	12,469,623	-	12,469,623	2.60%	$ 1,728.0

Source: Table 5, 9 and 14.

CITY OF KENNEDALE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER, 2014

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Direct Debt (Table 9)			
City of Kennedale, Texas	$ 12,610,059	100.000%	$ 12,610,059
Subtotal, Direct Debt	12,610,059		
Overlapping Debt			
Arlington ISD	579,644,720	0.020%	115,929
Fort Worth ISD	747,639,995	0.080%	598,112
Kennedale ISD	43,324,136	39.000%	16,896,413
Tarrant County	312,876,754	0.380%	1,188,932
Tarrant County College District	7,935,000	0.380%	30,153
Tarrant County Hospital District	24,425,000	0.380%	92,815
Subtotal, Overlapping Debt	1,715,845,605		18,922,354
Total, Direct and Overlapping Debt			$ 31,532,413
Ratio, Direct and Overlapping Debt to Taxable Assessed Valuation (Table 5)			5.93%

Source: Texas Municipal Reports per the Municipal Advisory Council of Texas, Other Entity Annual Financials and Table 9.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Kennedale. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident --and therefore responsible for repaying the debt--of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Kennedale's boundaries and dividing it by the overlapping government's total taxable assessed value.

TABLE 12

CITY OF KENNEDALE, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

The City Charter of the City of Kennedale (Section 6.05), Texas does not provide for a debt limit. The debt portion of the overall tax rate may rise as high as necessary to retire debt for the coming year without triggering the threat of rollback. Under the provision of Texas State law, the maximum tax rate is limited to $2.50 per $100 assessed valuation. The tax rate for fiscal year 2014 was established at $0.747500 per $100 assessed valuation based on 100% of net taxable value.

CITY OF KENNEDALE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

	Water Revenue Bonds						Special Assessment Bonds				Sales Tax Increment Bonds			
				Debt Service				Debt Service				Debt Service		
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Special Assessment Collections	Principal	Interest	Coverage	Sales Tax Increment	Principal	Interest	Coverage
2005	$ 2,347,364	$ 1,759,069	$ 588,295	$ 148,687	$ 50,005	$ 2.96	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2006	2,740,987	2,059,626	681,361	221,845	107,957	2.07	-	-	-	-	-	-	-	-
2007	2,560,510	1,803,788	756,722	179,594	199,707	2.00	-	-	-	-	-	-	-	-
2008	2,585,218	1,935,911	649,307	180,325	174,607	1.83	-	-	-	-	-	-	-	-
2009	2,833,378	2,090,622	742,756	189,150	167,140	2.08	-	-	-	-	-	-	-	-
2010	2,856,494	2,378,783	477,711	199,888	159,278	1.33	-	-	-	-	-	-	-	-
2011	3,633,725	2,704,590	929,135	206,800	151,059	2.60	-	-	-	-	-	-	-	-
2012	3,264,892	2,604,618	660,274	210,625	142,623	1.87	-	-	-	-	-	-	-	-
2013	3,138,201	2,726,206	411,995	219,450	133,933	1.17	-	-	-	-	-	-	-	-
2014	3,775,546	2,960,030	815,516	226,363	124,925	2.32	-	-	-	-	-	-	-	-

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

TABLE 14

CITY OF KENNEDALE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2005	6,150	49,091	53,901	4.9%
2006	6,150	49,091	53,901	5.1%
2007	6,150	49,091	53,901	5.1%
2008	6,450	49,091	53,901	5.1%
2009	6,750	49,091	53,901	6.7%
2010	6,763	49,091	53,901	8.5%
2011	6,763	49,091	53,901	7.7%
2012	6,800	49,091	53,901	6.3%
2013	6,820	49,091	53,901	6.9%
2014	7,200	49,091	53,901	5.7%

Source:
Population: City of Kennedale Planning Department. Based on 2010 Census date with annual updates from City Staff.

Personal Income & Per Capita Personal Income: United States Census Bureau, 2010 Census.

Unemployment Rate: United States Department of Labor, Bureau of Labor Statistics (BLS). Adjusted yearly average based on the Local Area Unemployment Statistics (LAUS) Program.

TABLE 15

CITY OF KENNEDALE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND FOUR YEARS AGO

	2014		2010	
Employer	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Fort Worth Tower	480	26.49%	213	15.57%
Kennedale Independent School District	411	22.68%	400	29.24%
Speed Fab Crete	128	7.06%	115	8.41%
ARK Contracting Services	115	6.35%	115	8.41%
Harrison Jet Guns	92	5.08%	80	5.85%
Hawk Steel	92	5.08%	-	- %
Mike Conkle's Custom Cabinets	85	4.69%	52	3.80%
City of Kennedale	78	4.30%	71	5.19%
Excel Polymers	76	4.19%	89	6.51%
Goss International	64	3.53%	54	3.95%
Texas Tile	55	3.04%	-	- %
US Galvanizing LP	34	1.88%	31	2.27%
Stovall Electric	30	1.66%	30	2.19%
Redi-Mix LP	22	1.21%	24	1.75%
H&O Die Supply	19	1.05%	17	1.24%
RE Watson & Associates	17	0.94%	15	1.10%
Global Servo Hydraulics	9	0.50%	9	0.66%
Wear Master	5	0.28%	5	0.37%
Pro-Fab Equipment	-	- %	32	2.34%
Grover Corporation	-	- %	16	1.17%
Total	1,812	100.00%	1,368	100.00%

Source: Economic Development Department.

