

City of Kennedale, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended
September 30, 2019

City of Kennedale, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2019

Contents

Introductory Section

Letter of Transmittal.....	i
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	vii
Organizational Chart	viii
List of Principal Officers	ix

Financial Section

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4

Basic Financial Statements

Government-Wide Financial Statements	
Statement of Net Position.....	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet.....	12
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds Financial Statements	
Statement of Net Position	16
Statement of Revenues, Expenses and Changes in Net Position	17
Statement of Cash Flows	18
Notes to Basic Financial Statements	19

Required Supplementary Information

Texas Municipal Retirement System (Unaudited)	
Schedule of Changes in City’s Net Pension Liability and Related Ratios	51
Schedule of Contributions.....	52

City of Kennedale, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2019

Schedule of Changes in City’s Total OPEB Liability and Related Ratios (Supplemental Death Benefit Fund).....	53
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	54
Notes to Required Supplementary Information (Unaudited) – Budgetary	55

Combining and Individual Fund Statements and Schedules

Non-Major Governmental Funds

Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	57
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Fund	58

Statistical Section

Table A - Net Position by Component	59
Table B - Changes in Net Position	61
Table C - Fund Balances of Governmental Funds.....	65
Table D - Changes in Fund Balances of Governmental Funds	66
Table E - Assessed Value and Estimated Actual Value of Taxable Property	68
Table F - Direct and Overlapping Property Tax Rates	69
Table G - Principal Property Taxpayers	70
Table H - Ad Valorem Tax Levies and Collections	71
Table I - Ratios of Outstanding Debt by Type	72
Table J - Ratios of General Bonded Debt Outstanding per Capita.....	73
Table K - Direct and Overlapping Governmental Activities Debt	74
Table L - Legal Debt Margin Information.....	75
Table M - Demographic and Economic Statistics	76
Table N - Principal Employers	77
Table O - Full-time Equivalent City Government Employees by Function/Program	78
Table P - Operating Indicators by Function/Program.....	79
Table Q - Capital Asset Statistics by Function/Program	80



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April 16, 2020

Honorable Mayor and City Council,
Citizens of Kennedale:

The City of Kennedale (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, 2019, 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 than 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 **BKD, 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, 2019, are free from 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 unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2019, are fairly presented in accordance 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 a first tier suburb of Fort Worth and is located adjacent to Arlington in south Tarrant County. The City currently occupies a land area of 6.2 square miles and serves a population of 8,543. 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, City Attorney 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 medical service, municipal court, library, parks, water distribution, wastewater collection, solid waste collection, curb-side recycling, streets, storm water drainage, community development (planning, code enforcement, and building inspection), 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 International 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, Globelife Park at Arlington, home of the Texas Rangers baseball team, and AT&T 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.

Currently, the City is 6.2 square miles with much 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 an attractive 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) continues. A master plan has been adopted. Link Street to Kennedale Parkway was opened in 2015 and extension was opened in October 2016. The improved access has led to the development of a Popeye's and Burger King which opened in 2015. McDonald's opened in the Oak Crest area in October 2016. A hotel site is in the process of development. Multiple new subdivisions have been approved in the past year. The KEDC is also working with property owners in the area to develop their land. The Town Center has completed a spec building, along with the openings of a martial arts studio, electric supply store, Dickie's, and an antique shop.

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 departments 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 in 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 leverages its resources by working with TxDOT and Tarrant County to enhance its transportation network. Road projects are funded by the City purchasing road material, and the Tarrant County Precinct 2 road crews building the roadways. The City is partnering with TxDOT to rebuild a local bridge.

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 Kennedale Branch. TIRZ participation agreements with Tarrant County, Tarrant College District, and the Tarrant County Health District were completed in 2013. The City is working to convert racetrack property. A water and sewer study to plan for the extension of the utility services is complete. The site of a current track is identified in the park master plan as a future community park.

Council, Board, and staff activities are guided by the City's strategic plan – *Imagine Kennedale 2015* – and the 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). Flood control and water quality planning activity may be essential to the City's efforts to encourage closure of a portion or all of the salvage yards located in the Village Creek floodplain.

The continued partnership with the City of Arlington is expected to expand by obtaining drinking water from the City of Arlington. While this will not change immediately, the process is set to begin soon, starting with establishing the water connection between the two systems. Construction along Little Road near the entrance sign just north of Pennsylvania is where the construction phase of the project will begin.

Also, as part of this collaboration, the City of Kennedale also has plans to transition its customer utility accounts to the City of Arlington's billing system. This is expected to create a more streamlined utility customer service experience for utility customers.

The Asset Management Plan will be used to guide future council policy discussions.

FUTURE PROJECTS

Beyond physical improvements in Kennedale, there will continue to be a focus on operational efficiencies and strategic planning.

The unified development code was adopted in mid-2016 and will need revisions as it is implemented. The City has held numerous neighborhood meetings to gather citizen input on future development.

RELEVANT FINANCIAL POLICIES

The city will work towards controlling expenditures and exploring new revenue opportunity to grow the general fund balance. Efforts have been put into place to restore net working capital in both the Water and Sewer Fund and the General Fund. The City confirmed a bond rating of AA- from Standard & Poor's in the current year.

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, 2018. This was the fourteenth 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 may submit 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.

Respectfully Submitted,



George Campbell
City Manager



Lakeita Sutton
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

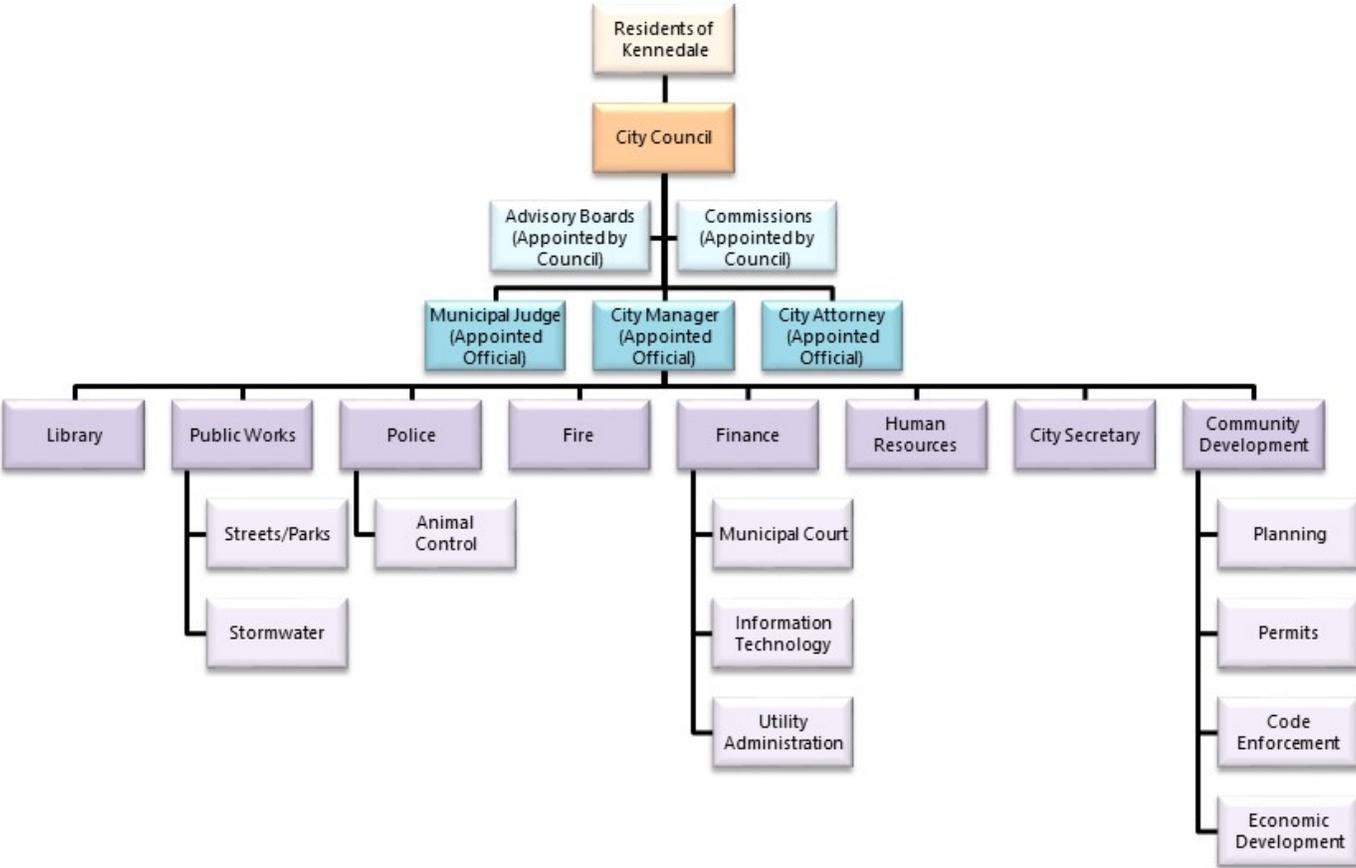
September 30, 2018

Christopher P. Morill

Executive Director/CEO

City of Kennedale, Texas

Organizational Chart



City of Kennedale, Texas

List of Principal Officers

Elected Officials

Mayor	Brian Johnson
Council Member Place 1	Josh Altom
Council Member Place 2	Chris Pugh
Council Member Place 3/Mayor Pro Tem	Sandra Lee
Council Member Place 4	Linda Rhodes
Council Member Place 5	Chad Wandel

Appointed & Key Officials

City Manager	George Campbell
City Secretary/Communications Coordinator	Leslie Galloway
City Attorney	Taylor, Olsen, Adkins, Sralla & Elam, LLP
Director of Finance & IT	Lakeita Sutton
Human Resources Director	Danielle Clarke
Police Chief	Tommy Williams
Fire Chief	James Brown
Director of Public Works	Larry Hoover
Director of Planning	Melissa Dailey

Economic Development Corporations Officials

Director Place 1– Vice President	Johnny Trevino
Director Place 2	Cesar Guerra
Director Place 3	Andrew Schaffer
Director Place 4	Darold Tippey
Director Place 5	Sandra Lee
Director Place 6 - President	Mark Yeary
Director Place 7	April Coltharp

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Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
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 the City of Kennedale, Texas (City) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City'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.

Auditor's 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 City'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 City'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.

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 as of September 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension and other postemployment benefits information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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's basic financial statements. The accompanying combining and individual fund statements and schedules and the introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund 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 fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Mayor and
Members of the City Council
Page 3

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 also have issued our report dated April 16, 2020, on our consideration of the City'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 solely 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 the effectiveness of the City's 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 the City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
April 16, 2020

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City of Kennedale, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2019

The Management's Discussion and Analysis (MD&A) section presents a narrative overview and analysis of the financial activities of the City of Kennedale, Texas (City) for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities at the end of fiscal year 2019, resulting in \$41,903,388 of net position. Net position associated with governmental activities is approximately \$26 million, or 61 percent of the total net position of the City. Net position associated with business-type activities is approximately \$16 million, or 39 percent of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is approximately \$41 million.
- Unrestricted net position, which may be used to meet the City's future obligations, consists of approximately \$0.2 million, or 0.5 percent of the City's total net position. Unrestricted net position for governmental activities is in a deficit of \$2.5 million. Unrestricted net position for business-type activities is approximately \$2.7 million or 17 percent of total net position for business-type activities.
- As of the close of fiscal year 2019, the City's Governmental Funds reported a combined ending fund balance of \$5,645,366, an increase of \$2,659,011 from the prior year.
- At the end of the current fiscal year, total fund balance for the General Fund was \$2,673,894. This represents approximately 32 percent of 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. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

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 private-sector business.

The statement of net position presents information on all of the City of Kennedale's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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.

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2019

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, for example uncollected taxes and earned, but not used, vacation leave. Both the statement of net position and the statement of activities are prepared utilizing the full accrual basis of accounting.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from the functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include most of the City's basic services such as fire, police, public works, culture and recreation as well as general government activities. The business-type activities of the City include water and wastewater and storm water drainage.

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 nine 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, TIRZ #1 New Hope Fund, and Capital Bond Fund which are considered to be major funds. Data from the other 5 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major 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.

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2019

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.

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 non-major governmental funds are presented immediately following the notes to the financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2019, City assets and deferred outflows of resources exceeded its liabilities and deferred inflows resulting in \$41,903,388 of net position.

Statement of Net Position for Governmental and Business-type Activities

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 6,286,730	\$ 3,358,195	\$ 9,644,925	\$ 3,701,753	\$ 3,593,935	\$ 7,295,688
Capital assets	33,267,332	16,489,218	49,756,550	33,875,170	16,778,486	50,653,656
Total assets	39,554,062	19,847,413	59,401,475	37,576,923	20,372,421	57,949,344
Deferred outflows of resources	1,163,482	153,503	1,316,985	518,886	59,356	578,242
Long-term liabilities	12,680,182	3,057,813	15,737,995	10,185,267	3,356,815	13,542,082
Other liabilities	2,151,612	763,594	2,915,206	1,756,995	1,325,500	3,082,495
Total liabilities	14,831,794	3,821,407	18,653,201	11,942,262	4,682,315	16,624,577
Deferred inflows of resources	142,903	18,968	161,871	420,610	61,630	482,240
Net position						
Net investment in capital assets	27,195,004	13,397,767	40,592,771	24,410,280	13,310,004	37,720,284
Restricted	998,047	92,694	1,090,741	867,754	274,043	1,141,797
Unrestricted	(2,450,204)	2,670,080	219,876	454,903	2,103,785	2,558,688
Total net position	\$ 25,742,847	\$ 16,160,541	\$ 41,903,388	\$ 25,732,937	\$ 15,687,832	\$ 41,420,769

By far, the largest portion of the City's net position (97 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used 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, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2019

An additional portion of the City's net position (2.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$219,876 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Analysis of City's Operations: The following table provides a summary of the City's operations for the year ended September 30, 2019. Overall, the City had an increase in net position of \$482,619.

