

City of Kennedale, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended
September 30, 2020

Prepared by
City of Kennedale, Texas
Finance Department

City of Kennedale, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2020

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March 22, 2021

Honorable Mayor and City Council,
Citizens of Kennedale:

The City of Kennedale (City) Financial Management Policies require 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, 2020, 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, 2020, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City of Kennedale was incorporated in 1947. The City of Kennedale is 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 8,255. 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' 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, building inspection and economic development), 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 SH-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 Field, 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 in 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 resale, 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 an 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 spec buildings, along with the openings of a martial arts studio, electric supply store, Dickie's, and 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 may be funded with the City purchasing road material, and the Tarrant County Precinct 2 road crews building the roadways. The City is partnering with the NCTCOG to improve sidewalks in the area and 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 County College District, and the Tarrant County Health District were completed in 2013. The City is working with owners and prospective developers to convert racetrack properties. 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 expanding by obtaining drinking water from the City of Arlington. Five out of six planned water connection points have been completed and approved by TCEQ. By the summer of 2021, the City of Kennedale is expected to begin receiving the majority of its water source from the City of Arlington, reducing its reliance on water from the City of Fort Worth or from groundwater wells.

Also, as part of this collaboration, the City of Kennedale has transitioned 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 continue controlling expenditures and exploring new revenue opportunities to grow the general fund balance. Efforts have been put in 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 despite being placed on a negative outlook by S&P in 2019.

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, 2019. This was the fifteenth 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

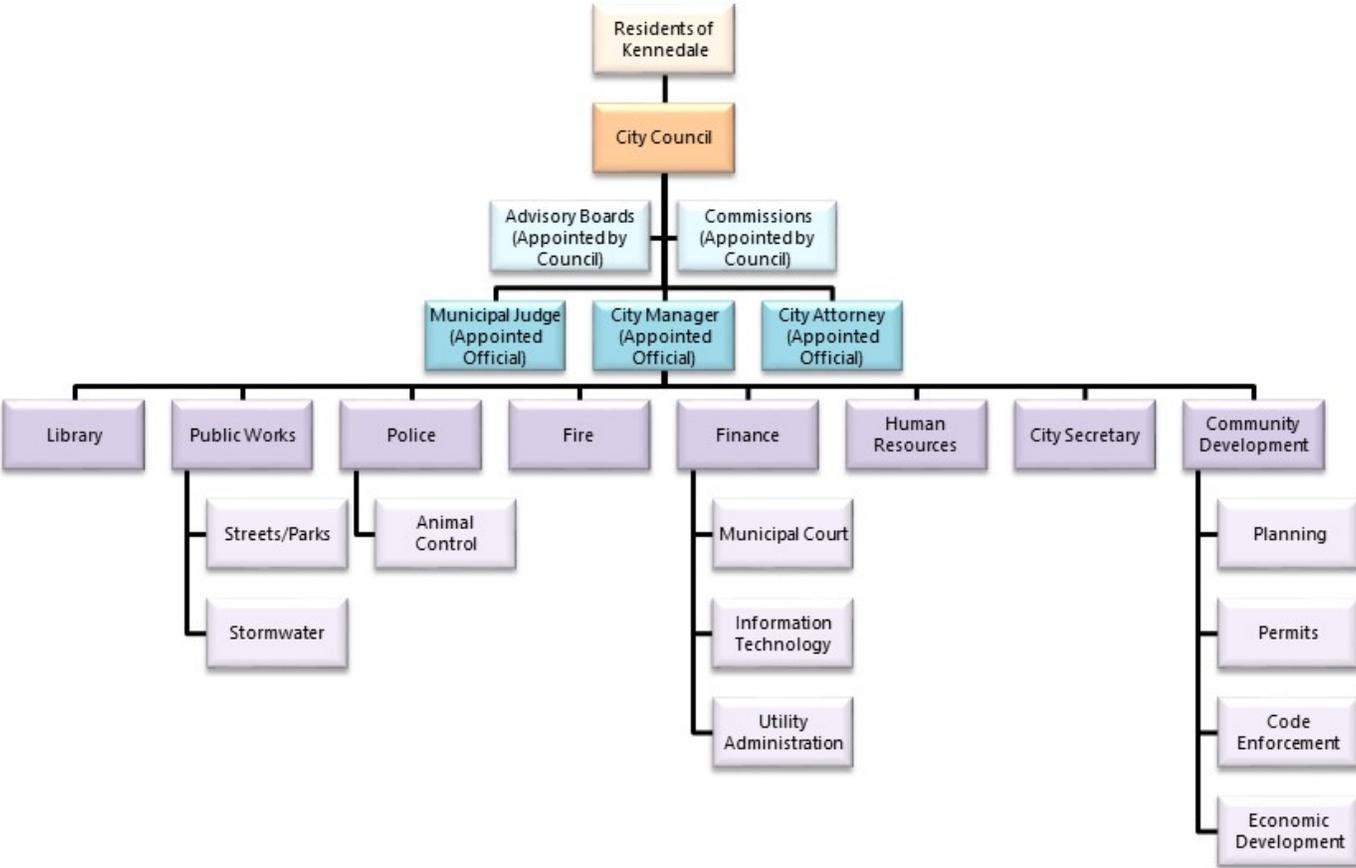
September 30, 2019

Christopher P. Morrill

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

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, 2020, 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, 2020, 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 and schedules 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
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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 March 22, 2021, 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
March 22, 2021

City of Kennedale, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2020

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, 2020. 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 and deferred inflows at the end of fiscal year 2020, resulting in \$43,310,055 of net position. Net position associated with governmental activities is approximately \$27 million, or 62 percent of the total net position of the City. Net position associated with business-type activities is approximately \$16 million, or 38 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 \$38 million.
- Unrestricted net position of the City is \$1.7 million. Unrestricted net position for governmental activities is in a deficit of \$1.5 million. Unrestricted net position for business-type activities is approximately \$3.2 million or 20 percent of total net position for business-type activities.
- As of the close of fiscal year 2020, the City's Governmental Funds reported a combined ending fund balance of \$6,147,847, an increase of \$502,481 from the prior year.
- At the end of the current fiscal year, total fund balance for the General Fund was \$3,135,454. This represents approximately 40 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, 2020

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 eleven 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 seven 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, 2020

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, 2020, City assets and deferred outflows of resources exceeded its liabilities and deferred inflows resulting in \$43,310,055 of net position.

Statement of Net Position for Governmental and Business-type Activities

	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 6,901,210	\$ 3,887,916	\$ 10,789,126	\$ 6,286,730	\$ 3,358,195	\$ 9,644,925
Capital assets	32,555,757	15,868,721	48,424,478	33,267,332	16,489,218	49,756,550
Total assets	39,456,967	19,756,637	59,213,604	39,554,062	19,847,413	59,401,475
Deferred outflows of resources	574,030	68,572	642,602	1,163,482	153,503	1,316,985
Long-term liabilities	10,083,904	2,486,577	12,570,481	12,680,182	3,057,813	15,737,995
Other liabilities	2,373,524	850,036	3,223,560	2,151,612	763,594	2,915,206
Total liabilities	12,457,428	3,336,613	15,794,041	14,831,794	3,821,407	18,653,201
Deferred inflows of resources	670,014	82,096	752,110	142,903	18,968	161,871
Net position						
Net investment in capital assets	25,002,224	13,173,241	38,175,465	27,195,004	13,397,767	40,592,771
Restricted	3,447,408	-	3,447,408	998,047	92,694	1,090,741
Unrestricted	(1,546,077)	3,233,259	1,687,182	(2,450,204)	2,670,080	219,876
Total net position	\$ 26,903,555	\$ 16,406,500	\$ 43,310,055	\$ 25,742,847	\$ 16,160,541	\$ 41,903,388

By far, the largest portion of the City's net position (88 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, 2020

An additional portion of the City's net position (8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,687,182 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, 2020. Overall, the City had an increase in net position of \$1,406,667.

Revenues and Expenses for Governmental and Business-type Activities

	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program Revenues						
Charges for services	\$ 1,557,701	\$ 4,482,591	\$ 6,040,292	\$ 1,313,586	\$ 4,467,770	\$ 5,781,356
Operating grant and contributions	344,278	-	344,278	154,825	-	154,825
Capital grant and contributions	-	10,099	10,099	-	51,247	51,247
General revenues						
Taxes and fees	8,716,775	-	8,716,775	7,860,810	-	7,860,810
Other	99,966	16,298	116,264	332,551	43,329	375,880
Total revenues	10,718,720	4,508,988	15,227,708	9,661,772	4,562,346	14,224,118
Expenses						
General government	2,105,441	-	2,105,441	1,979,235	-	1,979,235
Public safety	4,950,888	-	4,950,888	5,213,493	-	5,213,493
Public works	1,815,849	-	1,815,849	1,737,211	-	1,737,211
Culture and recreation	420,777	-	420,777	372,805	-	372,805
Interest and fiscal charges	265,057	-	265,057	349,118	-	349,118
Water and sewer	-	4,126,861	4,126,861	-	3,953,898	3,953,898
Storm water drainage	-	136,168	136,168	-	135,739	135,739
Total expenses	9,558,012	4,263,029	13,821,041	9,651,862	4,089,637	13,741,499
Change in Net Position	1,160,708	245,959	1,406,667	9,910	472,709	482,619
Net Position, Beginning of Year	25,742,847	16,160,541	41,903,388	25,732,937	15,687,832	41,420,769
Net Position, Ending of Year	\$ 26,903,555	\$ 16,406,500	\$ 43,310,055	\$ 25,742,847	\$ 16,160,541	\$ 41,903,388

Governmental Activities: Governmental activities increased the City's net position by \$1,160,708. Total revenue for the governmental activities increased from the previous year by \$1,056,948. General revenue had a net increase of \$623,380. 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 \$245,959. Total revenue for the business-type activities decreased from the previous year by \$53,358.

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2020

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 \$6,147,847, an increase of \$502,481 from the prior year. This amount includes fund balance restricted for Capital Projects of \$2,839,820, restricted for Debt Service of \$489,285, restricted for Parks of \$70,766, restricted for Municipal Court of \$43,217, and Public Safety of \$4,320. The net unassigned fund balance was \$2,030,575, an increase of \$831,571 from prior year.