Note: City of Kennedale total represents an employee count, to include regular, part-time and seasonal.

TABLE 16

CITY OF KENNEDALE, TEXAS

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Management services	3.5	3.5	4.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Finance	3.0	3.0	3.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Planning	3.0	4.0	3.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Building	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other	4.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Police										
Officers	19.0	22.0	23.0	20.0	19.0	19.0	19.0	19.0	19.0	14.0
Civilians	5.5	6.0	6.5	6.5	7.5	7.5	7.5	7.5	7.5	7.5
Fire										
Firefighters and officers	16.0	16.0	20.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Refuse Collection	-	-	-	-	-	-	-	-	-	-
Other public works										
Engineering	-	-	-	-	-	-	-	-	-	-
Other	5.0	5.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Redevelopment	0.5	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Parks and recreation	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Library	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Water	8.0	8.0	9.0	9.5	11.0	10.5	14.5	14.5	12.5	13.5
Wastewater	-	-	-	-	-	-	-	-	-	-
Transit	-	-	-	-	-	-	-	-	-	-
Total	74	77.0	84.0	75.0	76.5	76.0	80.0	80.0	78.0	74.0

Source: FY2013-14 Adopted Budget.

Note: A fulltime employee is scheduled to work 2080 hours per year (including vacation and sick leave). Fulltime equivalent employment is calculated by dividing total labor hours by 2080. These figures also include regular, part-time and seasonal employees.

TABLE 17

CITY OF KENNEDALE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Building permits issued	-	-	-	-	-	-	-	-	-	-
Building inspections conducted	-	-	-	-	-	-	-	-	-	-
Police										
Physical arrests	-	-	-	-	-	-	-	-	-	-
Parking violations	-	-	-	-	-	-	-	-	-	-
Traffic violations	-	-	-	-	-	-	-	-	-	-
Fire										
Emergency responses	-	-	-	-	-	-	-	-	-	-
Fires extinguished	-	-	-	-	-	-	-	-	-	-
Inspections	-	-	-	-	-	-	-	-	-	-
Refuse collection										
Refuse collected (tons per day)	-	-	-	-	-	-	-	-	-	-
Recyclables collected (tons per day)	-	-	-	-	-	-	-	-	-	-
Other public works										
Street resurfacing (miles)	-	-	-	-	-	-	-	-	-	-
Potholes repaired	-	-	-	-	-	-	-	-	-	-
Parks and recreation										
Athletic field permits issued	-	-	-	-	-	-	-	-	-	-
Community center admissions	-	-	-	-	-	-	-	-	-	-
Library										
Volumes in collection	-	-	-	-	-	-	-	-	-	-
Total volumes borrowed	-	-	-	-	-	-	-	-	-	-
Water										
New connections	-	-	-	-	-	-	-	-	-	-
Water main breaks	-	-	-	-	-	-	-	-	-	-
Average daily consumption	-	-	-	-	-	-	-	-	-	-
(thousands of gallons)	-	-	-	-	-	-	-	-	-	-
Peak daily consumption	-	-	-	-	-	-	-	-	-	-
(thousands of gallons)										
Wastewater										
Average daily sewage treatment	-	-	-	-	-	-	-	-	-	-
(thousands of gallons)										
Transit										
Total route miles	-	-	-	-	-	-	-	-	-	-
Passengers	-	-	-	-	-	-	-	-	-	-

Note: The City has and is working with outside consultants to accomplish this goal. Currently, we intend to approach performance measurement via the "Balanced Scorecard" system. Therefore, we do not have or track figures to provide in this type of format.

TABLE 18

CITY OF KENNEDALE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	-	-	-	-	-	-	-	-	-	-
Zone offices	-	-	-	-	-	-	-	-	-	-
Patrol units	-	-	-	-	-	-	-	-	-	-
Fire										
Stations	-	-	-	-	-	-	-	-	-	-
Refuse collection										
Collection trucks	-	-	-	-	-	-	-	-	-	-
Other public works										
Streets (miles)	-	-	-	-	-	-	-	-	-	-
Highways (miles)	-	-	-	-	-	-	-	-	-	-
Streetlights	-	-	-	-	-	-	-	-	-	-
Traffic signals	-	-	-	-	-	-	-	-	-	-
Parks and recreation										
Acreage	-	-	-	-	-	-	-	-	-	-
Playgrounds	-	-	-	-	-	-	-	-	-	-
Baseball/softball diamonds	-	-	-	-	-	-	-	-	-	-
Soccer/football fields	-	-	-	-	-	-	-	-	-	-
Community centers	-	-	-	-	-	-	-	-	-	-
Water										
Water mains (miles)	-	-	-	-	-	-	-	-	-	-
Fire hydrants	-	-	-	-	-	-	-	-	-	-
Storage capacity (thousands of gallons)	-	-	-	-	-	-	-	-	-	-
Wastewater										
Sanitary sewers (miles)	-	-	-	-	-	-	-	-	-	-
Storm sewers (miles)	-	-	-	-	-	-	-	-	-	-
Treatment capacity (thousands of gallons)	-	-	-	-	-	-	-	-	-	-
Transit										
Minibuses	-	-	-	-	-	-	-	-	-	-

Note: The City has and is working with outside consultants to accomplish this goal. Currently, we intend to approach performance measurement via the "Balanced Scorecard" system. Therefore, we do not have or track figures to provide in this type of format.

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