Revenues and Expenses for Governmental and Business-type Activities

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program Revenues						
Charges for services	\$ 1,313,586	\$ 4,467,770	\$ 5,781,356	\$ 1,477,290	\$ 4,832,378	\$ 6,309,668
Operating grant and contribution	154,825	-	154,825	152,588	-	152,588
Capital grant and contribution	-	51,247	51,247	-	325,676	325,676
General revenues						
Taxes and fees	7,860,810	-	7,860,810	7,377,616	-	7,377,616
Other	332,551	43,329	375,880	195,820	17,591	213,411
Total revenues	9,661,772	4,562,346	14,224,118	9,203,314	5,175,645	14,378,959
Expenses						
General government	1,979,235	-	1,979,235	1,526,536	-	1,526,536
Public safety	5,213,493	-	5,213,493	4,680,243	-	4,680,243
Public works	1,737,211	-	1,737,211	1,615,294	-	1,615,294
Culture and recreation	372,805	-	372,805	436,270	-	436,270
Interest and fiscal charges	349,118	-	349,118	403,223	-	403,223
Water and sewer	-	3,953,898	3,953,898	-	4,370,394	4,370,394
Storm water drainage	-	135,739	135,739	-	188,545	188,545
Total expenses	9,651,862	4,089,637	13,741,499	8,661,566	4,558,939	13,220,505
Change in Net Position	9,910	472,709	482,619	541,748	616,706	1,158,454
Net Position, Beginning of Year, As Previously Reported	25,732,937	15,687,832	41,420,769	25,301,812	15,087,335	40,389,147
Change in Accounting Principle	-	-	-	(110,623)	(16,209)	(126,832)
Net Position, Beginning of Year, As Restated	25,732,937	15,687,832	41,420,769	25,191,189	15,071,126	40,262,315
Net Position, Ending of Year	\$ 25,742,847	\$ 16,160,541	\$ 41,903,388	\$ 25,732,937	\$ 15,687,832	\$ 41,420,769

Governmental Activities: Governmental activities increased the City's net position by \$9,910. Total revenue for the governmental activities increased from the previous year by \$458,458. General revenue had a net increase of \$619,925. Property tax collections increased as a result of real property appraisals and new business and property additions which continues to grow the local economy. Program Revenues increased as a result of an increase in developmental services fees from new businesses.

Business-type Activities: Net position from business-type activities increased by \$472,709. Total revenue for the business-type activities decreased from the previous year by \$613,299 primarily due to a decrease in water and sewer rates.

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2019

Financial Analysis of the City'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 balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's Governmental Funds reported a combined ending fund balance of \$5,645,366, an increase of \$2,659,011 from the prior year. This amount includes fund balance restricted for Capital Projects of \$3,164,782, restricted for Debt Service of \$315,015, restricted for Parks of \$68,115, restricted for Municipal Court of \$38,232 and Public Safety of \$1,895. The net unassigned fund balance was \$1,003,265, an increase of \$45,142 from prior year. Components of the net increase of the total fund balance are:

In the General Fund, the final budget projected a \$583,345 decrease in fund balance this fiscal year; however, the actual decrease was \$181,553. Total revenues were \$1,372,164 over budget and total expenditures were over budget by \$1,445,650. Revenues increased from the budget primarily due to increase in franchise tax and an increase in sales tax. Expenditures increased from the budget primarily due to an increase in public safety and public works personnel costs.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net position of the Water and Wastewater Fund at the end of the fiscal year amounted to \$2,471,302 and the Storm Water Drainage Fund reported an unrestricted net position of \$198,778.

Capital Assets: The City's capital assets for its governmental and business-type activities as of September 30, 2019, amount to \$49,756,550 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, park facilities, roads, bridges and water and sewer lines.

Additional information on capital asset activity can be found in *Note 7* of this report.

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 4,206,187	\$ 4,206,187	\$ 620,490	\$ 585,429	\$ 4,826,677	\$ 4,791,616
Buildings	5,151,356	5,033,147	5,761,788	5,761,788	10,913,144	10,794,935
Machinery and equipment	4,053,981	3,570,509	1,018,752	1,018,752	5,072,733	4,589,261
Construction in progress	544,754	427,990	583,539	253,989	1,128,293	681,979
Infrastructure/water distribution	39,411,897	39,411,897	19,224,629	19,099,806	58,636,526	58,511,703
Accumulated depreciation	(20,100,843)	(18,774,560)	(10,719,980)	(9,941,278)	(30,820,823)	(28,715,838)
Total	\$ 33,267,332	\$ 33,875,170	\$ 16,489,218	\$ 16,778,486	\$ 49,756,550	\$ 50,653,656

Long-term Debt: At the end of the current fiscal year, the City had total bonds outstanding of \$12,616,194 and \$2,575,000 of tax notes, all being tax supported. The City also has approximately \$1,872,785 of additional debt through capital leases.

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2019

Additional information on long-term debt activity can be found in *Note 8* of this report.

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 4,069,682	\$ 4,614,582	\$ 491,512	\$ 613,912	\$ 4,561,194	\$ 5,228,494
Certificates of obligation	4,030,000	4,410,000	1,450,000	1,600,000	5,480,000	6,010,000
Tax notes	2,575,000	-	-	-	2,575,000	-
Capital leases	722,846	554,114	1,149,939	1,254,570	1,872,785	1,808,684
Total	<u>\$ 11,397,528</u>	<u>\$ 9,578,696</u>	<u>\$ 3,091,451</u>	<u>\$ 3,468,482</u>	<u>\$ 14,488,979</u>	<u>\$ 13,047,178</u>

The City has an AA- rating from Standard and Poor's.

Economic Factors and the Next Fiscal Year's Budget and Rates

The City Council passed the effective tax rate of .725714 and budgeted to decrease overall city reserves by approximately \$636,925. The Council continued the next phase of funding of public safety officer raises.

The City is currently exploring long term solutions for the water and sewer fund. Cash funded capital projects were largely put on hold for the coming year, as the City examines debt opportunities.

Development continues within the city, with new subdivisions continuing construction. In addition, a new Hilton branded hotel is set to open within city limits. The city continues to develop the town center, with full occupancy of current buildings possible within the fiscal year. City management continues to explore expanded revenue streams for the City.

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, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Kennedale Economic Development Corporation
Assets				
Cash and cash equivalents	\$ 5,882,956	\$ 1,826,015	\$ 7,708,971	\$ 469,588
Receivables (net of allowance)				
Accounts	388,401	629,847	1,018,248	28,591
Taxes	281,628	-	281,628	85,018
Prepaid items	54,346	147,827	202,173	10,000
Inventory	-	57,381	57,381	-
Internal balances	(320,601)	320,601	-	-
Restricted assets				
Cash and cash equivalents	-	376,524	376,524	-
Capital assets				
Land and construction in progress	4,750,941	1,204,029	5,954,970	864,017
Other capital assets, net of accumulated depreciation	28,516,391	15,285,189	43,801,580	3,863,233
Total assets	39,554,062	19,847,413	59,401,475	5,320,447
Deferred Outflows of Resources				
Deferred charge on refunding	102,426	-	102,426	-
Deferred outflows of resources - Pension	1,054,200	152,499	1,206,699	-
Deferred outflows of resources - OPEB	6,856	1,004	7,860	-
Total deferred outflows of resources	1,163,482	153,503	1,316,985	-
Liabilities				
Accounts payable and contracts payable	325,702	46,680	372,382	21,821
Accrued liabilities	185,836	467	186,303	28,188
Accrued interest	35,509	42,240	77,749	20,956
Due to other governments	10,425	-	10,425	-
Deposits	-	283,830	283,830	-
Bonds payable	956,075	281,225	1,237,300	108,533
Tax notes payable	300,000	-	300,000	-
Compensated absences	91,717	482	92,199	-
Capital leases	246,348	108,670	355,018	-
Noncurrent liabilities				
Bonds payable	7,143,607	1,660,287	8,803,894	904,785
Tax notes payable	2,275,000	-	2,275,000	-
Compensated absences	366,866	1,927	368,793	-
Capital leases	476,498	1,041,269	1,517,767	-
OPEB liability	141,784	20,775	162,559	-
Net pension liability	2,276,427	333,555	2,609,982	-
Total liabilities	14,831,794	3,821,407	18,653,201	1,084,283
Deferred Inflows of Resources				
Deferred inflows of resources - Pension	132,211	17,401	149,612	-
Deferred inflows of resources - OPEB	10,692	1,567	12,259	-
Total deferred inflows of resources	142,903	18,968	161,871	-
Net Position				
Net investment in capital assets	27,195,004	13,397,767	40,592,771	3,713,932
Restricted for				
Capital projects	574,790	-	574,790	-
Debt service	315,015	-	315,015	-
Economic development	-	-	-	522,232
Impact fees	-	92,694	92,694	-
Municipal court	38,232	-	38,232	-
Parks	68,115	-	68,115	-
Other	1,895	-	1,895	-
Unrestricted	(2,450,204)	2,670,080	219,876	-
Total net position	\$ 25,742,847	\$ 16,160,541	\$ 41,903,388	\$ 4,236,164

City of Kennedale, Texas
Statement of Activities
For the Year Ended September 30, 2019

Functions/Program	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,979,235	\$ 630,969	\$ 154,825	\$ -
Public safety	5,213,493	486,937	-	-
Public works	1,737,211	127,549	-	-
Culture and recreation	372,805	68,131	-	-
Interest and fiscal charges	349,118	-	-	-
Total governmental activities	<u>9,651,862</u>	<u>1,313,586</u>	<u>154,825</u>	<u>-</u>
Business-type activities				
Water and wastewater	3,953,898	4,199,173	-	51,247
Storm water drainage	135,739	268,597	-	-
Total business-type activities	<u>4,089,637</u>	<u>4,467,770</u>	<u>-</u>	<u>51,247</u>
Total primary government	<u>\$ 13,741,499</u>	<u>\$ 5,781,356</u>	<u>\$ 154,825</u>	<u>\$ 51,247</u>
Component unit				
Kennedale Economic Development Corporation	\$ 762,541	\$ 228,241	\$ -	\$ -
Total component unit	<u>\$ 762,541</u>	<u>\$ 228,241</u>	<u>\$ -</u>	<u>\$ -</u>
		General revenues		
		Taxes		
		Property taxes		
		Sales taxes		
		Franchise taxes		
		Interest on investments		
		Miscellaneous		
		Total general revenues		
		Change in Net Position		
		Net Position, Beginning of Year		
		Net Position, End of Year		

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental	Business-type		Economic
Activities	Activities	Total	Development
			Corporation
\$ (1,193,441)	\$ -	\$ (1,193,441)	\$ -
(4,726,556)	-	(4,726,556)	-
(1,609,662)	-	(1,609,662)	-
(304,674)	-	(304,674)	-
(349,118)	-	(349,118)	-
<u>(8,183,451)</u>	<u>-</u>	<u>(8,183,451)</u>	<u>-</u>
-	296,522	296,522	-
-	132,858	132,858	-
-	429,380	429,380	-
<u>\$ (8,183,451)</u>	<u>\$ 429,380</u>	<u>\$ (7,754,071)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (534,300)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (534,300)</u>
\$ 5,321,225	\$ -	\$ 5,321,225	\$ -
1,774,698	-	1,774,698	545,785
764,887	-	764,887	-
112,609	43,329	155,938	9,144
219,942	-	219,942	35,897
<u>8,193,361</u>	<u>43,329</u>	<u>8,236,690</u>	<u>590,826</u>
<u>9,910</u>	<u>472,709</u>	<u>482,619</u>	<u>56,526</u>
25,732,937	15,687,832	41,420,769	4,179,638
<u>\$ 25,742,847</u>	<u>\$ 16,160,541</u>	<u>\$ 41,903,388</u>	<u>\$ 4,236,164</u>

City of Kennedale, Texas
Balance Sheet
Governmental Funds
September 30, 2019

	General Fund	Debt Service	TIRZ #1 New Hope	Capital Bond	Non-major Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 2,363,570	\$ 319,287	\$ 146,551	\$ 2,647,774	\$ 405,774	\$ 5,882,956
Receivables (net of allowance for uncollectibles)						
Accounts	265,838	-	-	115,080	7,483	388,401
Taxes	279,969	1,659	-	-	-	281,628
Due from other funds	165,494	-	-	-	-	165,494
Prepaid expenses	54,346	-	-	-	-	54,346
Advances to other funds	102,866	-	-	-	297,060	399,926
	<u>3,232,083</u>	<u>320,946</u>	<u>146,551</u>	<u>2,762,854</u>	<u>710,317</u>	<u>7,172,751</u>
Total assets	<u>\$ 3,232,083</u>	<u>\$ 320,946</u>	<u>\$ 146,551</u>	<u>\$ 2,762,854</u>	<u>\$ 710,317</u>	<u>\$ 7,172,751</u>
Liabilities						
Accounts payable	\$ 248,458	\$ -	\$ -	\$ 16,226	\$ 61,018	\$ 325,702
Accrued liabilities	185,836	-	-	-	-	185,836
Due to other funds	-	-	8,858	156,636	-	165,494
Due to other governments	10,425	-	-	-	-	10,425
Advance from other funds	-	-	720,527	-	-	720,527
	<u>444,719</u>	<u>-</u>	<u>729,385</u>	<u>172,862</u>	<u>61,018</u>	<u>1,407,984</u>
Total liabilities	<u>444,719</u>	<u>-</u>	<u>729,385</u>	<u>172,862</u>	<u>61,018</u>	<u>1,407,984</u>
Deferred Inflows of Resources	<u>113,470</u>	<u>5,931</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,401</u>
Fund Balances						
Nonspendable						
Prepaid expenses	54,346	-	-	-	-	54,346
Restricted for						
Capital projects	-	-	-	2,589,992	574,790	3,164,782
Debt service	-	315,015	-	-	-	315,015
Municipal court	38,232	-	-	-	-	38,232
Parks	68,115	-	-	-	-	68,115
Public safety	-	-	-	-	1,895	1,895
Assigned						
Capital and special projects	915,608	-	-	-	-	915,608
Parks	-	-	-	-	84,108	84,108
Unassigned (deficits)	<u>1,597,593</u>	<u>-</u>	<u>(582,834)</u>	<u>-</u>	<u>(11,494)</u>	<u>1,003,265</u>
Total fund balances (deficits)	<u>2,673,894</u>	<u>315,015</u>	<u>(582,834)</u>	<u>2,589,992</u>	<u>649,299</u>	<u>5,645,366</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,232,083</u>	<u>\$ 320,946</u>	<u>\$ 146,551</u>	<u>\$ 2,762,854</u>	<u>\$ 710,317</u>	<u>\$ 7,172,751</u>