In the General Fund, the final budget projected a \$637,285 decrease in fund balance this fiscal year; however, the actual increase was \$461,560. Total revenues were \$831,258 over budget and total expenditures were under budget by \$591,574. Revenues increased from the budget primarily due to increase in property and sales tax. Expenditures decreased from the budget primarily due to under budget public safety 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 \$2,946,002 and the Storm Water Drainage Fund reported an unrestricted net position of \$287,257.

Capital Assets: The City's capital assets for its governmental and business-type activities as of September 30, 2020, amount to \$48,424,478 (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	
	2020	2019	2020	2019	2020	2019
Land	\$ 4,206,187	\$ 4,206,187	\$ 632,490	\$ 620,490	\$ 4,838,677	\$ 4,826,677
Buildings	5,195,573	5,151,356	5,761,788	5,761,788	10,957,361	10,913,144
Machinery and equipment	4,122,617	4,053,981	925,269	1,018,752	5,047,886	5,072,733
Construction in progress	991,972	544,754	575,992	583,539	1,567,964	1,128,293
Infrastructure/water distribution	39,411,897	39,411,897	19,375,874	19,224,629	58,787,771	58,636,526
Accumulated depreciation	(21,372,489)	(20,100,843)	(11,402,692)	(10,719,980)	(32,775,181)	(30,820,823)
Total	<u>\$ 32,555,757</u>	<u>\$ 33,267,332</u>	<u>\$ 15,868,721</u>	<u>\$ 16,489,218</u>	<u>\$ 48,424,478</u>	<u>\$ 49,756,550</u>

Long-term Debt: At the end of the current fiscal year, the City had total bonds outstanding of \$8,804,996 and \$2,275,000 of tax notes, all being tax supported. The City also has approximately \$1,487,180 of additional debt through capital leases.

City of Kennedale, Texas
Management’s Discussion and Analysis (Unaudited)
September 30, 2020

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

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 4,694,711	\$ 4,069,682	\$ 365,285	\$ 491,512	\$ 5,059,996	\$ 4,561,194
Certificates of obligation	2,450,000	4,030,000	1,295,000	1,450,000	3,745,000	5,480,000
Tax notes	2,275,000	2,575,000	-	-	2,275,000	2,575,000
Capital leases	451,985	722,846	1,035,195	1,149,939	1,487,180	1,872,785
Total	<u>\$ 9,871,696</u>	<u>\$ 11,397,528</u>	<u>\$ 2,695,480</u>	<u>\$ 3,091,451</u>	<u>\$ 12,567,176</u>	<u>\$ 14,488,979</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 tax rate of .774085 and budgeted to decrease overall city reserves by approximately \$309,441. The Council did not continue the next phase of public safety or civilian salary/step plans.

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, there is ongoing discussion to open a new Hilton branded hotel within city limits. The city continues to develop the town center with the desired outcome of full occupancy 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

City of Kennedale, Texas
Statement of Net Position
September 30, 2020

	Primary Government			Component Unit
	Governmental	Business-type	Total	Kennedale Economic Development Corporation
	Activities	Activities		
Assets				
Cash and cash equivalents	\$ 6,571,983	\$ 1,859,323	\$ 8,431,306	\$ 862,599
Receivables (net of allowance)				
Accounts	219,435	1,188,190	1,407,625	18,179
Taxes	364,113	-	364,113	92,918
Prepaid items	66,280	167,334	233,614	10,000
Inventory	-	57,381	57,381	-
Internal balances	(320,601)	320,601	-	-
Restricted assets				
Cash and cash equivalents	-	295,087	295,087	-
Capital assets				
Land and construction in progress	5,198,159	1,208,482	6,406,641	864,017
Other capital assets, net of accumulated depreciation	27,357,598	14,660,239	42,017,837	3,558,970
	<u>39,456,967</u>	<u>19,756,637</u>	<u>59,213,604</u>	<u>5,406,683</u>
Total assets				
	<u>39,456,967</u>	<u>19,756,637</u>	<u>59,213,604</u>	<u>5,406,683</u>
Deferred Outflows of Resources				
Deferred charge on refunding	91,045	-	91,045	-
Deferred outflows of resources – Pension	443,091	62,954	506,045	-
Deferred outflows of resources – OPEB	39,894	5,618	45,512	-
	<u>574,030</u>	<u>68,572</u>	<u>642,602</u>	<u>-</u>
Total deferred outflows of resources				
	<u>574,030</u>	<u>68,572</u>	<u>642,602</u>	<u>-</u>
Liabilities				
Accounts payable and contracts payable	305,646	107,274	412,920	3,804
Accrued liabilities	232,431	630	233,061	28,188
Accrued interest	25,917	36,718	62,635	17,367
Due to other governments	5,094	-	5,094	-
Deposits	-	295,087	295,087	-
Unearned revenue	76,472	-	76,472	-
Bonds payable	986,067	296,963	1,283,030	115,081
Tax notes payable	470,000	-	470,000	-
Compensated absences	109,843	499	110,342	-
Capital leases	162,054	112,865	274,919	-
Noncurrent liabilities				
Bonds payable	6,191,966	1,363,322	7,555,288	789,704
Tax notes payable	1,805,000	-	1,805,000	-
Compensated absences	439,372	1,997	441,369	-
Capital leases	289,931	922,330	1,212,261	-
Total OPEB liability	185,647	27,202	212,849	-
Net pension liability	1,171,988	171,726	1,343,714	-
	<u>12,457,428</u>	<u>3,336,613</u>	<u>15,794,041</u>	<u>954,144</u>
Total liabilities				
	<u>12,457,428</u>	<u>3,336,613</u>	<u>15,794,041</u>	<u>954,144</u>
Deferred Inflows of Resources				
Deferred gain on refunding	95,126	-	95,126	-
Deferred inflows of resources – Pension	555,550	79,432	634,982	-
Deferred inflows of resources – OPEB	19,338	2,664	22,002	-
	<u>670,014</u>	<u>82,096</u>	<u>752,110</u>	<u>-</u>
Total deferred inflows of resources				
	<u>670,014</u>	<u>82,096</u>	<u>752,110</u>	<u>-</u>
Net Position				
Net investment in capital assets	25,002,224	13,173,241	38,175,465	3,518,202
Restricted for				
Capital projects	2,839,820	-	2,839,820	-
Debt service	489,285	-	489,285	-
Economic development	-	-	-	934,337
Municipal court	43,217	-	43,217	-
Parks	70,766	-	70,766	-
Other	4,320	-	4,320	-
Unrestricted (deficit)	(1,546,077)	3,233,259	1,687,182	-
	<u>\$ 26,903,555</u>	<u>\$ 16,406,500</u>	<u>\$ 43,310,055</u>	<u>\$ 4,452,539</u>
Total net position				
	<u>\$ 26,903,555</u>	<u>\$ 16,406,500</u>	<u>\$ 43,310,055</u>	<u>\$ 4,452,539</u>

City of Kennedale, Texas
Statement of Activities
For the Year Ended September 30, 2020

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Program				
Primary government				
Governmental activities				
General government	\$ 2,105,441	\$ 748,228	\$ 344,278	\$ -
Public safety	4,950,888	577,428	-	-
Public works	1,815,849	151,253	-	-
Culture and recreation	420,777	80,792	-	-
Interest and fiscal charges	265,057	-	-	-
Total governmental activities	<u>9,558,012</u>	<u>1,557,701</u>	<u>344,278</u>	<u>-</u>
Business-type activities				
Water and wastewater	4,126,861	4,227,715	-	10,099
Storm water drainage	136,168	254,876	-	-
Total business-type activities	<u>4,263,029</u>	<u>4,482,591</u>	<u>-</u>	<u>10,099</u>
Total primary government	<u>\$ 13,821,041</u>	<u>\$ 6,040,292</u>	<u>\$ 344,278</u>	<u>\$ 10,099</u>
Component unit				
Kennedale Economic Development Corporation	<u>\$ 736,933</u>	<u>\$ 224,073</u>	<u>\$ -</u>	<u>\$ -</u>
Total component unit	<u>\$ 736,933</u>	<u>\$ 224,073</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
\$ (1,012,935)	\$ -	\$ (1,012,935)	\$ -
(4,373,460)	-	(4,373,460)	-
(1,664,596)	-	(1,664,596)	-
(339,985)	-	(339,985)	-
(265,057)	-	(265,057)	-
<u>(7,656,033)</u>	<u>-</u>	<u>(7,656,033)</u>	<u>-</u>
-	110,953	110,953	-
-	118,708	118,708	-
-	229,661	229,661	-
<u>\$ (7,656,033)</u>	<u>\$ 229,661</u>	<u>\$ (7,426,372)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (512,860)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (512,860)</u>
\$ 6,144,664	\$ -	\$ 6,144,664	\$ -
1,765,996	-	1,765,996	548,709
806,115	-	806,115	-
59,584	16,298	75,882	4,870
40,382	-	40,382	175,656
<u>8,816,741</u>	<u>16,298</u>	<u>8,833,039</u>	<u>729,235</u>
<u>1,160,708</u>	<u>245,959</u>	<u>1,406,667</u>	<u>216,375</u>
25,742,847	16,160,541	41,903,388	4,236,164
<u>\$ 26,903,555</u>	<u>\$ 16,406,500</u>	<u>\$ 43,310,055</u>	<u>\$ 4,452,539</u>