City of Kennedale, Texas
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2019

Total fund balances – governmental funds		\$ 5,645,366
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported in the funds.		33,267,332
Interest payable on long-term debt in the City's governmental activities is not payable from current resources and therefore is not reported in the governmental funds balance sheet.		(35,509)
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.		119,401
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:		
Deferred charges on refunding	\$ 102,426	
Deferred outflows of resources - Pension	1,054,200	
Deferred outflows of resources - OPEB	6,856	
Deferred inflows of resources - Pension	(132,211)	
Deferred inflows of resources - OPEB	<u>(10,692)</u>	1,020,579
Long-term liabilities, including bonds payable, notes payable, compensated absences, net pension liability are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.		
Bonds payable	(8,018,486)	
Tax notes payable	(2,575,000)	
Issuance premium	(81,196)	
Capital lease obligation	(722,846)	
Compensated absences	(458,583)	
Net pension liability	(2,276,427)	
Total OPEB liability	<u>(141,784)</u>	<u>(14,274,322)</u>
Total net position of governmental activities		<u>\$ 25,742,847</u>

City of Kennedale, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2019

	General Fund	Debt Service	TIRZ #1 New Hope	Capital Bond	Non-major Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 3,841,102	\$ 1,360,512	\$ 193,188	\$ -	\$ -	\$ 5,394,802
General sales tax	1,774,698	-	-	-	-	1,774,698
Franchise fees	764,887	-	-	-	-	764,887
Licenses and permits	156,820	-	-	-	25,390	182,210
Public safety fees	194,930	-	-	-	-	194,930
Intergovernmental	707,744	154,825	-	-	1,767	864,336
Charges for services	82,754	-	-	-	-	82,754
Fines and forfeitures	142,773	-	-	-	1,408	144,181
Investment earnings	79,429	8,812	1,370	13,307	9,691	112,609
Miscellaneous	131,785	-	-	-	88,157	219,942
Total revenues	7,876,922	1,524,149	194,558	13,307	126,413	9,735,349
Expenditures						
Current						
General government	1,611,757	-	-	-	-	1,611,757
Public safety	4,965,215	-	-	-	1,650	4,966,865
Public works	788,130	-	-	-	-	788,130
Culture and recreation	323,154	-	-	-	5,353	328,507
Capital outlay	565,594	-	-	116,765	42,897	725,256
Debt service						
Principal	214,903	1,213,640	-	-	-	1,428,543
Interest and fiscal charges	-	296,008	-	-	-	296,008
Total expenditures	8,468,753	1,509,648	-	116,765	49,900	10,145,066
Excess (deficiency) of revenues over (under) expenditures	(591,831)	14,501	194,558	(103,458)	76,513	(409,717)
Other financing sources (uses):						
Lease and notes proceeds	375,278	-	-	2,760,000	-	3,135,278
Bond issuance costs	-	-	-	(66,550)	-	(66,550)
Transfers in	114,058	106,379	10,000	-	-	230,437
Transfers out	(79,058)	-	-	-	(151,379)	(230,437)
Total other financing sources (uses)	410,278	106,379	10,000	2,693,450	(151,379)	3,068,728
Net Change in Fund Balances	(181,553)	120,880	204,558	2,589,992	(74,866)	2,659,011
Fund Balances (Deficits), Beginning of Year	2,855,447	194,135	(787,392)	-	724,165	2,986,355
Fund Balances (Deficits), End of Year	\$ 2,673,894	\$ 315,015	\$ (582,834)	\$ 2,589,992	\$ 649,299	\$ 5,645,366

City of Kennedale, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019

Net change in fund balances – total governmental funds \$ 2,659,011

Amounts reported for governmental activities in the statement of activities are different because:

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.

Capital outlay		718,445
Depreciation		(1,326,283)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (73,577)

Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:

Payments on bonds	\$ 917,600		
Payments on tax notes	185,000		
Payments on capital leases	206,546		1,309,146

The issuance of long-term debt, such as bonds and capital leases, are shown as “Other Sources” and “Other Uses” in the governmental funds, but are shown on the statement of net position with related costs amortized over the life of the bonds. Differences consist of the following:

Proceeds from tax notes	(2,760,000)		
Proceeds from capital lease	(375,278)		
Amortization of deferred loss on refunding bonds	(11,380)		
Amortization of bond premium	7,300		(3,139,358)

Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in net pension liability, deferred outflows of resources and deferred inflow of resources balances. (76,306)

Current year OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in net pension liability, deferred outflows of resources and deferred inflow of resources balances. (15,272)

Current year change in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. (63,416)

Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. 17,520

Change in net position of governmental activities \$ 9,910

City of Kennedale, Texas
Statement of Net Position
Proprietary Funds
September 30, 2019

	Water and Wastewater	Non-major Storm Water Drainage	Total Enterprise Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 1,749,586	\$ 76,429	\$ 1,826,015
Receivables (net of allowance for uncollectibles)			
Accounts	505,950	123,897	629,847
Inventory	57,381	-	57,381
Prepaid expenses	147,827	-	147,827
Restricted cash and cash equivalents			
Impact fees	92,694	-	92,694
Customer deposits	283,830	-	283,830
Total current assets	2,837,268	200,326	3,037,594
Non-current assets			
Advances to other funds	320,601	-	320,601
Capital assets			
Land and improvements	472,232	148,258	620,490
Buildings	5,761,788	-	5,761,788
Water/Wastewater distribution	18,314,151	910,478	19,224,629
Equipment and furniture	1,018,752	-	1,018,752
Construction in progress	533,483	50,056	583,539
Accumulated depreciation	(10,691,149)	(28,831)	(10,719,980)
Total non-current assets	15,729,858	1,079,961	16,809,819
Total assets	18,567,126	1,280,287	19,847,413
Deferred Outflows of Resources			
Deferred outflow of resources - Pension	152,499	-	152,499
Deferred outflow of resources - OPEB	1,004	-	1,004
Total deferred outflows of resources	153,503	-	153,503
Liabilities			
Current liabilities			
Accounts payable	45,132	1,548	46,680
Accrued liabilities	467	-	467
Accrued interest	42,240	-	42,240
Deposits	283,830	-	283,830
Bonds payable	281,225	-	281,225
Capital leases payable	108,670	-	108,670
Compensated absences	482	-	482
Total current liabilities	762,046	1,548	763,594
Non-current liabilities			
Bonds payable	1,660,287	-	1,660,287
Capital leases payable	1,041,269	-	1,041,269
Compensated absences	1,927	-	1,927
Net pension liability	333,555	-	333,555
Total OPEB liability	20,775	-	20,775
Total non-current liabilities	3,057,813	-	3,057,813
Total liabilities	3,819,859	1,548	3,821,407
Deferred Inflows of Resources			
Deferred inflows of resources - Pension	17,401	-	17,401
Deferred inflows of resources - OPEB	1,567	-	1,567
Total deferred outflows of resources	18,968	-	18,968
Net Position			
Net investment in capital assets	12,317,806	1,079,961	13,397,767
Restricted for			
Impact fees	92,694	-	92,694
Unrestricted	2,471,302	198,778	2,670,080
Total net position	\$ 14,881,802	\$ 1,278,739	\$ 16,160,541

City of Kennedale, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2019

	Water and Wastewater	Non-major Storm Water Drainage	Total Proprietary Funds
Operating Revenues			
Charges for services			
Water	\$ 2,397,216	\$ -	\$ 2,397,216
Wastewater	1,692,698	-	1,692,698
Storm water drainage	-	268,597	268,597
Other	109,259	-	109,259
	<u>4,199,173</u>	<u>268,597</u>	<u>4,467,770</u>
Total operating revenues			
Operating Expenses			
Personnel services	234,189	-	234,189
General and administration	410,582	114,195	524,777
Maintenance and supplies	76,678	65	76,743
Cost of sales and service	2,344,595	2,722	2,347,317
Depreciation	759,945	18,757	778,702
	<u>3,825,989</u>	<u>135,739</u>	<u>3,961,728</u>
Total operating expenses			
Operating Income	373,184	132,858	506,042
Non-operating Revenues (Expenses)			
Interest and investment revenue	42,596	733	43,329
Interest and fiscal charges	(127,909)	-	(127,909)
	<u>(85,313)</u>	<u>733</u>	<u>(84,580)</u>
Total non-operating revenues (expenses)			
Income Before Capital Contributions	<u>287,871</u>	<u>133,591</u>	<u>421,462</u>
Capital Contributions			
Capital contributions	51,247	-	51,247
	<u>51,247</u>	<u>-</u>	<u>51,247</u>
Total capital contributions			
Change in Net Position	339,118	133,591	472,709
Net Position, Beginning of Year	14,542,684	1,145,148	15,687,832
Net Position, End of Year	<u>\$ 14,881,802</u>	<u>\$ 1,278,739</u>	<u>\$ 16,160,541</u>

City of Kennedale, Texas
Statement of Cash Flows
Propriety Funds
For the Year Ended September 30, 2019

	Water and Wastewater	Non-major Storm Water Drainage	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 4,145,514	\$ 285,112	\$ 4,430,626
Payments to employees	(710,301)	-	(710,301)
Payments to suppliers	(2,969,740)	(276,545)	(3,246,285)
	<u>465,473</u>	<u>8,567</u>	<u>474,040</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(422,684)	(66,750)	(489,434)
Principal payments on debt	(272,400)	-	(272,400)
Interest payments on debt	(132,649)	-	(132,649)
Payments on capital leases	(104,631)	-	(104,631)
Capital contributions - impact fees	51,247	-	51,247
	<u>(881,117)</u>	<u>(66,750)</u>	<u>(947,867)</u>
Cash Flows From Investing Activities			
Interest on investments	42,596	733	43,329
	<u>42,596</u>	<u>733</u>	<u>43,329</u>
Decrease in Cash and Cash Equivalents	(373,048)	(57,450)	(430,498)
Cash and Cash Equivalents, Beginning of Year	<u>2,499,158</u>	<u>133,879</u>	<u>2,633,037</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,126,110</u>	<u>\$ 76,429</u>	<u>\$ 2,202,539</u>
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 373,184	\$ 132,858	\$ 506,042
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	759,945	18,757	778,702
Changes in assets and liabilities			
Accounts receivable	(63,446)	16,515	(46,931)
Prepaid expenses	(147,827)	-	(147,827)
Deferred outflows of resources	(94,147)	-	(94,147)
Accounts payable	(380,185)	(159,563)	(539,748)
Accrued expenses	(10,668)	-	(10,668)
Net pension liability	150,638	-	150,638
Compensated absences	(78,948)	-	(78,948)
Total OPEB Liability	(411)	-	(411)
Deferred inflows of resources	(42,662)	-	(42,662)
	<u>\$ 465,473</u>	<u>\$ 8,567</u>	<u>\$ 474,040</u>

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 1: Summary of Significant Accounting Policies

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:

Reporting Entity

City of Kennedale, Texas (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 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 City'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 City.

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.

A separately issued audited 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

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Blended Component Unit: On July 12, 2012, the City Council adopted an Ordinance designating an area Tax Increment Reinvestment Zone (TIRZ) #1 New Hope. The purpose for creation of the TIRZ was to finance and make certain public improvements, under the authority of the *Tax Increment Financing Act*. For reporting purposes, the TIRZ is a blended component unit. The Council appoints a majority of the TIRZ board members and approves recommendations from the Board in regard to administration, management, and operation of the TIRZ. The TIRZ is reported as a governmental fund and a separate unaudited financial report is available from the City's finance department.

Basis of Presentation

Government-Wide 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 inter-fund 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.

Fund Financial Statements

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.

Measurement Focus and Basis of Accounting

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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

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 TIRZ #1 (New Hope) Fund is used to account for the construction of various capital improvements within the TIRZ that will be funded with the incremental property tax revenue within the TIRZ area.

The Capital Bond Fund - 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 inter-fund 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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenue and expenses.

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 in government pools are recorded at amortized cost or net asset value. All other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

For purpose of presenting the proprietary fund cash flow statement, cash and cash equivalents include 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 inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund 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 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 inflows of resources.

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, 2019, the City had a tax rate of \$0.725714 per \$100 of which \$0.535219 was allocated for general government and \$0.190495 was allocated for payment of principal and interest on general long-term debt.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

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 cash and cash equivalent balances are restricted by various legal and contractual obligations. Customer deposits and impact fees are, by law, to be considered restricted assets. These activities are included in the Water and Wastewater Fund.

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 acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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:

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

Deferred Outflows/Inflows of Resources

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

- Deferred charge on refunding – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and recognized over the shorter of the life of the refunded or refunding debt.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

- Pension & OPEB contributions/benefit payments after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions related to the pension and OPEB plans – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has the following items that qualify for reporting in this category.

- Unavailable revenue – This amount represents uncollected property taxes, municipal court fees, and ambulance fees and notes receivables. This amount is deferred and recognized once payments are made in the following fiscal year. This item is only presented in the Balance Sheet – Governmental Funds.
- Differences between expected and actual experience – Pensions – These amounts represent the differences with regard to economic and demographic factors. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Net difference in projected and actual earnings – Pensions – This difference is deferred and amortized as a component of pension expense on a closed basis over a five year period beginning with the period in which the difference occurred.

Compensated Absences

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

Each 40-hour per week employee accrues one-half working day (four 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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

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, which approximates the effective interest 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits Plans

The City has a single-employer defined benefit other postemployment benefit (OPEB) plan (Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between assets, deferred inflows/outflows 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.

City of Kennedale, Texas

Notes to Basic Financial Statements

September 30, 2019

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. Non-spendable 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 city 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.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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, liabilities and deferred outflows and inflows of resources, and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual amounts could differ from those estimates.

Deficit Fund Balance

At year-end the TIRZ #1 New Hope Fund had a deficit fund balance of \$582,834. It is anticipated that this deficit fund balance will be funded with incremental property tax revenue within the TIRZ in subsequent years. The Capital Projects Fund had a deficit fund balance of \$7,600. The Library Building Fund also had a fund balance of \$3,894.

New Pronouncements

The City has adopted and implemented the following GASB statements which have become effective for fiscal year 2019:

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88)

- This Statement defines debt for purposes of financial statement disclosure and establishes disclosure requirements for additional information related to debt including balances of unused lines of credit, assets pledged as collateral for debt and significant contractual terms including financial-related impacts in the event of default, significant termination events and any significant subjective acceleration clauses. Adoption of GASB 88 had no effect on the City' financial statements.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 2: 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 *Public Funds Investment Act* also requires the City to have independent auditors perform test procedures related to investment practices as provided by the *Public Funds Investment Act*. The City is in substantial compliance with the requirements of the *Public Funds Investment 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, 2019, the City's deposit balance was collateralized with securities held by the pledging financial institution in the City's name or covered by FDIC insurance. The balances held at financial institutions at year-end were \$637,238 (with a book value of \$520,472).
- (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 AAA-m 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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

As of September 30, 2019, the City held the following investments:

	Carrying Value
Primary Government	
TexPool	\$ 7,239,268
TexStar	324,503
TexasTerm	31,173
Total primary government	7,594,944
Component Unit	
TexPool	419,077
TexStar	18,785
TexasTerm	1,805
Total component units	439,667
Total investments	\$ 8,034,611

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.

The *Interlocal Cooperation Act*, Chapter 791 of the Texas Government Code and the *Public Funds Investment Act*, Chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as Texas Short-term Reserve Fund (TexStar), Texas Local Government Investment Pool (TexPool), and TexasTerm, through which political subdivisions and other entities may invest public funds.

TexStar, TexPool, and TexasTERM have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 3: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

All investments are measured using amortized cost or net asset value per share (or its equivalent). The carrying value amounts included above approximate amortized cost or net asset value for all related external investment pool balances.

Note 4: Receivables

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

	General	Debt Service	Capital Fund	Non-major Governmental	Water and Wastewater	Storm Water Drainage	Total
Receivables							
Taxes	\$ 458,085	\$ 51,671	\$ -	\$ -	\$ -	\$ -	\$ 509,756
Accounts	105,563	-	115,080	7,483	641,905	36,659	906,690
Intergovernmental	-	-	-	-	-	111,193	111,193
Court fines	1,171,482	-	-	-	-	-	1,171,482
Ambulance	2,745,326	-	-	-	-	-	2,745,326
Gross receivables	4,480,456	51,671	115,080	7,483	641,905	147,852	5,444,447
Less: allowance for uncollectibles	(3,934,649)	(50,012)	-	-	(135,955)	(23,955)	(4,144,571)
Net total receivables	<u>\$ 545,807</u>	<u>\$ 1,659</u>	<u>\$ 115,080</u>	<u>\$ 7,483</u>	<u>\$ 505,950</u>	<u>\$ 123,897</u>	<u>\$ 1,299,876</u>

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 5: Property Taxes

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on 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. Tax collections for the year ended September 30, 2019, were 99 percent of the levy. Tarrant County bills and collects property taxes for the City. Any uncollected property taxes at September 30, that are collected within 60 days, are recognized as revenue and recorded as taxes receivable. Any uncollected property taxes at September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred inflow of resources in governmental funds. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable, and their validity seems certain.

The statutes of the state of Texas do not prescribe a legal debt limit, nor does the City's charter provide for a debt limit. However, provision of Article XI, Section 5 of the Texas Constitution applicable to cities with populations greater than 5,000 limits the ad-valorem tax rate to \$2.50 per \$100 assessed valuation. However, as a city operating under a Home Rule Charter, the City has a debt limit of \$1.50 per \$100 assessed valuation. For the year ended September 30, 2019, the City had a tax rate of \$.725714 per \$100.00 assessed valuation, of which \$.535219 was allocated for general government and \$.190495 was allocated for the payment of principal and interest on general obligation debt.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100 percent of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property.

However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the tax rate for the previous year by more than eight percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than eight percent above the tax rate of the previous year. This legislation provides that, if approved by the qualified voters in the City, both the appraisal and collection functions may be placed with the appraisal district. In addition, the City may obtain approval from its governing body to place these functions with the appraisal district.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 6: Interfund Receivables, Payables and Transfers

Due To/Due From

The composition of inter-fund balances as of September 30, 2019 is as follows:

	Due to Other Funds	Due from Other Funds
General	\$ -	\$ 165,494
Capital Bond	156,636	-
TIRZ #1 New Hope	8,858	-
	<hr/>	<hr/>
Total	<u>\$ 165,494</u>	<u>\$ 165,494</u>

These balances resulted primarily from the General Fund temporarily loaning cash to the Capital Bond Fund for expenditures that will be reimbursed by a granting agency and the other funds for various expenditures.

Advances To/Advances From

	Advances from Other Funds	Advances to Other Funds
General	\$ -	\$ 102,866
Non-major governmental	-	297,060
Water and Wastewater	-	320,601
TIRZ #1 New Hope	720,527	-
	<hr/>	<hr/>
Total	<u>\$ 720,527</u>	<u>\$ 720,527</u>

Interfund Transfers

Interfund activity for the year ended September 30, 2019, is as follows:

	Transfers In	Transfers Out
General	\$ 114,058	\$ 79,058
Debt Service	106,379	-
TIRZ #1 New Hope	10,000	-
Non-major governmental	-	151,379
	<hr/>	<hr/>
Total	<u>\$ 230,437</u>	<u>\$ 230,437</u>

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Transfers out of the Non-major governmental funds to the General and Debt Service fund were for debt payments. These transfers were in accordance with budgetary authorizations.

Note 7: Capital Assets

Governmental Activities

Capital assets of the Governmental Activities are as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,206,187	\$ -	\$ -	\$ 4,206,187
Construction in progress	427,990	116,764	-	544,754
	<u>4,634,177</u>	<u>116,764</u>	<u>-</u>	<u>4,750,941</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Buildings	5,033,147	118,209	-	5,151,356
Infrastructure	39,411,897	-	-	39,411,897
Machinery and equipment	3,570,509	483,472	-	4,053,981
	<u>48,015,553</u>	<u>601,681</u>	<u>-</u>	<u>48,617,234</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings	2,793,907	149,825	-	2,943,732
Infrastructure	13,094,804	892,233	-	13,987,037
Machinery and equipment	2,885,849	284,225	-	3,170,074
	<u>18,774,560</u>	<u>1,326,283</u>	<u>-</u>	<u>20,100,843</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>29,240,993</u>	<u>(724,602)</u>	<u>-</u>	<u>28,516,391</u>
Governmental activities capital assets, net	<u>\$ 33,875,170</u>	<u>\$ (607,838)</u>	<u>\$ -</u>	<u>\$ 33,267,332</u>

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

General government		\$	86,276
Public safety			246,628
Public works			949,081
Culture and recreation			<u>44,298</u>
Total depreciation expense – governmental activities			<u><u>\$ 1,326,283</u></u>

Business-type Activities

Capital assets of the Business-type Activities are as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 585,429	\$ 35,061	\$ -	\$ -	\$ 620,490
Construction in progress	<u>253,989</u>	<u>329,550</u>	<u>-</u>	<u>-</u>	<u>583,539</u>
Total capital assets not being depreciated	<u>839,418</u>	<u>364,611</u>	<u>-</u>	<u>-</u>	<u>1,204,029</u>
Capital assets being depreciated					
Buildings	5,761,788	-	-	-	5,761,788
Machinery and equipment	1,018,752	-	-	-	1,018,752
Improvements (not buildings)	<u>19,099,806</u>	<u>124,823</u>	<u>-</u>	<u>-</u>	<u>19,224,629</u>
Total capital assets being depreciated	<u>25,880,346</u>	<u>124,823</u>	<u>-</u>	<u>-</u>	<u>26,005,169</u>
Less accumulated depreciation for:					
Buildings	2,609,428	120,521	-	-	2,729,949
Machinery and equipment	966,000	43,892	-	-	1,009,892
Improvements (not buildings)	<u>6,365,850</u>	<u>614,289</u>	<u>-</u>	<u>-</u>	<u>6,980,139</u>
Total accumulated depreciation	<u>9,941,278</u>	<u>778,702</u>	<u>-</u>	<u>-</u>	<u>10,719,980</u>
Total capital assets being depreciated, net	<u>15,939,068</u>	<u>(653,879)</u>	<u>-</u>	<u>-</u>	<u>15,285,189</u>
Business-type activities capital assets, net	<u><u>\$ 16,778,486</u></u>	<u><u>\$ (289,268)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,489,218</u></u>

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

Water and wastewater	\$	759,945
Storm water drainage		18,757
Total depreciation expense		
– business-type activities	\$	778,702

Discretely Presented Component Units

Capital assets activity of the discretely presented component unit for the year was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 864,017	\$ -	\$ -	\$ 864,017
Totals capital assets not being depreciated	864,017	-	-	864,017
Capital assets, being depreciated				
Buildings	4,917,189	-	-	4,917,189
Improvements	1,078,455	5,738	-	1,084,193
Infrastructure	209,707	-	-	209,707
Totals capital assets being depreciated	6,205,351	5,738	-	6,211,089
Less accumulated depreciation for:				
Buildings	1,646,862	245,859	-	1,892,721
Improvements	380,455	54,210	-	434,665
Infrastructure	16,276	4,194	-	20,470
Total accumulated depreciation	2,043,593	304,263	-	2,347,856
Total capital assets, being depreciated, net	4,161,758	(298,525)	-	3,863,233
Capital assets, net	\$ 5,025,775	\$ (298,525)	\$ -	\$ 4,727,250

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 8: Long-term Liabilities

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 4,526,086	\$ -	\$ 537,600	\$ 3,988,486	\$ 553,775
Certificates of obligation	4,410,000	-	380,000	4,030,000	395,000
Tax notes	-	2,760,000	185,000	2,575,000	300,000
Capital leases	554,114	375,278	206,546	722,846	246,348
Premiums on bonds	88,496	-	7,300	81,196	7,300
Compensated absences	395,167	123,643	60,227	458,583	91,717
Total governmental activities	<u>\$ 9,973,863</u>	<u>\$ 3,258,921</u>	<u>\$ 1,376,673</u>	<u>\$ 11,856,111</u>	<u>\$ 1,594,140</u>
Business-type Activities					
General obligation bonds	\$ 613,912	\$ -	\$ 122,400	\$ 491,512	\$ 126,225
Certificates of obligation	1,600,000	-	150,000	1,450,000	155,000
Capital leases	1,254,570	-	104,631	1,149,939	108,670
Compensated absences	81,357	2,235	81,183	2,409	482
Total business-type activities	<u>\$ 3,549,839</u>	<u>\$ 2,235</u>	<u>\$ 458,214</u>	<u>\$ 3,093,860</u>	<u>\$ 390,377</u>
Revenue Bonds					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 730,000	\$ -	\$ 60,000	\$ 670,000	\$ 65,000
Texas leverage fund loan	385,356	-	42,038	343,318	43,533
Total	<u>\$ 1,115,356</u>	<u>\$ -</u>	<u>\$ 102,038</u>	<u>\$ 1,013,318</u>	<u>\$ 108,533</u>

General Obligation Bonds and Certificates of Obligation

The City issues general bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. These 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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

General obligation bonds and certificates of obligation 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. Bonds currently outstanding are as follows:

	<u>Governmental Activities</u>	<u>Water and Sewer</u>	<u>Total Primary Government</u>
<u>General Obligation Bonds</u>			
\$4,365,000, 2007 General Obligation Refunding Bonds, due in annual installments through February 15, 2024, 3.97%	\$ 793,486	\$ 491,512	\$ 1,284,998
\$3,720,000, 2016 General Obligation Refunding Bonds, due in annual installments through February 15, 2028, 1.79%	<u>3,195,000</u>	<u>-</u>	<u>3,195,000</u>
	<u>\$ 3,988,486</u>	<u>\$ 491,512</u>	<u>\$ 4,479,998</u>
<u>Certificates of Obligation</u>			
\$2,900,000, 2007 Certificate of Obligation Bonds, due in annual installments through February 15, 2027, 4.10%	\$ -	\$ 1,450,000	\$ 1,450,000
\$2,735,000, 2007A Certificate of Obligation Bonds, due in annual installments through February 15, 2024, 4.00%	1,000,000	-	1,000,000
\$2,000,000, 2010 Certificate of Obligation Bonds, due in annual installments through February 15, 2030, 2.00%-5.00%	1,275,000	-	1,275,000
\$3,260,000, 2011 Certificate of Obligation Bonds, due in annual installments through February 15, 2031, 2.00% – 4.00%	<u>1,755,000</u>	<u>-</u>	<u>1,755,000</u>
	<u>\$ 4,030,000</u>	<u>\$ 1,450,000</u>	<u>\$ 5,480,000</u>

Tax notes are issued to provide funding for capital purchases and other improvements. These notes pledge the full faith and credit of the government and are payable with ad valorem revenue. Tax notes outstanding are as follows:

<u>Tax Notes</u>			
\$760,000, 2018 Tax Notes due in annual installments through February 15, 2021, 2.40%	\$ 575,000	\$ -	\$ 575,000
\$2,000,000, 2019 Tax Notes due in annual installments through February 1, 2026, 1.90%	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
	<u>\$ 2,575,000</u>	<u>\$ -</u>	<u>\$ 2,575,000</u>

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

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

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2020	\$ 948,775	\$ 266,719	\$ 1,215,494
2021	963,037	220,708	1,183,745
2022	905,412	187,691	1,093,103
2023	936,587	158,000	1,094,587
2024	964,675	127,240	1,091,915
2025-2029	2,800,000	332,300	3,132,300
2030-2031	<u>500,000</u>	<u>21,550</u>	<u>521,550</u>
Total	<u>\$ 8,018,486</u>	<u>\$ 1,314,208</u>	<u>\$ 9,332,694</u>

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.