City of Kennedale, Texas
Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Debt Service	TIRZ #1 New Hope	Capital Bond	Non-major Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 2,900,220	\$ 494,373	\$ 309,294	\$ 2,355,566	\$ 512,530	\$ 6,571,983
Receivables (net of allowance for uncollectibles)						
Accounts	185,303	-	-	23,070	11,062	219,435
Taxes	349,207	14,906	-	-	-	364,113
Due from other funds	92,125	-	64,511	-	-	156,636
Prepaid items	66,280	-	-	-	-	66,280
Advances to other funds	176,235	-	-	-	297,060	473,295
	<u>3,769,370</u>	<u>509,279</u>	<u>373,805</u>	<u>2,378,636</u>	<u>820,652</u>	<u>7,851,742</u>
Total assets	<u>\$ 3,769,370</u>	<u>\$ 509,279</u>	<u>\$ 373,805</u>	<u>\$ 2,378,636</u>	<u>\$ 820,652</u>	<u>\$ 7,851,742</u>
Liabilities						
Accounts payable	\$ 282,665	\$ -	\$ -	\$ 11,551	\$ 11,430	\$ 305,646
Accrued liabilities	232,431	-	-	-	-	232,431
Due to other funds	-	-	-	156,636	-	156,636
Due to other governments	5,094	-	-	-	-	5,094
Advance from other funds	-	-	793,896	-	-	793,896
Unearned revenue	-	-	-	-	76,472	76,472
	<u>520,190</u>	<u>-</u>	<u>793,896</u>	<u>168,187</u>	<u>87,902</u>	<u>1,570,175</u>
Total liabilities	<u>520,190</u>	<u>-</u>	<u>793,896</u>	<u>168,187</u>	<u>87,902</u>	<u>1,570,175</u>
Deferred Inflows of Resources	<u>113,726</u>	<u>19,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,720</u>
Fund Balances						
Nonspendable						
Prepaid items	66,280	-	-	-	-	66,280
Restricted for						
Capital projects	-	-	-	2,210,449	629,371	2,839,820
Debt service	-	489,285	-	-	-	489,285
Municipal court	43,217	-	-	-	-	43,217
Parks	70,766	-	-	-	-	70,766
Public safety	-	-	-	-	4,320	4,320
Assigned						
Capital and special projects	501,973	-	-	-	-	501,973
Parks	-	-	-	-	101,611	101,611
Unassigned (deficits)	2,453,218	-	(420,091)	-	(2,552)	2,030,575
	<u>3,135,454</u>	<u>489,285</u>	<u>(420,091)</u>	<u>2,210,449</u>	<u>732,750</u>	<u>6,147,847</u>
Total fund balances (deficits)	<u>3,135,454</u>	<u>489,285</u>	<u>(420,091)</u>	<u>2,210,449</u>	<u>732,750</u>	<u>6,147,847</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,769,370</u>	<u>\$ 509,279</u>	<u>\$ 373,805</u>	<u>\$ 2,378,636</u>	<u>\$ 820,652</u>	<u>\$ 7,851,742</u>

City of Kennedale, Texas
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2020

Total fund balances – governmental funds		\$ 6,147,847
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.		32,555,757
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.		(25,917)
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.		133,720
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	\$ 91,045	
Deferred outflows of resources – Pension	443,091	
Deferred outflows of resources – OPEB	39,894	
Deferred inflows of resources – Pension	(555,550)	
Deferred inflows of resources – OPEB	<u>(19,338)</u>	(858)
Long-term liabilities, including bonds payable, notes payable, compensated absences, net pension liability are not due and payable in the current period due and payable in the current period and therefore are not reported in the governmental funds balance sheet.		
Bonds payable	(7,144,711)	
Tax notes payable	(2,275,000)	
Issuance premium	(33,322)	
Deferred gain on refunding	(95,126)	
Capital lease obligation	(451,985)	
Compensated absences	(549,215)	
Net pension liability	(1,171,988)	
Total OPEB liability	<u>(185,647)</u>	<u>(11,906,994)</u>
Total net position of governmental activities		<u>\$ 26,903,555</u>

City of Kennedale, Texas
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2020

	General Fund	Debt Service	TIRZ #1 New Hope	Capital Bond	Non-major Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 4,430,487	\$ 1,548,483	\$ 151,375	\$ -	\$ -	\$ 6,130,345
General sales tax	1,765,996	-	-	-	-	1,765,996
Franchise fees	806,115	-	-	-	-	806,115
Licenses and permits	216,699	-	-	-	27,489	244,188
Public safety fees	193,734	-	-	-	-	193,734
Intergovernmental	718,661	-	-	-	346,019	1,064,680
Charges for services	95,155	-	-	-	213,444	308,599
Fines and forfeitures	90,160	-	-	-	618	90,778
Investment earnings	27,722	5,497	1,368	21,436	3,561	59,584
Miscellaneous	39,001	-	-	-	1,381	40,382
Total revenues	8,383,730	1,553,980	152,743	21,436	592,512	10,704,401
Expenditures						
Current						
General government	1,637,549	-	-	-	344,464	1,982,013
Public safety	4,709,552	-	-	-	-	4,709,552
Public works	878,155	-	-	-	-	878,155
Culture and recreation	376,479	-	-	-	-	376,479
Capital outlay	144,261	-	-	400,979	49,829	595,069
Debt service						
Principal	181,977	1,253,462	-	-	-	1,435,439
Interest and fiscal charges	-	276,866	-	-	-	276,866
Total expenditures	7,927,973	1,530,328	-	400,979	394,293	10,253,573
Excess (deficiency) of revenues over (under) expenditures	455,757	23,652	152,743	(379,543)	198,219	450,828
Other financing sources (uses):						
Issuance of debt	5,803	1,260,000	-	-	-	1,265,803
Payment to escrow agent	-	(1,214,150)	-	-	-	(1,214,150)
Transfers in	137,158	104,768	10,000	-	-	251,926
Transfers out	(137,158)	-	-	-	(114,768)	(251,926)
Total other financing sources (uses)	5,803	150,618	10,000	-	(114,768)	51,653
Net Change in Fund Balances	461,560	174,270	162,743	(379,543)	83,451	502,481
Fund Balances (Deficits), Beginning of Year	2,673,894	315,015	(582,834)	2,589,992	649,299	5,645,366
Fund Balances (Deficits), End of Year	\$ 3,135,454	\$ 489,285	\$ (420,091)	\$ 2,210,449	\$ 732,750	\$ 6,147,847

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, 2020

Net change in fund balances – total governmental funds	\$	502,481
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		595,069
Depreciation		(1,306,644)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		14,319
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	\$ 858,775	
Payments on tax notes	300,000	
Payments on capital leases	276,664	1,435,439
The issuance of long-term debt, such as bonds and capital leases, and payments to escrow agents, 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 capital lease	(5,803)	
Proceeds from bond issuance	(1,260,000)	
Payments to escrow agent	1,214,150	
Amortization of deferred loss on refunding bonds	(11,381)	
Amortization of deferred gain on refunding bonds	10,569	
Amortization of bond premium	<u>3,029</u>	(49,436)
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.		
		69,991
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.		
		(19,471)
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.		
		(90,632)
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.		
		<u>9,592</u>
Change in net position of governmental activities	\$	<u><u>1,160,708</u></u>

City of Kennedale, Texas
Statement of Net Position
Proprietary Funds
September 30, 2020

	Water and Wastewater	Non-major Storm Water Drainage	Total Enterprise Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 1,519,030	\$ 340,293	\$ 1,859,323
Receivables (net of allowance for uncollectibles)			
Accounts	1,181,783	6,407	1,188,190
Inventory	57,381	-	57,381
Prepaid expenses	167,334	-	167,334
Restricted cash and cash equivalents			
Customer deposits	295,087	-	295,087
	<u>3,220,615</u>	<u>346,700</u>	<u>3,567,315</u>
Total current assets			
Non-current assets			
Advances to other funds	320,601	-	320,601
Capital assets			
Land and improvements	472,232	160,258	632,490
Buildings	5,761,788	-	5,761,788
Water/Wastewater distribution	18,415,211	960,663	19,375,874
Equipment and furniture	925,269	-	925,269
Construction in progress	537,936	38,056	575,992
Accumulated depreciation	(11,354,648)	(48,044)	(11,402,692)
	<u>15,078,389</u>	<u>1,110,933</u>	<u>16,189,322</u>
Total non-current assets			
Total assets			
	<u>18,299,004</u>	<u>1,457,633</u>	<u>19,756,637</u>
Deferred Outflows of Resources			
Deferred outflows of resources – Pension	62,954	-	62,954
Deferred outflows of resources – OPEB	5,618	-	5,618
	<u>68,572</u>	<u>-</u>	<u>68,572</u>
Total deferred outflows of resources			
Liabilities			
Current liabilities			
Accounts payable	47,831	59,443	107,274
Accrued liabilities	630	-	630
Accrued interest	36,718	-	36,718
Deposits	295,087	-	295,087
Bonds payable	296,963	-	296,963
Capital leases payable	112,865	-	112,865
Compensated absences	499	-	499
	<u>790,593</u>	<u>59,443</u>	<u>850,036</u>
Total current liabilities			
Non-current liabilities			
Bonds payable	1,363,322	-	1,363,322
Capital leases payable	922,330	-	922,330
Compensated absences	1,997	-	1,997
Net pension liability	171,726	-	171,726
Total OPEB liability	27,202	-	27,202
	<u>2,486,577</u>	<u>-</u>	<u>2,486,577</u>
Total non-current liabilities			
Total liabilities			
	<u>3,277,170</u>	<u>59,443</u>	<u>3,336,613</u>
Deferred Inflows of Resources			
Deferred inflows of resources – Pension	79,432	-	79,432
Deferred inflows of resources – OPEB	2,664	-	2,664
	<u>82,096</u>	<u>-</u>	<u>82,096</u>
Total deferred outflows of resources			
Net Position			
Net investment in capital assets	12,062,308	1,110,933	13,173,241
Unrestricted	2,946,002	287,257	3,233,259
	<u>\$ 15,008,310</u>	<u>\$ 1,398,190</u>	<u>\$ 16,406,500</u>
Total net position			

City of Kennedale, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2020

	Water and Wastewater	Non-major Storm Water Drainage	Total Proprietary Funds
Operating Revenues			
Charges for services			
Water	\$ 2,468,531	\$ -	\$ 2,468,531
Wastewater	1,701,336	-	1,701,336
Storm water drainage	-	254,876	254,876
Other	57,848	-	57,848
	<u>4,227,715</u>	<u>254,876</u>	<u>4,482,591</u>
Total operating revenues			
Operating Expenses			
Personnel services	12,589	-	12,589
General and administration	387,805	100,616	488,421
Maintenance and supplies	27,733	-	27,733
Cost of sales and service	2,849,699	16,339	2,866,038
Depreciation	736,720	19,213	755,933
	<u>4,014,546</u>	<u>136,168</u>	<u>4,150,714</u>
Total operating expenses			
Operating Income	213,169	118,708	331,877
Non-operating Revenues (Expenses)			
Interest and investment revenue	15,555	743	16,298
Interest and fiscal charges	(112,315)	-	(112,315)
	<u>(96,760)</u>	<u>743</u>	<u>(96,017)</u>
Total non-operating revenues (expenses)			
Income Before Capital Contributions	<u>116,409</u>	<u>119,451</u>	<u>235,860</u>
Capital Contributions			
Capital contributions	10,099	-	10,099
	<u>10,099</u>	<u>-</u>	<u>10,099</u>
Total capital contributions			
Change in Net Position	126,508	119,451	245,959
Net Position, Beginning of Year	<u>14,881,802</u>	<u>1,278,739</u>	<u>16,160,541</u>
Net Position, End of Year	<u>\$ 15,008,310</u>	<u>\$ 1,398,190</u>	<u>\$ 16,406,500</u>

City of Kennedale, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2020

	Water and Wastewater	Non-major Storm Water Drainage	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 3,563,139	\$ 372,366	\$ 3,935,505
Payments to employees	(407,650)	-	(407,650)
Payments to suppliers	<u>(2,873,815)</u>	<u>(59,060)</u>	<u>(2,932,875)</u>
Net cash provided by operating activities	<u>281,674</u>	<u>313,306</u>	<u>594,980</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(105,513)	(50,185)	(155,698)
Principal payments on debt	(281,227)	-	(281,227)
Interest payments on debt	(117,837)	-	(117,837)
Payments on capital leases	(114,744)	-	(114,744)
Capital contributions - impact fees	<u>10,099</u>	<u>-</u>	<u>10,099</u>
Net cash used in capital and financing activities	<u>(609,222)</u>	<u>(50,185)</u>	<u>(659,407)</u>
Cash Flows From Investing Activities			
Interest on investments	<u>15,555</u>	<u>743</u>	<u>16,298</u>
Net cash provided by investing activities	<u>15,555</u>	<u>743</u>	<u>16,298</u>
Increase (Decrease) in Cash and Cash Equivalents	(311,993)	263,864	(48,129)
Cash and Cash Equivalents, Beginning of Year	<u>2,126,110</u>	<u>76,429</u>	<u>2,202,539</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,814,117</u>	<u>\$ 340,293</u>	<u>\$ 2,154,410</u>
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 213,169	\$ 118,708	\$ 331,877
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	736,720	19,213	755,933
Loss on disposal of assets	20,262	-	20,262
Changes in assets and liabilities			
Accounts receivable	(675,833)	117,490	(558,343)
Prepaid expenses	(19,507)	-	(19,507)
Deferred outflows of resources	84,931	-	84,931
Accounts payable	2,699	57,895	60,594
Accrued expenses	11,420	-	11,420
Net pension liability	(161,829)	-	(161,829)
Compensated absences	87	-	87
Total OPEB Liability	6,427	-	6,427
Deferred inflows of resources	<u>63,128</u>	<u>-</u>	<u>63,128</u>
Net cash provided by operating activities	<u>\$ 281,674</u>	<u>\$ 313,306</u>	<u>\$ 594,980</u>

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2020

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, 2020

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, 2020

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, 2020

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 \$0.734970 per \$100 of which \$0.544429 was allocated for general government and \$0.190541 was allocated for payment of principal and interest on general long-term debt.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2020

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, 2020

- 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 and OPEB plans – 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.
- Changes in actuarial assumptions related to OPEB plan – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

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, 2020

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, 2020

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, 2020

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 \$420,091. It is anticipated that this deficit fund balance will be funded with incremental property tax revenue within the TIRZ in subsequent years. The Library Building Fund also had a deficit fund balance of \$2,552.

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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2020

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, 2020, 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 \$780,720 (with a book value of \$564,143).
- (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.

As of September 30, 2020, the City held the following investments:

	Carrying Value
Primary Government	
TexPool	\$ 7,844,599
TexStar	313,129
Total primary government	8,157,728
Component Unit	
TexPool	829,489
TexStar	33,110
Total component units	862,599
Total investments	\$ 9,020,327

City of Kennedale, Texas
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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) and Texas Local Government Investment Pool (TexPool), through which political subdivisions and other entities may invest public funds.

TexStar, and TexPool 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.

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.

City of Kennedale, Texas
Notes to Basic Financial Statements
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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 Bond	Non-major Governmental	Water and Wastewater	Storm Water Drainage	Total
Receivables							
Taxes	\$ 510,398	\$ 61,542	\$ -	\$ -	\$ -	\$ -	\$ 571,940
Accounts	71,718	-	23,070	11,062	1,471,990	11,612	1,589,452
Intergovernmental	-	-	-	-	-	18,750	18,750
Court fines	1,245,929	-	-	-	-	-	1,245,929
Ambulance	2,957,894	-	-	-	-	-	2,957,894
Gross receivables	4,785,939	61,542	23,070	11,062	1,471,990	30,362	6,383,965
Less: allowance for uncollectibles	(4,251,429)	(46,636)	-	-	(290,207)	(23,955)	(4,612,227)
Net total receivables	<u>\$ 534,510</u>	<u>\$ 14,906</u>	<u>\$ 23,070</u>	<u>\$ 11,062</u>	<u>\$ 1,181,783</u>	<u>\$ 6,407</u>	<u>\$ 1,771,738</u>

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, 2020, 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, 2020, the City had a tax rate of \$.734970 per \$100.00 assessed valuation, of which \$.544429 was allocated for general government and \$.190541 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.

City of Kennedale, Texas
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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.

Note 6: Interfund Receivables, Payables and Transfers

Due To/Due From

The composition of inter-fund balances as of September 30, 2020, is as follows:

	Due to Other Funds	Due from Other Funds
General	\$ -	\$ 92,125
Capital Bond	156,636	-
TIRZ #1 New Hope	-	64,511
Total	\$ 156,636	\$ 156,636

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	\$ -	\$ 176,235
Non-major governmental	-	297,060
Water and Wastewater	-	320,601
TIRZ #1 New Hope	793,896	-
Total	\$ 793,896	\$ 793,896

City of Kennedale, Texas
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Interfund Transfers

Interfund activity for the year ended September 30, 2020, is as follows:

	Transfers In	Transfers Out
General	\$ 137,158	\$ 137,158
Debt Service	104,768	-
TIRZ #1 New Hope	10,000	-
Non-major governmental	-	114,768
Total	\$ 251,926	\$ 251,926

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	544,754	447,218	-	991,972
Total capital assets not being depreciated	4,750,941	447,218	-	5,198,159
Capital assets being depreciated				
Buildings	5,151,356	44,217	-	5,195,573
Infrastructure	39,411,897	-	-	39,411,897
Machinery and equipment	4,053,981	103,634	34,998	4,122,617
Total capital assets being depreciated	48,617,234	147,851	34,998	48,730,087
Less accumulated depreciation for:				
Buildings	2,943,732	154,247	-	3,097,979
Infrastructure	13,987,037	892,233	-	14,879,270
Machinery and equipment	3,170,074	260,164	34,998	3,395,240
Total accumulated depreciation	20,100,843	1,306,644	34,998	21,372,489
Total capital assets being depreciated, net	28,516,391	(1,158,793)	-	27,357,598
Governmental activities capital assets, net	<u>\$ 33,267,332</u>	<u>\$ (711,575)</u>	<u>\$ -</u>	<u>\$ 32,555,757</u>

City of Kennedale, Texas
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Depreciation expense was charged as a direct expense to programs of the primary government as follows:

General government	\$	83,316
Public safety		241,336
Public works		937,694
Culture and recreation		<u>44,298</u>
 Total depreciation expense – governmental activities	 \$	 <u><u>1,306,644</u></u>

Business-type Activities

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 620,490	\$ 12,000	\$ -	\$ 632,490
Construction in progress	<u>583,539</u>	<u>4,453</u>	<u>12,000</u>	<u>575,992</u>
Total capital assets not being depreciated	<u>1,204,029</u>	<u>16,453</u>	<u>12,000</u>	<u>1,208,482</u>
Capital assets being depreciated				
Buildings	5,761,788	-	-	5,761,788
Machinery and equipment	1,018,752	-	93,483	925,269
Improvements (not buildings)	<u>19,224,629</u>	<u>151,245</u>	<u>-</u>	<u>19,375,874</u>
Total capital assets being depreciated	<u>26,005,169</u>	<u>151,245</u>	<u>93,483</u>	<u>26,062,931</u>
Less accumulated depreciation for:				
Buildings	2,769,987	120,521	-	2,890,508
Machinery and equipment	977,565	38,595	73,221	942,939
Improvements (not buildings)	<u>6,972,428</u>	<u>596,817</u>	<u>-</u>	<u>7,569,245</u>
Total accumulated depreciation	<u>10,719,980</u>	<u>755,933</u>	<u>73,221</u>	<u>11,402,692</u>
Total capital assets being depreciated, net	<u>15,285,189</u>	<u>(604,688)</u>	<u>20,262</u>	<u>14,660,239</u>
Business-type activities capital assets, net	<u>\$ 16,489,218</u>	<u>\$ (588,235)</u>	<u>\$ 32,262</u>	<u>\$ 15,868,721</u>

City of Kennedale, Texas
Notes to Basic Financial Statements
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Depreciation expense was charged as a direct expense to programs of the primary government as follows:

Water and wastewater	\$	736,720
Storm water drainage		19,213
Total depreciation expense – business-type activities	\$	755,933