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

Annual debt service requirements to maturity for tax notes are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2020	\$ 300,000	\$ 22,659	\$ 322,659
2021	470,000	35,578	505,578
2022	275,000	31,683	306,683
2023	370,000	25,555	395,555
2024	380,000	18,430	398,430
2025-2029	780,000	14,916	794,916
2030-2031	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,575,000</u>	<u>\$ 148,821</u>	<u>\$ 2,723,821</u>

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Capital Leases

The City has acquired certain capital 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	\$ 833,949	\$ -	\$ 833,949
Buildings and improvements	221,887	-	221,887
Infrastructure	-	1,721,658	1,721,658
Less: Accumulated amortization	<u>(396,159)</u>	<u>(832,166)</u>	<u>(1,228,325)</u>
Total	<u>\$ 659,677</u>	<u>\$ 889,492</u>	<u>\$ 1,549,169</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019, were as follows:

Capital Leases			
Fiscal Year	Governmental Activities	Business-Type Activities	
2020	\$ 274,837	\$ 152,813	
2021	183,732	152,813	
2022	137,879	152,813	
2023	114,952	152,813	
2024	86,019	152,813	
2025-2029	<u>7,168</u>	<u>617,711</u>	
Total minimum lease payments	804,587	1,381,776	
Less: amount of representing interest	<u>81,741</u>	<u>231,837</u>	
Present value of minimum lease payments	<u>\$ 722,846</u>	<u>\$ 1,149,939</u>	

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 9: Employee Retirement System

Plan Description

The City participates as one of over 880 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the *TMRS Act*, Subtitle G, Title 8, Texas Government Code (TMRS Act) as an agency multiple- employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tMrs.org.

All eligible employees of the City are required to participate in TMRS.

A summary of plan provisions for the City are as follows:

Deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	5 years at age 60 and above
Updated service credit	100% Repeating
Annuity increase (to retirees)	70% of CPI Repeating

Benefits Provided

TMRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75 percent of the member's deposits and interest.

Beginning in 2006, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at five percent until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2006, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

At the December 31, 2018, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	110
Active employees	72
	221

Contributions

The contribution rates for employees in TMRS are either five percent, six percent or seven percent of employee gross earnings and the City matching percentages are 100 percent, 150 percent or 200 percent, both as adopted by the governing body of the City. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.05 percent and 14.10 percent in calendar years 2018 and 2019, respectively. The City’s contributions to TMRS for the year ended September 30, 2019, were \$586,411, and were equal to the required contributions.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Salary increases were based on a service-related table. Mortality rates for active members, retirees and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109 percent and female rates multiplied by 103 percent with a 3-year set-forward for both males and females. In addition, a three percent minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the three percent floor.

Actuarial assumptions used in the December 31, 2018, valuation was based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	5.00%	7.75%
Total	<u>100.00%</u>	

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability(a) - (b)
Balances as of October 1, 2018	\$ 15,753,763	\$ 14,322,484	\$ 1,431,279
Changes for the year			
Service cost	712,721	-	712,721
Interest on total pension liability	1,071,891	-	1,071,891
Effect of difference in expected and actual experience	(205,171)	-	(205,171)
Effect of assumptions changes or inputs	-	-	-
Benefit payments	(460,511)	(460,511)	-
Administrative expenses	-	(8,292)	8,292
Member contributions	-	558,900	(558,900)
Net investment income	-	(429,406)	429,406
Employer contributions	-	279,969	(279,969)
Other	-	(433)	433
	<u>1,118,930</u>	<u>(59,773)</u>	<u>1,178,703</u>
Net changes			
Balances as of September 30, 2019	<u>\$ 16,872,693</u>	<u>\$ 14,262,711</u>	<u>\$ 2,609,982</u>

The net pension liability attributable to the governmental activities will be liquidated primarily by the General Fund.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
City's net pension liability	\$ 5,634,901	\$ 2,609,981	\$ 224,315

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the primary government recognized pension expense of \$693,693. At September 30, 2019, the primary government reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 103,613
Change in actuarial assumptions	-	45,999
Net difference between projected and actual investment earnings	740,732	-
Contributions subsequent to the measurement date	465,967	-
	\$ 1,206,699	\$ 149,612

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Reported as deferred outflows, \$465,967 of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	
2020	\$ 157,431
2021	34,376
2022	106,040
2023	293,273
	\$ 591,120

Note 10: Other Postemployment Benefits

Supplemental Death Benefit Fund

The City also participates in the single-employer defined benefit OPEB plan providing group-term life which is operated by the Texas Municipal Retirement System (TMRS) and is 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.

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

The following employees were covered by the benefit terms at December 31, 2018, (measurement date):

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	15
Active employees	72
Total employees	108

Total OPEB Liability

The City's total OPEB liability of \$162,559 (\$141,784 governmental activities and \$20,775 business-type activities) was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The City's total OPEB liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	December 31, 2018
Discount Rate	3.71% as of December 31, 2018 (3.31% as of December 31, 2017)
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASBS 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.31 percent based on the 20-Year Municipal GO AA Index published by bondbuyer.com is used as of the measurement date of December 31, 2018.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Changes in Total OPEB Liability

	Total OPEB Liability
Balances as of October 1, 2018	\$ 165,774
Changes for the year	
Service cost	17,998
Interest on total OPEB liability	5,765
Difference between expected and actual experience	(13,157)
Effect of assumption changes (discount rate change)	(12,621)
Benefit payments, age adjusted premiums, net of retiree contributions	(1,200)
Balances as of September 30, 2019	\$ 162,559

The total OPEB liability attributable to the governmental activities will be liquidated primarily by the General Fund.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The total OPEB liability of the City has been calculated using a discount rate of 3.71 percent. The following presents the total OPEB liability using a discount rate one percent higher and one percent lower than the current discount rate.

	1% Decrease 2.71%	Current Discount Rate 3.71%	1% Increase 4.71%
Total OPEB Liability	\$ 196,886	\$ 162,559	\$ 138,353

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$21,734. At September 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 1,340
Differences between expected and actual experience	-	10,919
Benefit payments subsequent to the measurement date	7,860	-
	\$ 7,860	\$ 12,259

Benefit payments subsequent to the measurement date and before fiscal year-end will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2019.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

September 30	Amortization of Deferred Inflows of Resources
2020	\$ (2,029)
2021	(2,029)
2022	(2,029)
2023	(2,313)
2024	(3,859)
	\$ (12,259)

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 11: Commitments and Contingencies

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, 2019, 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, 2019, 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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2019

EDC - Commitment

The EDC has committed to pay the City debt service payments for the Certificates of Obligation, Series 2010 when the payments become due. The following commitment by the EDC is anticipated to be funded with future EDC sales tax revenue.

<u>Year Ending September 30</u>		
2020	\$	151,900
2021		153,300
2022		154,500
2023		154,500
2024		154,250
2025-2029		763,750
2030		152,250
		<hr/>
Totals	\$	<u><u>1,684,450</u></u>

Note 12: Subsequent Event

On January 21, 2020, the City authorized the issuance of a General Obligation Refunding Bond in the amount of \$1,260,000 to refund a majority of the outstanding Series 2010 Certificates.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the City. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

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City of Kennedale, Texas
Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios
Texas Municipal Retirement System (Unaudited)

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018
Total Pension Liability					
Service cost	\$ 589,507.00	\$ 648,581	\$ 675,284	\$ 697,041	\$ 712,721
Interest (on the Total Pension Liability)	794,485	865,430	912,020	989,009	1,071,891
Differences between expected and actual experience	(102,280)	(168,052)	(109,980)	(52,740)	(205,171)
Changes in assumptions	-	113,774	-	-	-
Benefit payments, including refunds of employee contributions	(274,797)	(320,705)	(329,210)	(366,034)	(460,511)
Net change in total pension liability	1,006,915	1,139,028	1,148,114	1,267,276	1,118,930
Total pension liability – Beginning	11,192,430	12,199,345	13,338,373	14,486,487	15,753,763
Total pension liability – Ending (a)	<u>\$ 12,199,345</u>	<u>\$ 13,338,373</u>	<u>\$ 14,486,487</u>	<u>\$ 15,753,763</u>	<u>\$ 16,872,693</u>
Plan Fiduciary Net Position					
Contributions – employer	\$ 397,779	\$ 525,561	\$ 540,075	\$ 565,061	\$ 558,900
Contributions – employee	239,832	254,774	265,860	276,603	279,969
Net investment income	548,705	15,487	740,899	1,687,364	(429,406)
Benefit payments, including refunds of employee contributions	(274,797)	(320,705)	(329,210)	(366,034)	(460,511)
Administrative expense	(5,727)	(9,432)	(8,365)	(8,740)	(8,292)
Other	(471)	(466)	(451)	(443)	(433)
Net change in plan fiduciary net position	905,321	465,219	1,208,808	2,153,811	(59,773)
Plan fiduciary net position – Beginning	9,589,325	10,494,646	10,959,865	12,168,673	14,322,484
Plan fiduciary net position – Ending (b)	<u>\$ 10,494,646</u>	<u>\$ 10,959,865</u>	<u>\$ 12,168,673</u>	<u>\$ 14,322,484</u>	<u>\$ 14,262,711</u>
City's net pension liability – Ending (a) – (b)	<u>\$ 1,704,699</u>	<u>\$ 2,378,508</u>	<u>\$ 2,317,814</u>	<u>\$ 1,431,279</u>	<u>\$ 2,609,982</u>
Plan fiduciary net position as a percentage of the total pension liability	86.03%	82.17%	84.00%	90.91%	84.53%
Covered payroll	\$ 3,426,174	\$ 3,639,622	\$ 3,797,997	\$ 3,951,478	\$ 3,999,556
City's net pension liability as a percentage of covered payroll	49.76%	65.35%	61.03%	36.22%	65.26%

Note: The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for ten years. However, until a full ten-year trend is compiled in accordance with the provision of GASB No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27* only periods for which such information is available are presented.

City of Kennedale, Texas
Required Supplementary Information
Schedule of Contributions
Texas Municipal Retirement System (Unaudited)

	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Actuarially determined contribution	\$ 391,136	\$ 483,133	\$ 555,231	\$ 560,038	\$ 566,892	\$ 586,411
Contributions in relation to the actuarially determined contribution	<u>391,136</u>	<u>483,133</u>	<u>555,231</u>	<u>560,038</u>	<u>566,892</u>	<u>586,411</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered payroll	\$ 3,396,046	\$ 3,575,054	\$ 3,932,717	\$ 3,919,319	\$ 4,058,043	\$ 4,232,531
Contributions as a percentage of covered payroll	12%	13.51%	14.12%	14.29%	13.97%	13.85%

Notes to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes: There were no benefit changes during the year

City of Kennedale, Texas
Required Supplementary Information
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Supplemental Death Benefit Fund (Unaudited)

	Measurement Year 2017	Measurement Year 2018
Total OPEB Liability		
Service Cost	\$ 16,201	\$ 17,998
Interest Cost	5,260	5,765
Difference Between Expected and Actual Experience of the Total OPEB Liability	-	(13,157)
Changes of Assumptions	13,846	(12,621)
Benefit Payments	(1,185)	(1,200)
Net Change in Total OPEB Liability	34,122	(3,215)
Total OPEB Liability (Beginning)	131,652	165,774
Total OPEB Liability (Ending)	\$ 165,774	\$ 162,559
Covered-Employee Payroll	\$ 3,951,478	\$ 3,999,556
Total OPEB Liability as a Percentage of Covered-Employee Payroll	4.20%	4.06%

Note: The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full ten-year trend is compiled in accordance with the provision of GASB 75, only periods for which such information is available are presented.

The discount rate was decreased from 3.31 percent to 3.71 percent.

City of Kennedale, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (Unaudited)
General Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property	\$ 3,832,433	\$ 3,832,433	\$ 3,841,102	\$ 8,669
Sales	1,275,794	1,275,794	1,774,698	498,904
Franchise fees	-	-	764,887	764,887
Licenses and permits	225,370	225,370	156,820	(68,550)
Fines and forfeitures	179,700	179,700	142,773	(36,927)
Public safety fees	-	-	194,930	194,930
Intergovernmental	681,041	681,041	707,744	26,703
Charges for service	190,950	190,950	82,754	(108,196)
Investment earnings	10,000	10,000	79,429	69,429
Other	109,470	109,470	131,785	22,315
	<u>6,504,758</u>	<u>6,504,758</u>	<u>7,876,922</u>	<u>1,372,164</u>
Total revenues				
Expenditures				
Current				
General government	1,740,030	1,740,030	1,611,757	128,273
Public safety	4,588,695	4,588,695	4,965,215	(376,520)
Public works	371,589	371,589	788,130	(416,541)
Culture and recreation	322,789	322,789	323,154	(365)
Capital outlay	-	-	565,594	(565,594)
Debt service				
Principal	-	-	214,903	(214,903)
Interest and other	-	-	-	-
	<u>7,023,103</u>	<u>7,023,103</u>	<u>8,468,753</u>	<u>(1,445,650)</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(518,345)</u>	<u>(518,345)</u>	<u>(591,831)</u>	<u>(73,486)</u>
Other financing sources (uses)				
Lease proceeds	-	-	375,278	375,278
Transfers in	-	-	114,058	114,058
Transfers out	(65,000)	(65,000)	(79,058)	(14,058)
	<u>(65,000)</u>	<u>(65,000)</u>	<u>410,278</u>	<u>475,278</u>
Total other financing sources (uses)				
Net Change in Fund Balances	(583,345)	(583,345)	(181,553)	401,792
Fund Balance, Beginning of Year	<u>2,855,447</u>	<u>2,855,447</u>	<u>2,855,447</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,272,102</u>	<u>\$ 2,272,102</u>	<u>\$ 2,673,894</u>	<u>\$ 401,792</u>

City of Kennedale, Texas
Notes to Required Supplementary Information (Unaudited)
Budgetary
September 30, 2019

Budgets and Budgetary Accounting

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.

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**Combining and Individual Fund
Statements and Schedules**

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City of Kennedale, Texas
Non-major Governmental Funds
September 30, 2019

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

LEOSE – to account for grant revenue that is legally restricted to expenditures for LEOSE program.