Discretely Presented Component Unit

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	1,084,193	-	-	1,084,193
Infrastructure	209,707	-	-	209,707
Totals capital assets being depreciated	6,211,089	-	-	6,211,089
Less accumulated depreciation for:				
Buildings	1,892,721	245,859	-	2,138,580
Improvements	434,665	54,210	-	488,875
Infrastructure	20,470	4,194	-	24,664
Total accumulated depreciation	2,347,856	304,263	-	2,652,119
Total capital assets, being depreciated, net	3,863,233	(304,263)	-	3,558,970
Capital assets, net	\$ 4,727,250	\$ (304,263)	\$ -	\$ 4,422,987

City of Kennedale, Texas
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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	\$ 3,988,486	\$ 1,260,000	\$ 553,775	\$ 4,694,711	\$ 673,038
Certificates of obligation	4,030,000	-	1,580,000	2,450,000	310,000
Tax notes	2,575,000	-	300,000	2,275,000	470,000
Capital leases	722,846	5,803	276,664	451,985	162,054
Premiums on bonds	81,196	-	47,874	33,322	3,029
Compensated absences	458,583	279,034	188,402	549,215	109,843
Total governmental activities	<u>\$ 11,856,111</u>	<u>\$ 1,544,837</u>	<u>\$ 2,946,715</u>	<u>\$ 10,454,233</u>	<u>\$ 1,727,964</u>
Business-type Activities					
General obligation bonds	\$ 491,512	\$ -	\$ 126,227	\$ 365,285	\$ 131,963
Certificates of obligation	1,450,000	-	155,000	1,295,000	165,000
Capital leases	1,149,939	-	114,744	1,035,195	112,865
Compensated absences	2,409	379	292	2,496	499
Total business-type activities	<u>\$ 3,093,860</u>	<u>\$ 379</u>	<u>\$ 396,263</u>	<u>\$ 2,697,976</u>	<u>\$ 410,327</u>
Discretely Presented Component Unit					
Revenue bonds	\$ 670,000	\$ -	\$ 65,000	\$ 605,000	\$ 70,000
Texas leverage fund loan	343,318	-	43,533	299,785	45,081
Total	<u>\$ 1,013,318</u>	<u>\$ -</u>	<u>\$ 108,533</u>	<u>\$ 904,785</u>	<u>\$ 115,081</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
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On January 21, 2020, the City issued General Obligation Refunding Bond, Series 2020 of \$1,260,000 with an interest rate of 1.93 percent and serial maturities from 2021 through 2030. The bond was issued to refund currently outstanding Series 2010 Certificates of the City. The refunding was undertaken to achieve debt service savings and the remaining proceeds from the sale of the bonds will be used for the discharge and final payment of the outstanding Series 2010 certificates of the City. As a result of the refunding transaction, the City achieved a cash flow savings of \$146,616 and an economic gain of \$105,695.

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:

	Governmental Activities	Business-type Activities	Total Primary Government
<u>General Obligation Bonds</u>			
\$4,365,000, 2007 General Obligation Refunding Bonds, due in annual installments through February 15, 2024, 3.97%	\$ 589,711	\$ 365,288	\$ 954,999
\$1,260,000, 2020 General Obligation Refunding Bonds, due in annual installments through February 15, 2030, 1.93%	1,260,000	-	1,260,000
\$3,720,000, 2016 General Obligation Refunding Bonds, due in annual installments through February 15, 2028, 1.79%	<u>2,845,000</u>	<u>-</u>	<u>2,845,000</u>
	<u>\$ 4,694,711</u>	<u>\$ 365,288</u>	<u>\$ 5,059,999</u>
<u>Certificates of Obligation</u>			
\$2,900,000, 2007 Certificate of Obligation Bonds, due in annual installments through February 15, 2027, 4.10%	\$ -	\$ 1,295,000	\$ 1,295,000
\$2,735,000, 2007A Certificate of Obligation Bonds, due in annual installments through February 15, 2024, 4.00%	815,000	-	815,000
\$3,260,000, 2011 Certificate of Obligation Bonds, due in annual installments through February 15, 2031, 2.00% – 4.00%	<u>1,635,000</u>	<u>-</u>	<u>1,635,000</u>
	<u>\$ 2,450,000</u>	<u>\$ 1,295,000</u>	<u>\$ 3,745,000</u>

City of Kennedale, Texas
Notes to Basic Financial Statements
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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>	<u>Governmental Activities</u>
\$760,000, 2018 Tax Notes due in annual installments through February 15, 2021, 2.40%	\$ 335,000
\$2,000,000, 2019 Tax Notes due in annual installments through February 1, 2026, 1.90%	<u>1,940,000</u>
	<u><u>\$ 2,275,000</u></u>

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

Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 983,038	\$ 103,198	\$ 1,086,236	\$ 296,963	\$ 33,798	\$ 330,761
2022	925,410	86,314	1,011,724	244,584	27,797	272,381
2023	951,588	73,946	1,025,534	253,413	22,831	276,244
2024	979,675	60,304	1,039,979	265,325	17,687	283,012
2025	640,000	46,214	686,214	190,000	12,300	202,300
2026-2030	2,485,000	108,267	2,593,267	410,000	12,710	422,710
2031	<u>180,000</u>	<u>3,600</u>	<u>183,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,144,711</u>	<u>\$ 481,843</u>	<u>\$ 9,332,694</u>	<u>\$ 1,660,285</u>	<u>\$ 127,123</u>	<u>\$ 1,787,408</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.

City of Kennedale, Texas
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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
2021	\$ 470,000	\$ 17,148	\$ 487,148
2022	275,000	14,535	289,535
2023	370,000	11,020	381,020
2024	380,000	7,410	387,410
2025	385,000	3,753	388,753
2026	395,000	-	395,000
Total	<u>\$ 2,275,000</u>	<u>\$ 53,866</u>	<u>\$ 2,328,866</u>

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>(431,913)</u>	<u>(997,166)</u>	<u>(1,429,079)</u>
Total	<u>\$ 623,923</u>	<u>\$ 724,492</u>	<u>\$ 1,348,415</u>

City of Kennedale, Texas
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The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020, were as follows:

Capital Leases		
Fiscal Year	Governmental Activities	Business-Type Activities
2021	\$ 183,732	\$ 152,813
2022	137,879	152,813
2023	114,952	152,813
2024	55,703	152,813
2025	7,168	152,813
2026-2028	-	458,438
Total minimum lease payments	499,434	1,222,503
Less: amount of representing interest	47,449	187,308
Present value of minimum lease payments	<u>\$ 451,985</u>	<u>\$ 1,035,195</u>

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

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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).

At the December 31, 2019, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	114
Active employees	71
	229

Contributions

The contribution rates for employees in TMRS are either 5 percent, 6 percent or 7 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 14.10 percent and 14.10 percent in calendar years 2019 and 2020, respectively. The City’s contributions to TMRS for the year ended September 30, 2020, were \$640,350, and were equal to the required contributions.

City of Kennedale, Texas
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Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5 percent and 3 percent minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor..

Actuarial assumptions used in the December 31, 2019 valuation was based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation.

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.

City of Kennedale, Texas
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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	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	<u>100.00%</u>	

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.

City of Kennedale, Texas
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Changes in the Net Pension Liability

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability(a) - (b)
Balances as of October 1, 2019	\$ 16,872,693	\$ 14,262,712	\$ 2,609,981
Changes for the year			
Service cost	734,380	-	734,380
Interest on total pension liability	1,144,812	-	1,144,812
Effect of difference in expected and actual experience	(90,293)	-	(90,293)
Effect of assumptions changes or inputs	15,333	-	15,333
Benefit payments	(559,415)	(559,415)	-
Administrative expenses	-	(12,459)	12,459
Member contributions	-	295,491	(295,491)
Net investment income	-	2,207,756	(2,207,756)
Employer contributions	-	580,085	(580,085)
Other	-	(374)	374
	<u>1,244,817</u>	<u>2,511,084</u>	<u>(1,266,267)</u>
Balances as of September 30, 2020	<u><u>\$ 18,117,510</u></u>	<u><u>\$ 16,773,796</u></u>	<u><u>\$ 1,343,714</u></u>

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

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	\$ 4,572,960	\$ 1,343,714	\$ (1,203,723)

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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2020

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

For the year ended September 30, 2020, the primary government recognized pension expense of \$515,925. At September 30, 2020, 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	\$ -	\$ 130,054
Change in actuarial assumptions	9,952	
Net difference between projected and actual investment earnings		504,928
Contributions subsequent to the measurement date	496,093	-
	\$ 506,045	\$ 634,982

Reported as deferred outflows, \$496,093 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, 2020. 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		
2021	\$	(240,931)
2022		(165,321)
2023		30,228
2024		(249,006)
	\$	(625,030)

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2020

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).

The following employees were covered by the benefit terms at December 31, 2019, (measurement date):

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	15
Active employees	71
 Total employees	 110

Total OPEB Liability

The City's total OPEB liability of \$212,849 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2020

Actuarial Assumptions

The City’s total OPEB liability in the December 31, 2019, 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, 2019
Discount Rate	2.75% as of December 31, 2019 (3.71% as of December 31, 2019)
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	2019 Municipal Retiree of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In additions, a 305% and 3% minimum mortality rates will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the 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 2.75 percent based on the 20-Year Municipal GO AA Index published by bondbuyer.com is used as of the measurement date of December 31, 2019.

Changes in Total OPEB Liability

	Total OPEB Liability
Balances as of October 1, 2019	\$ 162,559
Changes for the year	
Service cost	14,203
Interest on total OPEB liability	6,271
Difference between expected and actual experience	(6,021)
Effect of assumption changes (discount rate change)	37,090
Benefit payments, age adjusted premiums, net of retiree contributions	(1,253)
Balances as of September 30, 2020	\$ 212,849

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2020

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 2.75 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 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total OPEB Liability	\$ 261,675	\$ 212,849	\$ 176,062

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$23,756. At September 30, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources
Changes of assumptions	\$ -	\$ 13,673
Differences between expected and actual experience	37,531	8,329
Benefit payments subsequent to the measurement date	7,981	-
	\$ 45,512	\$ 22,002

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, 2020.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2020

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

Year Ending September 30	Amortization of Deferred Inflows of Resources
2020	\$ 3,282
2021	3,282
2022	2,998
2023	1,453
2024	4,514
	\$ 15,529

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, 2020, 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, 2020, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2020

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.