Capital Projects Funds

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
Non-major Governmental Funds
September 30, 2019

	<u>Special Revenue Fund</u>	<u>Capital Projects Funds</u>	
	<u>LEOSE</u>	<u>Park Dedication</u>	<u>Capital Projects</u>
Assets			
Cash and cash equivalents	\$ 1,895	\$ 126,149	\$ -
Receivables (net of allowance for uncollectibles)	-	-	7,483
Advances to other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,895</u>	<u>\$ 126,149</u>	<u>\$ 7,483</u>
Liabilities			
Accounts payable	\$ -	\$ 42,041	\$ 15,083
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>42,041</u>	<u>15,083</u>
Fund Balances (Deficit)			
Restricted for			
Capital projects	-	-	-
Public safety	1,895	-	-
Assigned			
Parks	-	84,108	-
Unassigned (deficit)	-	-	(7,600)
	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>1,895</u>	<u>84,108</u>	<u>(7,600)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,895</u>	<u>\$ 126,149</u>	<u>\$ 7,483</u>

Capital Projects Funds		
Roadway Impact Fee	Library Building	Total Non-major Governmental Funds
\$ 277,730	\$ -	\$ 405,774
-	-	7,483
<u>297,060</u>	<u>-</u>	<u>297,060</u>
<u>\$ 574,790</u>	<u>\$ -</u>	<u>\$ 710,317</u>
\$ -	\$ 3,894	\$ 61,018
-	3,894	61,018
574,790	-	574,790
-	-	1,895
-	-	84,108
<u>-</u>	<u>(3,894)</u>	<u>(11,494)</u>
<u>574,790</u>	<u>(3,894)</u>	<u>649,299</u>
<u>\$ 574,790</u>	<u>\$ -</u>	<u>\$ 710,317</u>

City of Kennedale, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended September 30, 2019

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
	<u>LEOSE</u>	<u>Park Dedication</u>	<u>Capital Projects</u>
Revenues			
Intergovernmental	\$ 1,767	\$ -	\$ -
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Investment earnings	31	3,613	756
Miscellaneous	-	300	86,625
	<u>1,798</u>	<u>3,913</u>	<u>87,381</u>
Total revenues			
Expenditures			
Current			
Public safety	1,650	-	-
Culture and recreation	-	-	-
Capital outlay	-	42,897	-
	<u>1,650</u>	<u>42,897</u>	<u>-</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>148</u>	<u>(38,984)</u>	<u>87,381</u>
Other Financing Uses			
Transfers out	-	(35,000)	(106,379)
	<u>-</u>	<u>(35,000)</u>	<u>(106,379)</u>
Total other financing uses			
Net Change in Fund Balances	148	(73,984)	(18,998)
Fund Balances (Deficit), Beginning of Year	<u>1,747</u>	<u>158,092</u>	<u>11,398</u>
Fund Balances (Deficit), End of Year	<u>\$ 1,895</u>	<u>\$ 84,108</u>	<u>\$ (7,600)</u>

Capital Projects Fund		Total Non-major Governmental Funds
Roadway Impact Fee	Library Building	
\$ -	\$ -	\$ 1,767
25,390	-	25,390
-	1,408	1,408
5,273	18	9,691
-	1,232	88,157
<u>30,663</u>	<u>2,658</u>	<u>126,413</u>
-	-	1,650
-	5,353	5,353
-	-	42,897
<u>-</u>	<u>5,353</u>	<u>49,900</u>
<u>30,663</u>	<u>(2,695)</u>	<u>76,513</u>
<u>(10,000)</u>	<u>-</u>	<u>(151,379)</u>
<u>(10,000)</u>	<u>-</u>	<u>(151,379)</u>
20,663	(2,695)	(74,866)
<u>554,127</u>	<u>(1,199)</u>	<u>724,165</u>
<u>\$ 574,790</u>	<u>\$ (3,894)</u>	<u>\$ 649,299</u>

City of Kennedale, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes - property	\$ 1,362,670	\$ 1,362,670	\$ 1,360,512	\$ (2,158)
Intergovernmental	-	-	154,825	154,825
Investment earnings	1,500	1,500	8,812	7,312
	<u>1,364,170</u>	<u>1,364,170</u>	<u>1,524,149</u>	<u>159,979</u>
Total revenues				
Expenditures				
Debt service				
Principal	1,511,744	1,511,744	1,213,640	298,104
Interest and other	-	-	296,008	(296,008)
	<u>1,511,744</u>	<u>1,511,744</u>	<u>1,509,648</u>	<u>2,096</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(147,574)</u>	<u>(147,574)</u>	<u>14,501</u>	<u>162,075</u>
Other financing sources (uses)				
Transfers in	154,825	154,825	106,379	(48,446)
	<u>154,825</u>	<u>154,825</u>	<u>106,379</u>	<u>(48,446)</u>
Total other financing sources (uses)				
Net Change in Fund Balances	7,251	7,251	120,880	113,629
Fund Balance, Beginning of Year	<u>194,135</u>	<u>194,135</u>	<u>194,135</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 201,386</u>	<u>\$ 201,386</u>	<u>\$ 315,015</u>	<u>\$ 113,629</u>

Statistical Section

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Statistical Section

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

<i>Financial Trends</i>	A – D
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	E – H
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
<i>Debt Capacity</i>	I – L
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.	
<i>Economic and Demographic Indicators</i>	M – N
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
<i>Operating Information</i>	O – Q
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.	

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
Table A – Net Position by Component
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2010	2011	2012	2013	2014
Governmental Activities					
Net investment in capital assets	\$ 11,814,703	\$ 16,014,362	\$ 20,730,909	\$ 21,100,450	\$ 20,904,287
Restricted	38,754	1,936,156	288,215	227,181	380,622
Unrestricted	4,168,387	1,023,286	782,589	615,406	933,606
Total governmental activities net position	<u>\$ 16,021,844</u>	<u>\$ 18,973,804</u>	<u>\$ 21,801,713</u>	<u>\$ 21,943,037</u>	<u>\$ 22,218,515</u>
Business-type Activities					
Net investment in capital assets	\$ 9,643,354	\$ 10,134,416	\$ 10,304,477	\$ 10,217,885	\$ 10,443,338
Restricted	-	-	-	-	-
Unrestricted	1,858,510	1,668,685	1,524,225	1,348,391	1,450,811
Total business-type activities net position	<u>\$ 11,501,864</u>	<u>\$ 11,803,101</u>	<u>\$ 11,828,702</u>	<u>\$ 11,566,276</u>	<u>\$ 11,894,149</u>
Primary Government					
Net investment in capital assets	\$ 21,458,057	\$ 26,148,778	\$ 31,035,386	\$ 31,318,335	\$ 31,347,625
Restricted	38,754	1,936,156	288,215	227,181	380,622
Unrestricted	6,026,897	2,691,971	2,306,814	1,963,797	2,384,417
Total primary governmental net position	<u>\$ 27,523,708</u>	<u>\$ 30,776,905</u>	<u>\$ 33,630,415</u>	<u>\$ 33,509,313</u>	<u>\$ 34,112,664</u>

City of Kennedale, Texas
Table A – Net Position by Component (Continued)
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2015	2016	2017	2018	2019
Governmental Activities					
Net investment in capital assets	\$ 21,429,758	\$ 24,048,321	\$ 24,362,252	\$ 24,410,280	\$ 27,195,004
Restricted	409,454	400,170	481,742	867,754	998,047
Unrestricted	<u>215,475</u>	<u>689,620</u>	<u>457,818</u>	<u>454,903</u>	<u>(2,450,204)</u>
Total governmental activities net position	<u>\$ 22,054,687</u>	<u>\$ 25,138,111</u>	<u>\$ 25,301,812</u>	<u>\$ 25,732,937</u>	<u>\$ 25,742,847</u>
Business-type Activities					
Net investment in capital assets	\$ 11,184,859	\$ 13,054,176	\$ 13,238,962	\$ 13,310,004	\$ 13,397,767
Restricted	-	-	204,223	274,043	92,694
Unrestricted	<u>17,432</u>	<u>655,058</u>	<u>1,644,150</u>	<u>2,103,785</u>	<u>2,670,080</u>
Total business-type activities net position	<u>\$ 11,202,291</u>	<u>\$ 13,709,234</u>	<u>\$ 15,087,335</u>	<u>\$ 15,687,832</u>	<u>\$ 16,160,541</u>
Primary Government					
Net investment in capital assets	\$ 32,614,617	\$ 37,102,497	\$ 37,601,214	\$ 37,720,284	\$ 40,592,771
Restricted	409,454	400,170	685,965	1,141,797	1,090,741
Unrestricted	<u>232,907</u>	<u>1,344,678</u>	<u>2,101,968</u>	<u>2,558,688</u>	<u>219,876</u>
Total primary governmental net position	<u>\$ 33,256,978</u>	<u>\$ 38,847,345</u>	<u>\$ 40,389,147</u>	<u>\$ 41,420,769</u>	<u>\$ 41,903,388</u>

City of Kennedale, Texas
Table B – Change in Net Position
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2010	2011	2012	2013	2014
Expenses					
Governmental activities					
General government	\$ 1,687,785	\$ 1,346,455	\$ 1,400,946	\$ 1,338,046	\$ 1,242,021
Public safety	4,135,114	4,149,812	4,334,370	4,216,559	4,274,108
Public works	956,657	1,386,156	1,209,842	1,338,143	1,476,670
Culture and recreation	346,896	335,884	344,900	358,251	358,226
Economic development	2,006,635	-	-	-	-
Interest and fiscal charges	490,601	536,449	578,936	558,639	510,355
Total governmental activities expenses	<u>9,623,688</u>	<u>7,754,756</u>	<u>7,868,994</u>	<u>7,809,638</u>	<u>7,861,380</u>
Business-type activities					
Water, wastewater and storm water drainage	<u>3,002,002</u>	<u>3,334,413</u>	<u>3,240,582</u>	<u>3,401,162</u>	<u>3,640,588</u>
Total business-type activities expenses	<u>3,002,002</u>	<u>3,334,413</u>	<u>3,240,582</u>	<u>3,401,162</u>	<u>3,640,588</u>
Total primary government expenses	<u>\$ 12,625,690</u>	<u>\$ 11,089,169</u>	<u>\$ 11,109,576</u>	<u>\$ 11,210,800</u>	<u>\$ 11,501,968</u>
Program Revenues					
Governmental activities					
Charges for services					
General government	\$ 487,416	\$ 514,732	\$ 668,345	\$ 554,664	\$ 975,684
Public safety	435,195	460,983	459,955	556,655	567,835
Public works	25,174	44,910	58,007	52,299	115,110
Culture and recreation	1,674	2,023	1,554	34,591	1,470
Operating grants and contributions	67,924	64,217	83,005	135,520	47,119
Capital grants and contributions	<u>1,424,036</u>	<u>2,793,402</u>	<u>2,872,517</u>	<u>453,020</u>	<u>115,058</u>
Total governmental activities program revenues	<u>\$ 2,441,419</u>	<u>\$ 3,880,267</u>	<u>\$ 4,143,383</u>	<u>\$ 1,786,749</u>	<u>\$ 1,822,276</u>

City of Kennedale, Texas
Table B – Change in Net Position (Continued)
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2015	2016	2017	2018	2019
Expenses					
Governmental activities					
General government	\$ 1,348,921	\$ 1,340,991	\$ 1,460,659	\$ 1,526,536	\$ 1,979,235
Public safety	4,521,511	4,658,016	4,494,080	4,680,243	5,213,493
Public works	1,638,428	1,838,124	1,743,770	1,615,294	1,737,211
Culture and recreation	339,328	370,519	397,477	436,270	372,805
Economic development	-	-	-	-	-
Interest and fiscal charges	478,440	521,675	348,741	403,223	349,118
Total governmental activities expenses	<u>8,326,628</u>	<u>8,729,325</u>	<u>8,444,727</u>	<u>8,661,566</u>	<u>9,651,862</u>
Business-type activities					
Water, wastewater and storm water drainage	4,112,610	3,506,506	3,271,916	4,558,939	4,089,637
Total business-type activities expenses	<u>4,112,610</u>	<u>3,506,506</u>	<u>3,271,916</u>	<u>4,558,939</u>	<u>4,089,637</u>
Total primary government expenses	<u>\$ 12,439,238</u>	<u>\$ 12,235,831</u>	<u>\$ 11,716,643</u>	<u>\$ 13,220,505</u>	<u>\$ 13,741,499</u>
Program Revenues					
Governmental activities					
Charges for services					
General government	\$ 720,308	\$ 540,893	\$ 457,595	\$ 709,603	\$ 630,969
Public safety	500,044	515,906	353,139	547,621	486,937
Public works	84,250	150,936	92,502	143,445	127,549
Culture and recreation	1,187	164,817	49,410	76,621	68,131
Operating grants and contributions	139,677	126,520	145,560	152,588	154,825
Capital grants and contributions	490,975	2,595,371	154,819	-	-
Total governmental activities program revenues	<u>\$ 1,936,441</u>	<u>\$ 4,094,443</u>	<u>\$ 1,253,025</u>	<u>\$ 1,629,878</u>	<u>\$ 1,468,411</u>