Required Supplementary Information

City of Kennedale, Texas
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	Measurement Year 2019
Total Pension Liability						
Service cost	\$ 589,507.00	\$ 648,581	\$ 675,284	\$ 697,041	\$ 712,721	\$ 734,380
Interest (on the Total Pension Liability)	794,485	865,430	912,020	989,009	1,071,891	1,144,812
Differences between expected and actual experience	(102,280)	(168,052)	(109,980)	(52,740)	(205,171)	(90,293)
Changes in assumptions	-	113,774	-	-	-	15,333
Benefit payments, including refunds of employee contributions	(274,797)	(320,705)	(329,210)	(366,034)	(460,511)	(559,415)
Net change in total pension liability	<u>1,006,915</u>	<u>1,139,028</u>	<u>1,148,114</u>	<u>1,267,276</u>	<u>1,118,930</u>	<u>1,244,817</u>
Total pension liability – Beginning	<u>11,192,430</u>	<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>
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>	<u>\$ 18,117,510</u>
Plan Fiduciary Net Position						
Contributions – employer	\$ 397,779	\$ 525,561	\$ 540,075	\$ 565,061	\$ 558,900	\$ 580,085
Contributions – employee	239,832	254,774	265,860	276,603	279,969	295,491
Net investment income	548,705	15,487	740,899	1,687,364	(429,406)	2,207,757
Benefit payments, including refunds of employee contributions	(274,797)	(320,705)	(329,210)	(366,034)	(460,511)	(559,415)
Administrative expense	(5,727)	(9,432)	(8,365)	(8,740)	(8,292)	(12,459)
Other	(471)	(466)	(451)	(443)	(432)	(375)
Net change in plan fiduciary net position	<u>905,321</u>	<u>465,219</u>	<u>1,208,808</u>	<u>2,153,811</u>	<u>(59,772)</u>	<u>2,511,084</u>
Plan fiduciary net position – Beginning	<u>9,589,325</u>	<u>10,494,646</u>	<u>10,959,865</u>	<u>12,168,673</u>	<u>14,322,484</u>	<u>14,262,712</u>
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>\$ 14,262,712</u>	<u>\$ 16,773,796</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>\$ 2,609,981</u>	<u>\$ 1,343,714</u>
Plan fiduciary net position as a percentage of the total pension liability	86.03%	82.17%	84.00%	90.91%	84.53%	92.58%
Covered payroll	\$ 3,426,174	\$ 3,639,622	\$ 3,797,997	\$ 3,951,478	\$ 3,999,556	\$ 4,177,363
City's net pension liability as a percentage of covered payroll	49.76%	65.35%	61.03%	36.22%	65.26%	32.17%

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
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	Fiscal Year 2020
Actuarially determined contribution	\$ 391,136	\$ 483,133	\$ 555,231	\$ 560,038	\$ 566,892	\$ 586,411	\$ 640,350
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>	<u>640,350</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	\$ 4,636,444
Contributions as a percentage of covered payroll	12%	13.51%	14.12%	14.29%	13.97%	13.85%	13.81%

Notes to Schedule:

Notes to Schedule of Contributions

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 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table use for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes: There were no benefit changes during the year

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

	Measurement Year 2018	Measurement Year 2019
Total OPEB Liability		
Service Cost	\$ 17,998	\$ 14,203
Interest Cost	5,765	6,271
Difference Between Expected and Actual Experience of the Total OPEB Liability	(13,157)	(6,021)
Changes of Assumptions	(12,621)	37,090
Benefit Payments	(1,200)	(1,253)
Net Change in Total OPEB Liability	(3,215)	50,290
 Total OPEB Liability (Beginning)	 165,774	 162,559
 Total OPEB Liability (Ending)	 \$ 162,559	 \$ 212,849
 Covered-Employee Payroll	 \$ 3,999,556	 \$ 4,177,363
Total OPEB Liability as a Percentage of Covered-Employee Payroll	4.06%	5.10%

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 3.71 percent to 2.75 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, 2020

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property	\$ 4,210,532	\$ 4,210,532	\$ 4,430,487	\$ 219,955
Sales	1,402,458	1,402,458	1,765,996	363,538
Franchise fees	826,181	826,181	806,115	(20,066)
Licenses and permits	175,070	175,070	216,699	41,629
Fines and forfeitures	179,700	179,700	90,160	(89,540)
Public safety fees		-	193,734	193,734
Intergovernmental	652,475	652,475	718,661	66,186
Charges for service	32,095	32,095	95,155	63,060
Investment earnings	25,037	25,037	27,722	2,685
Other	48,924	48,924	39,001	(9,923)
	<u>7,552,472</u>	<u>7,552,472</u>	<u>8,383,730</u>	<u>831,258</u>
Total revenues				
Expenditures				
Current				
General government	1,792,912	1,792,912	1,637,549	155,363
Public safety	5,120,331	5,120,331	4,709,552	410,779
Public works	1,052,154	1,052,154	878,155	173,999
Culture and recreation	368,418	368,418	376,479	(8,061)
Capital outlay		-	144,261	(144,261)
Debt service				
Principal	185,732	185,732	181,977	3,755
	<u>8,519,547</u>	<u>8,519,547</u>	<u>7,927,973</u>	<u>591,574</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(967,075)</u>	<u>(967,075)</u>	<u>455,757</u>	<u>1,422,832</u>
Other financing sources (uses)				
Lease proceeds	-	-	5,803	5,803
Transfers in	144,058	144,058	137,158	(6,900)
Transfers out	-	-	(137,158)	(137,158)
	<u>144,058</u>	<u>144,058</u>	<u>5,803</u>	<u>(138,255)</u>
Total other financing sources (uses)				
Net Change in Fund Balances	(823,017)	(823,017)	461,560	1,284,577
Fund Balance, Beginning of Year	<u>2,673,894</u>	<u>2,673,894</u>	<u>2,673,894</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,850,877</u>	<u>\$ 1,850,877</u>	<u>\$ 3,135,454</u>	<u>\$ 1,284,577</u>

City of Kennedale, Texas
Notes to Budgetary Information (Unaudited)
September 30, 2020

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.

**Combining and Individual Fund
Statements and Schedules**

City of Kennedale, Texas
Non-major Governmental Funds
September 30, 2020

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.

Police Seizure – to account for funds forfeited from and by federal, state and/or city civil and/or criminal courts, resulting from seizures of assets of narcotics violators

Disaster Recovery – to account for proceeds received to assist the City in recovering after disasters or emergency hardship

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, 2020

	Special Revenue Funds		
	LEOSE	Police Seizure	Disaster Recovery
Assets			
Cash and cash equivalents	\$ 3,657	\$ 663	\$ 76,472
Receivables (net of allowance for uncollectibles)	-	-	-
Advances to other funds	-	-	-
Total assets	<u>\$ 3,657</u>	<u>\$ 663</u>	<u>\$ 76,472</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Unearned revenue	-	-	76,472
Total liabilities	<u>-</u>	<u>-</u>	<u>76,472</u>
Fund Balances (Deficit)			
Restricted for			
Capital projects	-	-	-
Public safety	3,657	663	-
Grants	-	-	-
Assigned			
Parks	-	-	-
Unassigned (deficit)	-	-	-
Total fund balances (deficit)	<u>3,657</u>	<u>663</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,657</u>	<u>\$ 663</u>	<u>\$ 76,472</u>

Capital Projects Funds

Park Dedication	Capital Projects	Roadway Impact Fee	Library Building	Total Non-major Governmental Funds
\$ 101,611	\$ 90,195	\$ 239,932	\$ -	\$ 512,530
-	11,062	-	-	11,062
-	-	297,060	-	297,060
<u>\$ 101,611</u>	<u>\$ 101,257</u>	<u>\$ 536,992</u>	<u>\$ -</u>	<u>\$ 820,652</u>
\$ -	\$ -	8,878	\$ 2,552	\$ 11,430
-	-	-	-	76,472
-	-	8,878	2,552	87,902
-	101,257	528,114	-	629,371
-	-	-	-	4,320
-	-	-	-	-
101,611	-	-	-	101,611
-	-	-	(2,552)	(2,552)
<u>101,611</u>	<u>101,257</u>	<u>528,114</u>	<u>(2,552)</u>	<u>732,750</u>
<u>\$ 101,611</u>	<u>\$ 101,257</u>	<u>\$ 536,992</u>	<u>\$ -</u>	<u>\$ 820,652</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, 2020

Revenues	Special Revenue Funds		
	LEOSE	Police Seizure	Disaster Recovery
Intergovernmental	\$ 1,741	\$ -	344,278
Charges for Services	-	-	-
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Investment earnings	21	6	186
Miscellaneous	-	657	-
	<u>1,762</u>	<u>663</u>	<u>344,464</u>
Total revenues	<u>1,762</u>	<u>663</u>	<u>344,464</u>
 Expenditures			
Current			
General and Administrative Expenses	-	-	32,366
Salaries and Wages	-	-	312,098
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>344,464</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,762</u>	<u>663</u>	<u>-</u>
 Other Financing Uses			
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>
 Net Change in Fund Balances	<u>1,762</u>	<u>663</u>	<u>-</u>
 Fund Balances (Deficit), Beginning of Year	<u>1,895</u>	<u>-</u>	<u>-</u>
 Fund Balances (Deficit), End of Year	<u>\$ 3,657</u>	<u>\$ 663</u>	<u>\$ -</u>

Capital Projects Fund

Park Dedication	Capital Projects	Roadway Impact Fee	Library Building	Total Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 346,019
-	213,444	-	-	213,444
16,800	-	10,689	-	27,489
-	-	-	618	618
793	181	2,374	-	3,561
-	-	-	724	1,381
<u>17,593</u>	<u>213,625</u>	<u>13,063</u>	<u>1,342</u>	<u>592,512</u>
-	-	-	-	32,366
-	-	-	-	312,098
90	-	49,739	-	49,829
<u>90</u>	<u>-</u>	<u>49,739</u>	<u>-</u>	<u>394,293</u>
<u>17,503</u>	<u>213,625</u>	<u>(36,676)</u>	<u>1,342</u>	<u>198,219</u>
<u>-</u>	<u>(104,768)</u>	<u>(10,000)</u>	<u>-</u>	<u>(114,768)</u>
<u>-</u>	<u>(104,768)</u>	<u>(10,000)</u>	<u>-</u>	<u>(114,768)</u>
17,503	108,857	(46,676)	1,342	83,451
84,108	(7,600)	574,790	(3,894)	649,299
<u>\$ 101,611</u>	<u>\$ 101,257</u>	<u>\$ 528,114</u>	<u>\$ (2,552)</u>	<u>\$ 732,750</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, 2020