City of Kennedale, Texas
Table B – Change in Net Position (Continued)
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2010	2011	2012	2013	2014
Business-type Activities					
Charges for services					
Water, wastewater and storm water drainage	\$ 2,856,494	\$ 3,633,725	\$ 3,264,892	\$ 3,138,201	\$ 3,775,546
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	<u>2,856,494</u>	<u>3,633,725</u>	<u>3,264,892</u>	<u>3,138,201</u>	<u>3,775,546</u>
Total primary government program revenues	<u>\$ 5,297,913</u>	<u>\$ 7,513,992</u>	<u>\$ 7,408,275</u>	<u>\$ 4,924,950</u>	<u>\$ 5,597,822</u>
Net (Expenses) Revenues					
Governmental activities	\$ (7,182,269)	\$ (3,874,489)	\$ (3,725,611)	\$ (6,022,889)	\$ (6,039,104)
Business-type activities	(145,508)	299,312	24,310	(262,961)	134,958
Total primary government net expenses	<u>\$ (7,327,777)</u>	<u>\$ (3,575,177)</u>	<u>\$ (3,701,301)</u>	<u>\$ (6,285,850)</u>	<u>\$ (5,904,146)</u>
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property	\$ 3,945,627	\$ 3,811,589	\$ 4,010,855	\$ 3,951,116	\$ 4,143,977
Franchise	755,273	808,918	856,096	817,733	871,351
Sales	1,488,953	1,222,642	1,298,044	1,008,875	1,093,946
Investment earnings	14,263	6,401	2,885	724	389
Miscellaneous	363,708	976,899	385,640	426,068	509,287
Transfers	-	-	-	-	-
Total governmental activities	<u>6,567,824</u>	<u>6,826,449</u>	<u>6,553,520</u>	<u>6,204,516</u>	<u>6,618,950</u>
Business-type activities					
Investment earnings	5,220	1,925	1,291	535	218
Transfers	-	-	-	-	-
Total business-type activities	<u>5,220</u>	<u>1,925</u>	<u>1,291</u>	<u>535</u>	<u>218</u>
Total primary government	<u>6,573,044</u>	<u>6,828,374</u>	<u>6,554,811</u>	<u>6,205,051</u>	<u>6,619,168</u>
Change in Net Position					
Governmental activities	(614,445)	2,951,960	2,827,909	181,627	579,846
Business-type activities	(140,288)	301,237	25,601	(262,426)	135,176
Total primary government	<u>\$ (754,733)</u>	<u>\$ 3,253,197</u>	<u>\$ 2,853,510</u>	<u>\$ (80,799)</u>	<u>\$ 715,022</u>

Source: Comprehensive Annual Financial Report

City of Kennedale, Texas
Table B – Change in Net Position (Continued)
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2015	2016	2017	2018	2019
Business-type Activities					
Charges for services					
Water, wastewater and storm water drainage	\$ 3,683,542	\$ 4,782,055	\$ 5,086,486	\$ 4,832,378	\$ 4,467,770
Capital grants and contributions	-	1,479,937	374,296	325,676	51,247
Total business-type activities program revenues	<u>3,683,542</u>	<u>6,261,992</u>	<u>5,460,782</u>	<u>5,158,054</u>	<u>4,519,017</u>
Total primary government program revenues	<u>\$ 5,619,983</u>	<u>\$ 10,356,435</u>	<u>\$ 6,713,807</u>	<u>\$ 6,787,932</u>	<u>\$ 5,987,428</u>
Net (Expenses) Revenues					
Governmental activities	\$ (6,390,187)	\$ (4,634,882)	\$ (7,191,702)	\$ (7,031,688)	\$ (8,183,451)
Business-type activities	(429,068)	2,755,486	2,188,866	599,115	429,380
Total primary government net expenses	<u>\$ (6,819,255)</u>	<u>\$ (1,879,396)</u>	<u>\$ (5,002,836)</u>	<u>\$ (6,432,573)</u>	<u>\$ (7,754,071)</u>
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property	\$ 4,274,752	\$ 4,521,765	\$ 4,703,870	\$ 5,140,105	\$ 5,321,225
Franchise	910,886	545,140	537,454	777,768	1,774,698
Sales	1,491,342	1,253,391	1,208,557	1,459,743	764,887
Investment earnings	887	3,986	13,272	53,986	112,609
Miscellaneous	690,772	308,179	143,633	141,834	219,942
Transfers	49,178	953,377	748,617	-	-
Total governmental activities	<u>7,417,817</u>	<u>7,585,838</u>	<u>7,355,403</u>	<u>7,573,436</u>	<u>8,193,361</u>
Business-type activities					
Investment earnings	281	521	3,919	17,591	43,329
Transfers	(49,178)	(953,377)	(748,617)	-	-
Total business-type activities	<u>(48,897)</u>	<u>(952,856)</u>	<u>(744,698)</u>	<u>17,591</u>	<u>43,329</u>
Total primary government	<u>7,368,920</u>	<u>6,632,982</u>	<u>6,610,705</u>	<u>7,591,027</u>	<u>8,236,690</u>
Change in Net Position					
Governmental activities	1,027,630	2,950,956	163,701	541,748	9,910
Business-type activities	(477,965)	1,802,630	1,444,168	616,706	472,709
Total primary government	<u>\$ 549,665</u>	<u>\$ 4,753,586</u>	<u>\$ 1,607,869</u>	<u>\$ 1,158,454</u>	<u>\$ 482,619</u>

City of Kennedale, Texas
Table C – Fund Balances of Governmental Funds
Modified Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year (Pre-GASB 54 2009-2010) (GASB 54 implemented in fiscal year 2011)									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Unreserved	\$ 1,508,586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	31,348	5,751	46,486	40,633	15,786	240,850	206,755	86,778	54,346
Restricted	-	-	-	-	-	-	-	-	106,347	106,347
Assigned	-	-	-	-	-	-	367,218	-	915,608	915,608
Unassigned	-	1,332,648	1,108,068	937,508	1,193,553	1,716,655	1,972,229	2,264,414	1,746,714	1,597,593
Total general fund	<u>\$ 1,508,586</u>	<u>\$ 1,363,996</u>	<u>\$ 1,113,819</u>	<u>\$ 983,994</u>	<u>\$ 1,234,186</u>	<u>\$ 1,732,441</u>	<u>\$ 2,580,297</u>	<u>\$ 2,471,169</u>	<u>\$ 2,855,447</u>	<u>\$ 2,673,894</u>
All Other Governmental Funds										
Reserved	\$ 38,754	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Special revenue funds	6,995	-	-	-	-	-	-	-	-	-
Capital projects funds	2,863,606	-	-	-	-	-	-	-	-	-
Nonspendable	-	800	800	-	-	-	-	-	-	-
Restricted for										
Debt service funds	-	50,965	90,920	23,829	2,849	10,375	11,861	-	194,135	315,015
Public safety	-	10,948	10,056	3	10,164	5,286	-	155	-	1,895
Economic development	-	-	-	-	1,112	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	1,747
Capital projects funds	-	1,874,243	187,239	185,514	341,663	373,456	400,170	425,432	565,525	3,164,782
Assigned										
Parks	-	-	-	-	-	-	-	-	158,092	84,108
Unassigned	-	-	-	-	-	-	-	-	(788,591)	(594,328)
Total all other governmental funds	<u>\$ 2,909,355</u>	<u>\$ 1,936,956</u>	<u>\$ 289,015</u>	<u>\$ 209,346</u>	<u>\$ 355,788</u>	<u>\$ 389,117</u>	<u>\$ 412,031</u>	<u>\$ 425,587</u>	<u>\$ 130,908</u>	<u>\$ 2,971,472</u>

Source: Comprehensive Annual Financial Report

Notes: The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in fiscal year 2011.

City of Kennedale, Texas

Table D – Changes in Fund Balances of Governmental Funds Modified Accrual Basis of Accounting Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2010	2011	2012	2013	2014
Revenues					
Taxes	\$ 6,175,282	\$ 5,862,988	\$ 6,136,869	\$ 5,799,322	\$ 6,086,574
Licenses, fees and permits	191,016	209,047	311,921	261,451	477,447
Franchise fees	-	-	-	-	-
Fines and penalties	234,065	259,073	246,438	298,964	274,413
Public safety fees	200,904	201,483	210,676	257,998	243,002
Charges for services	323,474	353,045	418,826	379,796	614,145
Intergovernmental	1,487,099	2,278,514	2,955,522	588,540	48,231
Investment earnings	14,263	6,401	2,885	724	389
Contributions	4,861	579,105	-	-	2,314
Miscellaneous	363,708	976,899	385,640	426,068	620,919
Total revenues	<u>8,994,672</u>	<u>10,726,555</u>	<u>10,668,777</u>	<u>8,012,863</u>	<u>8,367,434</u>
Expenditures					
Current					
General government	1,777,568	1,263,666	1,276,738	1,238,641	1,126,632
Public safety	3,952,316	3,992,135	4,149,870	3,964,561	4,052,316
Public works	613,759	974,083	840,656	684,840	1,051,794
Culture and recreation	241,508	260,193	257,103	270,204	272,102
Economic development	2,006,635	-	-	-	-
Capital outlay	5,958,166	7,527,192	4,826,076	664,329	100,478
Debt service					
Principal	488,495	660,969	751,913	806,600	841,178
Interest and fiscal charges	452,946	494,039	589,539	552,879	526,300
Bond issuance costs	87,409	114,480	-	-	-
Total expenditures	<u>15,578,802</u>	<u>15,286,757</u>	<u>12,691,895</u>	<u>8,182,054</u>	<u>7,970,800</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,584,130)</u>	<u>(4,560,202)</u>	<u>(2,023,118)</u>	<u>(169,191)</u>	<u>396,634</u>
Other Financing Sources (Uses)					
Debt issuance	2,000,000	3,260,000	-	-	-
Issuance of capital lease	154,388	119,597	125,000	-	-
Cost to issue debt	-	-	-	-	-
Premium on debt issuance	85,419	63,616	-	-	-
Refunding bonds/lease issued	-	-	-	-	-
Transfers in	158,850	949,476	92,038	295,373	161,832
Transfers out	(158,850)	(949,476)	(92,038)	(295,373)	(161,832)
Total other financing sources (uses)	<u>2,239,807</u>	<u>3,443,213</u>	<u>125,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (4,344,323)</u>	<u>\$ (1,116,989)</u>	<u>\$ (1,898,118)</u>	<u>\$ (169,191)</u>	<u>\$ 396,634</u>
Debt service as a percentage of noncapital expenditures	10.7%	16.4%	17.1%	18.1%	17.4%

Source: Comprehensive Annual Financial Report

City of Kennedale, Texas

Table D – Changes in Fund Balances of Governmental Funds (Continued)
Modified Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2015	2016	2017	2018	2019
Revenues					
Taxes	\$ 6,696,668	\$ 6,330,577	\$ 6,399,207	\$ 6,703,224	\$ 7,169,500
Licenses, fees and permits	346,011	727,163	465,917	462,291	182,210
Franchise fees	-	-	-	777,768	764,887
Fines and forfeitures	228,482	232,660	196,564	189,315	144,181
Public safety fees	247,907	237,104	264,317	184,260	194,930
Charges for services	459,651	73,840	76,682	81,142	82,754
Intergovernmental	630,669	787,432	339,415	712,870	864,336
Investment earnings	887	3,986	13,272	53,986	112,609
Contributions	2,153	1,527	4,399	-	-
Miscellaneous	713,443	306,652	184,530	141,834	219,942
Total revenues	<u>9,325,871</u>	<u>8,700,941</u>	<u>7,944,303</u>	<u>9,306,690</u>	<u>9,735,349</u>
Expenditures					
Current					
General government	1,228,989	1,247,881	1,321,110	1,473,009	1,611,757
Public safety	4,247,507	4,346,827	4,271,460	4,390,751	4,966,865
Public works	850,933	681,748	728,228	718,519	788,130
Culture and recreation	272,964	301,411	322,353	373,593	328,507
Economic development	-	-	-	-	-
Capital outlay	896,467	1,339,271	972,098	207,510	725,256
Debt service					
Principal	844,371	895,356	1,122,944	1,205,033	1,428,543
Interest and fiscal charges	493,943	536,710	349,041	384,963	296,008
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>8,835,174</u>	<u>9,349,204</u>	<u>9,087,234</u>	<u>8,753,378</u>	<u>10,145,066</u>
Excess (deficiency) of revenues over (under) expenditures	<u>490,697</u>	<u>(648,263)</u>	<u>(1,142,931)</u>	<u>553,312</u>	<u>(409,717)</u>
Other Financing Sources (Uses)					
Debt issuance	-	-	-	-	2,760,000
Issuance of capital lease	-	4,087,218	331,865	-	375,378
Cost to issue debt	-	-	-	-	(66,550)
Premium on debt issuance	-	-	-	-	-
Refunding bonds/lease issued	-	(3,646,951)	-	-	-
Transfers in	258,832	1,036,598	1,006,384	277,217	230,437
Transfers out	(258,832)	(83,221)	(257,767)	(277,217)	(230,437)
Total other financing sources (uses)	<u>-</u>	<u>1,393,644</u>	<u>1,080,482</u>	<u>-</u>	<u>3,068,828</u>
Net Change in Fund Balances	<u>\$ 490,697</u>	<u>\$ 745,381</u>	<u>\$ (62,449)</u>	<u>\$ 553,312</u>	<u>\$ 2,659,111</u>
Debt service as a percentage of noncapital expenditures	16.9%	17.9%	18.1%	18.6%	18.3%

City of Kennedale, Texas
Table E – Assessed Value and Estimated
Actual Value of Taxable Property
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2009	\$ 350,723,577	\$ 149,299,553	\$ 63,260,388	\$ 65,266,179	\$ 498,017,339	\$ 0.72250	\$ 498,017,339	100.00%
2010	393,021,180	155,428,659	73,850,746	80,779,880	541,520,705	0.72250	541,520,705	100.00%
2011	381,137,736	151,493,926	52,806,301	63,490,789	521,947,174	0.72250	521,947,174	100.00%
2012	367,644,619	130,187,379	54,138,047	63,654,327	488,315,718	0.72250	488,315,718	100.00%
2013	363,808,684	121,802,411	60,407,246	70,604,766	475,413,575	0.72250	475,413,575	100.00%
2014	369,809,150	122,562,814	62,617,391	74,529,874	480,459,481	0.74750	480,459,481	100.00%
2015	418,964,219	135,862,868	43,604,299	69,044,161	529,387,225	0.74750	529,387,225	100.00%
2016	423,074,019	133,607,106	42,937,171	50,198,154	549,420,142	0.76750	549,420,142	100.00%
2017	434,127,908	137,328,197	21,506,171	25,203,051	567,759,225	0.76750	567,759,225	100.00%
2018	479,936,919	147,896,807	35,746,004	33,925,413	629,654,317	0.77750	629,654,317	100.00%
2019	517,326,245	155,373,286	29,734,655	11,730,455	690,703,731	0.72571	690,703,731	100.00%

Source: Tarrant Appraisal District Totals Report (September).