	<u>Budgeted Amounts</u>		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes – property	\$ 1,487,585	\$ 1,487,585	\$ 1,548,483	\$ 60,898
Investment earnings	6,000	6,000	5,497	(503)
Total revenues	<u>1,493,585</u>	<u>1,493,585</u>	<u>1,553,980</u>	<u>60,395</u>
Expenditures				
Debt service				
Principal	1,487,977	1,487,977	1,253,462	234,515
Interest and other	-	-	276,866	(276,866)
Total expenditures	<u>1,487,977</u>	<u>1,487,977</u>	<u>1,530,328</u>	<u>(42,351)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,608</u>	<u>5,608</u>	<u>23,652</u>	<u>18,044</u>
Other financing sources (uses)				
Lease and notes proceeds	-	-	1,260,000	(1,260,000)
Payment to escrow	-	-	(1,214,150)	1,214,150
Transfers in	256,668	256,668	104,768	(151,900)
Total other financing sources (uses)	<u>256,668</u>	<u>256,668</u>	<u>150,618</u>	<u>(197,750)</u>
Net Change in Fund Balances	262,276	262,276	174,270	(179,706)
Fund Balance, Beginning of Year	<u>309,119</u>	<u>309,119</u>	<u>315,015</u>	<u>5,896</u>
Fund Balance, End of Year	<u>\$ 571,395</u>	<u>\$ 571,395</u>	<u>\$ 489,285</u>	<u>\$ (82,110)</u>

Statistical Section

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 – G
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
<i>Debt Capacity</i>	H – J
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>	K – L
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>	M – O
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.

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Governmental Activities					
Net investment in capital assets	\$ 16,014,362	\$ 20,730,909	\$ 21,100,450	\$ 20,904,287	\$ 21,429,758
Restricted	1,936,156	288,215	227,181	380,622	409,454
Unrestricted	<u>1,023,286</u>	<u>782,589</u>	<u>615,406</u>	<u>933,606</u>	<u>215,475</u>
Total governmental activities net position	<u>\$ 18,973,804</u>	<u>\$ 21,801,713</u>	<u>\$ 21,943,037</u>	<u>\$ 22,218,515</u>	<u>\$ 22,054,687</u>
Business-type Activities					
Net investment in capital assets	\$ 10,134,416	\$ 10,304,477	\$ 10,217,885	\$ 10,443,338	\$ 11,184,859
Restricted	-	-	-	-	-
Unrestricted	<u>1,668,685</u>	<u>1,524,225</u>	<u>1,348,391</u>	<u>1,450,811</u>	<u>17,432</u>
Total business-type activities net position	<u>\$ 11,803,101</u>	<u>\$ 11,828,702</u>	<u>\$ 11,566,276</u>	<u>\$ 11,894,149</u>	<u>\$ 11,202,291</u>
Primary Government					
Net investment in capital assets	\$ 26,148,778	\$ 31,035,386	\$ 31,318,335	\$ 31,347,625	\$ 32,614,617
Restricted	1,936,156	288,215	227,181	380,622	409,454
Unrestricted	<u>2,691,971</u>	<u>2,306,814</u>	<u>1,963,797</u>	<u>2,384,417</u>	<u>232,907</u>
Total primary governmental net position	<u>\$ 30,776,905</u>	<u>\$ 33,630,415</u>	<u>\$ 33,509,313</u>	<u>\$ 34,112,664</u>	<u>\$ 33,256,978</u>

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Governmental Activities					
Net investment in capital assets	\$ 24,048,321	\$ 24,362,252	\$ 24,410,280	\$ 27,195,004	\$ 25,002,224
Restricted	400,170	481,742	867,754	998,047	3,447,408
Unrestricted	689,620	457,818	454,903	(2,450,204)	(1,546,077)
Total governmental activities net position	<u>\$ 25,138,111</u>	<u>\$ 25,301,812</u>	<u>\$ 25,732,937</u>	<u>\$ 25,742,847</u>	<u>\$ 26,903,555</u>
Business-type Activities					
Net investment in capital assets	\$ 13,054,176	\$ 13,238,962	\$ 13,310,004	\$ 13,397,767	\$ 13,173,241
Restricted	-	204,223	274,043	92,694	-
Unrestricted	655,058	1,644,150	2,103,785	2,670,080	3,233,259
Total business-type activities net position	<u>\$ 13,709,234</u>	<u>\$ 15,087,335</u>	<u>\$ 15,687,832</u>	<u>\$ 16,160,541</u>	<u>\$ 16,406,500</u>
Primary Government					
Net investment in capital assets	\$ 37,102,497	\$ 37,601,214	\$ 37,720,284	\$ 40,592,771	\$ 38,175,465
Restricted	400,170	685,965	1,141,797	1,090,741	3,447,408
Unrestricted	1,344,678	2,101,968	2,558,688	219,876	1,687,182
Total primary governmental net position	<u>\$ 38,847,345</u>	<u>\$ 40,389,147</u>	<u>\$ 41,420,769</u>	<u>\$ 41,903,388</u>	<u>\$ 43,310,055</u>

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Expenses					
Governmental activities					
General government	\$ 1,346,455	\$ 1,400,946	\$ 1,338,046	\$ 1,242,021	\$ 1,348,921
Public safety	4,149,812	4,334,370	4,216,559	4,274,108	4,521,511
Public works	1,386,156	1,209,842	1,338,143	1,476,670	1,638,428
Culture and recreation	335,884	344,900	358,251	358,226	339,328
Interest and fiscal charges	536,449	578,936	558,639	510,355	478,440
Total governmental activities expenses	<u>7,754,756</u>	<u>7,868,994</u>	<u>7,809,638</u>	<u>7,861,380</u>	<u>8,326,628</u>
Business-type activities					
Water, wastewater and storm water drainage	3,334,413	3,240,582	3,401,162	3,640,588	4,112,610
Total business-type activities expenses	<u>3,334,413</u>	<u>3,240,582</u>	<u>3,401,162</u>	<u>3,640,588</u>	<u>4,112,610</u>
Total primary government expenses	<u>\$ 11,089,169</u>	<u>\$ 11,109,576</u>	<u>\$ 11,210,800</u>	<u>\$ 11,501,968</u>	<u>\$ 12,439,238</u>
Program Revenues					
Governmental activities					
Charges for services					
General government	\$ 514,732	\$ 668,345	\$ 554,664	\$ 975,684	\$ 720,308
Public safety	460,983	459,955	556,655	567,835	500,044
Public works	44,910	58,007	52,299	115,110	84,250
Culture and recreation	2,023	1,554	34,591	1,470	1,187
Operating grants and contributions	64,217	83,005	135,520	47,119	139,677
Capital grants and contributions	2,793,402	2,872,517	453,020	115,058	490,975
Total governmental activities program revenues	<u>\$ 3,880,267</u>	<u>\$ 4,143,383</u>	<u>\$ 1,786,749</u>	<u>\$ 1,822,276</u>	<u>\$ 1,936,441</u>

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Expenses					
Governmental activities					
General government	\$ 1,340,991	\$ 1,460,659	\$ 1,526,536	\$ 1,979,235	\$ 2,105,441
Public safety	4,658,016	4,494,080	4,680,243	5,213,493	4,950,888
Public works	1,838,124	1,743,770	1,615,294	1,737,211	1,815,849
Culture and recreation	370,519	397,477	436,270	372,805	420,777
Interest and fiscal charges	521,675	348,741	403,223	349,118	265,057
Total governmental activities expenses	<u>8,729,325</u>	<u>8,444,727</u>	<u>8,661,566</u>	<u>9,651,862</u>	<u>9,558,012</u>
Business-type activities					
Water, wastewater and storm water drainage	3,506,506	3,271,916	4,558,939	4,089,637	4,263,029
Total business-type activities expenses	<u>3,506,506</u>	<u>3,271,916</u>	<u>4,558,939</u>	<u>4,089,637</u>	<u>4,263,029</u>
Total primary government expenses	<u>\$ 12,235,831</u>	<u>\$ 11,716,643</u>	<u>\$ 13,220,505</u>	<u>\$ 13,741,499</u>	<u>\$ 13,821,041</u>
Program Revenues					
Governmental activities					
Charges for services					
General government	\$ 540,893	\$ 457,595	\$ 709,603	\$ 630,969	\$ 748,228
Public safety	515,906	353,139	547,621	486,937	577,428
Public works	150,936	92,502	143,445	127,549	151,253
Culture and recreation	164,817	49,410	76,621	68,131	80,792
Operating grants and contributions	126,520	145,560	152,588	154,825	344,278
Capital grants and contributions	2,595,371	154,819	-	-	-
Total governmental activities program revenues	<u>\$ 4,094,443</u>	<u>\$ 1,253,025</u>	<u>\$ 1,629,878</u>	<u>\$ 1,468,411</u>	<u>\$ 1,901,979</u>