City of Kennedale, Texas
Table F – Direct and Overlapping
Property Tax Rates
Last Ten Fiscal Years (Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates			
	City Rate	General Obligation Debt Service	Total Direct	Kennedale Independent School District	Tarrant County	Tarrant County College District	Tarrant County Hospital District
2009	0.569197	0.153303	0.72250	1.488610	0.264000	0.137960	0.227897
2010	0.572729	0.149771	0.72250	1.488610	0.264000	0.137670	0.227897
2011	0.571103	0.151397	0.72250	1.544821	0.264000	0.137640	0.227897
2012	0.516013	0.206487	0.72250	1.512068	0.264000	0.148970	0.227897
2013	0.549582	0.172918	0.72250	1.512068	0.264000	0.148970	0.227897
2014	0.560454	0.187046	0.74750	1.492068	0.264000	0.149500	0.227897
2015	0.551216	0.196284	0.74750	1.514717	0.264000	0.149500	0.227897
2016	0.575204	0.192296	0.76750	1.486724	0.264000	0.149500	0.227897
2017	0.581711	0.185789	0.76750	1.486724	0.254000	0.144730	0.227897
2018	0.578750	0.198750	0.77750	1.480000	0.244000	0.140060	0.224429
2019	0.535219	0.190495	0.72571	1.451694	0.234000	0.136070	0.224429

Source: Tarrant Appraisals District (2019 Tax Rates).

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

City of Kennedale, Texas
Table G – Principal Taxpayers
Current Year and Nine Years Ago (Unaudited)

Taxpayer	2019		2009	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value ^a	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value ^a
Tealcove Drive LLC	\$ 9,062,288	1.39%	\$ -	-
Oncor Electric Delivery Co LLC	8,960,720	1.37%	7,088,495	1.42%
Hawk Steel Industries Inc	8,019,184	1.23%	6,354,026	1.28%
SCC 287 LLC	6,968,346	1.07%	-	-
FWT Inc	6,027,780	0.92%	6,877,702	1.38%
TJ Composites Inc	4,054,626	0.62%	-	-
DFW Midstream Services LLC	3,567,710	0.55%	-	-
Hexpol Compounding LLC	3,339,390	0.51%	-	-
Harrison Jet Guns II LP	2,990,733	0.46%	5,252,080	1.05%
Atmos Energy/Mid TEX Division	2,760,400	0.42%	-	-
XTO Energy Inc	-	-	3,162,810	0.64%
Southwestern Bell	-	-	5,916,335	1.19%
Excel Polymers LLC	-	-	6,175,761	1.24%
Rebar Services & Supply Co.	-	-	3,334,486	0.67%
Bloxom, DE Sr. Fund Rp Hold LLC	-	-	3,482,589	0.70%
Goss International Americas Inc	-	-	8,016,371	1.61%
	<u>\$ 55,751,177</u>	<u>8.54%</u>	<u>\$ 55,660,655</u>	<u>11.18%</u>

Source: City of Kennedale, Budget Document, Tarrant County Tax Office and Municipal Advisory Council of Texas.

Note: ^a Taxpayers are assessed on January 1st of each fiscal year.

City of Kennedale, Texas
Table H – Ad-Valorem Tax Levies and Collections
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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	3,936,660	100%
2014	4,083,024	4,015,994	98.36%	20,978	4,036,972	99%
2015	4,231,865	4,174,320	98.64%	97,496	4,271,816	101%
2016	4,501,716	4,464,778	99.18%	26,688	4,491,466	100%
2017	4,644,955	4,589,538	98.81%	34,760	4,624,298	100%
2018	5,086,080	5,045,734	99.21%	-	5,045,734	99%
2019	5,219,526	5,169,354	99.04%	-	5,169,354	99%

Source: Tarrant County Tax Office, Summary Part C (As Of September 30, 2019).

City of Kennedale, Texas

Table I – Ratios of Outstanding Debt by Type Last Ten Fiscal Years (Unaudited)

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita	Population
	Revenue Bonds	General Obligation/Certificates of Obligation	Capital Leases Obligations	Tax Notes	Term Loan	General Obligation/Certificates of Obligation	Capital Leases					
2009	\$ 185,000	\$ 9,982,213	\$ 226,461	\$ -	\$ 125,247	\$ 4,217,788	\$ 107,087	\$ 14,843,796	0.33%	2,199	6,750	
2010	140,000	11,576,363	323,204	-	-	4,028,638	73,068	16,141,273	0.30%	2,370	6,812	
2011	95,000	14,396,250	249,888	-	-	3,828,750	37,399	18,607,287	0.26%	2,691	6,914	
2012	50,000	13,930,405	298,290	-	-	3,621,950	-	17,900,645	0.27%	2,534	7,063	
2013	-	13,240,601	221,065	-	-	3,411,325	1,721,658	18,594,649	0.40%	2,562	7,257	
2014	-	12,469,623	140,436	-	-	3,191,875	1,629,163	17,431,097	0.42%	2,357	7,394	
2015	-	11,655,557	99,701	-	-	2,965,512	1,539,241	16,260,011	0.45%	2,035	7,992	
2016	-	11,001,843	424,473	-	-	2,728,413	1,445,849	15,600,578	0.47%	1,943	8,031	
2017	-	10,026,300	600,557	-	-	2,475,575	1,350,209	14,452,641	0.50%	1,738	8,315	
2018	-	9,024,582	554,114	-	-	2,213,912	1,254,570	13,047,178	0.56%	1,565	8,338	
2019	-	8,099,682	722,846	2,575,000	-	1,941,512	1,149,939	14,488,979	0.52%	1,696	8,543	

Source: Notes to the financial statements and Table N

City of Kennedale, Texas
Table J – Ratios of General Bonded Debt
Outstanding per Capita
Last Ten Fiscal Years (Unaudited)

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds/ Certificates of Obligation	Revenue Bonds	Total		
2009	\$ 9,982,213	\$ 185,000	\$ 10,167,213	2.04%	\$ 1,506
2010	\$ 11,576,363	\$ 140,000	\$ 11,716,363	2.16%	\$ 1,720
2011	\$ 14,396,250	\$ 95,000	\$ 14,491,250	2.78%	\$ 2,096
2012	\$ 13,930,405	\$ 50,000	\$ 13,980,405	2.86%	\$ 1,979
2013	\$ 13,240,601	\$ -	\$ 13,240,601	2.79%	\$ 1,825
2014	\$ 12,469,623	\$ -	\$ 12,469,623	2.60%	\$ 1,686
2015	\$ 11,655,557	\$ -	\$ 11,655,557	2.20%	\$ 1,458
2016	\$ 11,001,843	\$ -	\$ 11,001,843	2.00%	\$ 1,370
2017	\$ 10,026,300	\$ -	\$ 10,026,300	1.77%	\$ 1,206
2018	\$ 9,024,582	\$ -	\$ 9,024,582	1.43%	\$ 1,082
2019	\$ 8,099,682	\$ -	\$ 8,099,682	1.17%	\$ 948

Source: Table E, I and N

City of Kennedale, Texas

Table K – Direct and Overlapping Governmental Activities Debt

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Arlington ISD	\$ 824,135,769	0.03%	\$ 247,241
Fort Worth ISD	966,280,000	0.09%	869,652
Kennedale ISD	33,330,025	40.07%	13,355,341
Mansfield ISD	750,175,000	0.18%	1,350,315
Tarrant County	294,500,000	0.40%	1,178,000
Tarrant County Hospital District	19,300,000	0.40%	77,200
	2,887,720,794		17,077,749
City of Kennedale (Direct Debt)	8,099,682	100.00%	8,099,682
Total Direct and Overlapping Debt	\$ 2,895,820,476		\$ 25,177,431

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

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.

City of Kennedale, Texas
Table L – Legal Debt Margin Information
Last Ten Fiscal Years (Unaudited)

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 2019 was established at \$0.725714 per \$100 assessed valuation based on 100 percent of net taxable value.

City of Kennedale, Texas
Table M – Demographic and Economic Statistics
Last Ten Calendar Years (Unaudited)

Year	Estimated Population	Median Household Income	Per Capita Median Household Income	Unemployment Rate
2010	6,812	\$ 49,091	\$ 24,323	8.5%
2011	6,914	49,091	24,323	7.7%
2012	7,063	49,091	24,323	6.3%
2013	7,257	73,909	31,163	6.9%
2014	7,394	73,909	31,163	5.7%
2015	7,992	73,909	31,163	4.3%
2016	8,031	73,909	31,163	4.1%
2017	8,315	71,875	31,904	5.3%
2018	8,338	72,461	31,335	4.5%
2019	8,543	75,000	32,435	3.5%

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

Note: Personal Income & Per Capita Personal Income & Unemployment Rate: United States Census Bureau, 2017 American Community Survey, Texas Workforce Commission

City of Kennedale, Texas
Table N – Principal Employers
Current and Seven Years Ago (Unaudited)

Employer	2019		2013	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Fort Worth Tower	510	32.90%	480	26.49%
Kennedale Independent School District	412	26.58%	411	22.68%
Speed Fab Crete	183	11.81%	128	7.06%
ARK Contracting Services	52	3.35%	115	6.35%
Harrison Jet Guns	39	2.52%	92	5.08%
Hawk Steel	69	4.45%	92	5.08%
Mike Conkle's Custom Cabinets	48	3.10%	85	4.69%
City of Kennedale	81	5.23%	78	4.30%
Excel Polymers	14	0.90%	76	4.19%
Goss International	-	-	64	3.53%
Texas Tile	32	2.06%	55	3.04%
US Galvanizing LP	12	0.77%	34	1.88%
Stovall Electric	18	1.16%	30	1.66%
Redi-Mix LP	13	0.84%	22	1.21%
H&O Die Supply	9	0.58%	19	1.05%
RE Watson & Associates	41	2.65%	17	0.94%
Global Servo Hydraulics	11	0.71%	9	0.50%
Wear Master	6	0.39%	5	0.28%
	1,550	100.00%	1,812	100.00%

Source: Economic Development Department

City of Kennedale, Texas

Table O – Full-Time Equivalent City Government Employees by Function/Program Last Ten Fiscal Years (Unaudited)

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Management services	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Finance	2.5	2.5	2.5	2.5	2.5	2.5	3.0	2.5	2.5	3.0
Planning	2.5	2.5	2.5	2.5	3.0	3.0	3.0	3.0	3.0	3.0
Building	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Municipal court	2.0	2.0	2.0	2.0	2.0	3.0	2.0	2.0	2.0	1.5
Police										
Officers	19.0	19.0	19.0	19.0	16.0	19.0	20.0	20.0	21.0	21.0
Civilians	7.5	7.5	7.5	7.5	7.5	2.5	2.5	2.1	2.5	2.5
Fire										
Firefighters and officers	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	20.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other public works										
Streets & Parks	6.0	6.0	6.0	6.0	8.0	8.0	8.0	8.0	8.0	8.0
Economic development	-	-	-	-	-	-	-	-	-	-
Library	3.5	3.5	3.5	3.5	3.5	3.5	3.5	4.0	4.0	4.0
Water/Wastewater	10.5	14.5	14.5	12.5	11.5	11.5	11.5	11.5	11.5	11.5
Total	75.5	79.5	79.5	77.5	76.0	75.00	75.5	75.1	76.5	80.5

Sources: FY2018-19 Adopted Budget.

City of Kennedale, Texas

Table P – Operating Indicators by Function/Program Last Ten Fiscal Years (Unaudited)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government											
Building permits issued	102	152	255	535	389	504	406	504	292	593	41
Building inspections conducted	81	92	204	474	363	477	355	1,185	1,752	1,165	399
Police											
Physical arrests	284	265	270	246	244	260	203	203	374	109	111
Parking violations	1,487	1,361	1,389	359	2,117	2,045	1,675	24	6	7	8
Traffic violations	4,736	3,645	4,850	6,248	7,609	4,287	3,778	2,828	4,296	1,692	1,725
Fire											
Emergency responses	1,088	1,156	1,108	1,028	1,039	909	1,131	867	1,166	693	706
Fires extinguished	250	319	315	183	217	135	199	200	200	58	155
Inspections	74	45	32	193	185	173	198	178	218	66	87
Library											
Volumes in collection	18,140	16,971	18,053	17,986	17,943	15,299	14,752	16,292	16,831	16,322	16,322
Total volumes borrowed	310,405	17,279	16,508	16,317	17,429	17,257	16,162	20,288	21,579	18,007	18,007
Water and Wastewater											
New connections	14	21	25	54	36	87	73	39	59	65	81
Average daily consumption	869,925	1,030,864	1,147,339	1,060,488	1,000,704	968,841	892,014	898,918	980,413	909,919	1,003,523
Peak daily consumption	1,784,042	1,913,000	2,550,400	2,939,100	2,355,100	2,135,272	2,471,500	2,021,800	1,884,040	2,449,850	2,015,488

City of Kennedale, Texas
Table Q – Capital Asset Statistics by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police											
Stations	1	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1	1	1
Patrol units	15	17	13	13	13	14	17	17	8	8	8
Fire											
Stations	1	1	1	1	1	1	1	1	1	1	1
Other public works											
Streets (miles)	-	-	-	-	-	-	42	42	46	46	46
Streetlights	-	-	-	-	-	-	332	332	346	346	346
Parks and recreation											
Acreage	28	28	28	28	28	28	28	28	27	27	27
Playgrounds	4	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	3	3	3	3	3	3	3	3	3	3	3
Community centers	1	1	1	1	1	1	1	1	1	1	1
Water and Wastewater											
Water mains (miles)	-	-	-	-	-	-	48	48	49	49	49
Fire hydrants (thousands)	5	5	5	5	5	5	5	5	5	5	5
Storage (thousands of gallons)	3,350	3,350	3,350	3,350	3,350	3,350	3,350	3,350	3,350	3,350	3,350
Elevated	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Ground	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100
Sanitary sewers (miles)	-	-	-	-	-	-	48	48	50	50	50
Storm sewers (miles)	-	-	-	-	-	-	4	4	4	4	4