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Business-type Activities					
Charges for services					
Water, wastewater, and storm water drainage	\$ 3,633,725	\$ 3,264,892	\$ 3,138,201	\$ 3,775,546	\$ 3,683,542
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	<u>3,633,725</u>	<u>3,264,892</u>	<u>3,138,201</u>	<u>3,775,546</u>	<u>3,683,542</u>
Total primary government program revenues	<u>\$ 7,513,992</u>	<u>\$ 7,408,275</u>	<u>\$ 4,924,950</u>	<u>\$ 5,597,822</u>	<u>\$ 5,619,983</u>
Net (Expenses) Revenues					
Governmental activities	\$ (3,874,489)	\$ (3,725,611)	\$ (6,022,889)	\$ (6,039,104)	\$ (6,390,187)
Business-type activities	<u>299,312</u>	<u>24,310</u>	<u>(262,961)</u>	<u>134,958</u>	<u>(429,068)</u>
Total primary government net expenses	<u>\$ (3,575,177)</u>	<u>\$ (3,701,301)</u>	<u>\$ (6,285,850)</u>	<u>\$ (5,904,146)</u>	<u>\$ (6,819,255)</u>
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property	\$ 3,811,589	\$ 4,010,855	\$ 3,951,116	\$ 4,143,977	\$ 4,274,752
Franchise	808,918	856,096	817,733	871,351	910,886
Sales	1,222,642	1,298,044	1,008,875	1,093,946	1,491,342
Investment earnings	6,401	2,885	724	389	887
Miscellaneous	976,899	385,640	426,068	509,287	690,772
Transfers	-	-	-	-	49,178
Total governmental activities	<u>6,826,449</u>	<u>6,553,520</u>	<u>6,204,516</u>	<u>6,618,950</u>	<u>7,417,817</u>
Business-type activities					
Investment earnings	1,925	1,291	535	218	281
Transfers	-	-	-	-	(49,178)
Total business-type activities	<u>1,925</u>	<u>1,291</u>	<u>535</u>	<u>218</u>	<u>(48,897)</u>
Total primary government	<u>6,828,374</u>	<u>6,554,811</u>	<u>6,205,051</u>	<u>6,619,168</u>	<u>7,368,920</u>
Change in Net Position					
Governmental activities	2,951,960	2,827,909	181,627	579,846	1,027,630
Business-type activities	<u>301,237</u>	<u>25,601</u>	<u>(262,426)</u>	<u>135,176</u>	<u>(477,965)</u>
Total primary government	<u>\$ 3,253,197</u>	<u>\$ 2,853,510</u>	<u>\$ (80,799)</u>	<u>\$ 715,022</u>	<u>\$ 549,665</u>

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Business-type Activities					
Charges for services					
Water, wastewater, and storm water drainage	\$ 4,782,055	\$ 5,086,486	\$ 4,832,378	\$ 4,467,770	\$ 4,482,591
Capital grants and contributions	1,479,937	374,296	325,676	51,247	10,099
Total business-type activities program revenues	<u>6,261,992</u>	<u>5,460,782</u>	<u>5,158,054</u>	<u>4,519,017</u>	<u>4,492,690</u>
Total primary government program revenues	<u>\$ 10,356,435</u>	<u>\$ 6,713,807</u>	<u>\$ 6,787,932</u>	<u>\$ 5,987,428</u>	<u>\$ 6,394,669</u>
Net (Expenses) Revenues					
Governmental activities	\$ (4,634,882)	\$ (7,191,702)	\$ (7,031,688)	\$ (8,183,451)	\$ (7,656,033)
Business-type activities	2,755,486	2,188,866	599,115	429,380	229,661
Total primary government net expenses	<u>\$ (1,879,396)</u>	<u>\$ (5,002,836)</u>	<u>\$ (6,432,573)</u>	<u>\$ (7,754,071)</u>	<u>\$ (7,426,372)</u>
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property	\$ 4,521,765	\$ 4,703,870	\$ 5,140,105	\$ 5,321,225	\$ 6,144,664
Franchise	545,140	537,454	777,768	1,774,698	1,765,996
Sales	1,253,391	1,208,557	1,459,743	764,887	806,115
Investment earnings	3,986	13,272	53,986	112,609	59,584
Miscellaneous	308,179	143,633	141,834	219,942	40,382
Transfers	953,377	748,617	-	-	-
Total governmental activities	<u>7,585,838</u>	<u>7,355,403</u>	<u>7,573,436</u>	<u>8,193,361</u>	<u>8,816,741</u>
Business-type activities					
Investment earnings	521	3,919	17,591	43,329	16,298
Transfers	(953,377)	(748,617)	-	-	-
Total business-type activities	<u>(952,856)</u>	<u>(744,698)</u>	<u>17,591</u>	<u>43,329</u>	<u>16,298</u>
Total primary government	<u>6,632,982</u>	<u>6,610,705</u>	<u>7,591,027</u>	<u>8,236,690</u>	<u>8,833,039</u>
Change in Net Position					
Governmental activities	2,950,956	163,701	541,748	9,910	1,160,708
Business-type activities	1,802,630	1,444,168	616,706	472,709	245,959
Total primary government	<u>\$ 4,753,586</u>	<u>\$ 1,607,869</u>	<u>\$ 1,158,454</u>	<u>\$ 482,619</u>	<u>\$ 1,406,667</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)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ 31,348	\$ 5,751	\$ 46,486	\$ 40,633	\$ 15,786	\$ 240,850	\$ 206,755	\$ 86,778	\$ 54,346	\$ 66,280
Restricted	-	-	-	-	-	-	-	106,347	106,347	113,983
Assigned	-	-	-	-	-	367,218	-	915,608	915,608	501,973
Unassigned	<u>1,332,648</u>	<u>1,108,068</u>	<u>937,508</u>	<u>1,193,553</u>	<u>1,716,655</u>	<u>1,972,229</u>	<u>2,264,414</u>	<u>1,746,714</u>	<u>1,597,593</u>	<u>2,453,218</u>
Total general fund	<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>	<u>\$ 3,135,454</u>
All Other Governmental Funds										
Nonspendable	\$ 800	\$ 800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for										
Debt service funds	50,965	90,920	23,829	2,849	10,375	11,861	-	194,135	315,015	489,285
Public safety	10,948	10,056	3	10,164	5,286	-	155	-	1,895	4,320
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	2,839,820
Assigned										
Parks	-	-	-	-	-	-	-	158,092	84,108	101,611
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(788,591)</u>	<u>(594,328)</u>	<u>(422,643)</u>
Total all other governmental funds	<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>	<u>\$ 3,012,393</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				
	2011	2012	2013	2014	2015
Revenues					
Taxes	\$ 5,862,988	\$ 6,136,869	\$ 5,799,322	\$ 6,086,574	\$ 6,696,668
Licenses, fees, and permits	209,047	311,921	261,451	477,447	346,011
Franchise fees	-	-	-	-	-
Fines and penalties	259,073	246,438	298,964	274,413	228,482
Public safety fees	201,483	210,676	257,998	243,002	247,907
Charges for services	353,045	418,826	379,796	614,145	459,651
Intergovernmental	2,278,514	2,955,522	588,540	48,231	630,669
Investment earnings	6,401	2,885	724	389	887
Contributions	579,105	-	-	2,314	2,153
Miscellaneous	976,899	385,640	426,068	620,919	713,443
Total revenues	10,726,555	10,668,777	8,012,863	8,367,434	9,325,871
Expenditures					
Current					
General government	1,263,666	1,276,738	1,238,641	1,126,632	1,228,989
Public safety	3,992,135	4,149,870	3,964,561	4,052,316	4,247,507
Public works	974,083	840,656	684,840	1,051,794	850,933
Culture and recreation	260,193	257,103	270,204	272,102	272,964
Economic development	-	-	-	-	-
Capital outlay	7,527,192	4,826,076	664,329	100,478	896,467
Debt service					
Principal	660,969	751,913	806,600	841,178	844,371
Interest and fiscal charges	494,039	589,539	552,879	526,300	493,943
Bond issuance costs	114,480	-	-	-	-
Total expenditures	15,286,757	12,691,895	8,182,054	7,970,800	8,835,174
Excess (deficiency) of revenues over (under) expenditures	(4,560,202)	(2,023,118)	(169,191)	396,634	490,697
Other Financing Sources (Uses)					
Debt issuance	3,260,000	-	-	-	-
Issuance of capital lease	119,597	125,000	-	-	-
Cost to issue debt	-	-	-	-	-
Premium on debt issuance	63,616	-	-	-	-
Payment to escrow agent	-	-	-	-	(1,214,150)
Refunding bonds/lease issued	-	-	-	-	-
Transfers in	949,476	92,038	295,373	161,832	258,832
Transfers out	(949,476)	(92,038)	(295,373)	(161,832)	(258,832)
Total other financing sources (uses)	3,443,213	125,000	-	-	(1,214,150)
Net Change in Fund Balances	\$ (1,116,989)	\$ (1,898,118)	\$ (169,191)	\$ 396,634	\$ (723,453)
Debt service as a percentage of noncapital expenditures	16.4%	17.1%	18.1%	17.4%	16.9%

Source: Comprehensive Annual Financial Report

City of Kennedale, Texas

Table D – Changes in Fund Balances of Governmental Funds (Modified Accrual Basis of Accounting)

(Continued)

Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2016	2017	2018	2019	2020
Revenues					
Taxes	\$ 6,330,577	\$ 6,399,207	\$ 6,703,224	\$ 7,169,500	\$ 7,896,341
Licenses, fees, and permits	727,163	465,917	462,291	182,210	244,188
Franchise fees	-	-	777,768	764,887	806,115
Fines and forfeitures	232,660	196,564	189,315	144,181	90,778
Public safety fees	237,104	264,317	184,260	194,930	193,734
Charges for services	73,840	76,682	81,142	82,754	308,599
Intergovernmental	787,432	339,415	712,870	864,336	1,064,680
Investment earnings	3,986	13,272	53,986	112,609	59,584
Contributions	1,527	4,399	-	-	-
Miscellaneous	306,652	184,530	141,834	219,942	40,382
Total revenues	<u>8,700,941</u>	<u>7,944,303</u>	<u>9,306,690</u>	<u>9,735,349</u>	<u>10,704,401</u>
Expenditures					
Current					
General government	1,247,881	1,321,110	1,473,009	1,611,757	1,982,013
Public safety	4,346,827	4,271,460	4,390,751	4,966,865	4,709,552
Public works	681,748	728,228	718,519	788,130	878,155
Culture and recreation	301,411	322,353	373,593	328,507	376,479
Economic development	-	-	-	-	-
Capital outlay	1,339,271	972,098	207,510	725,256	595,069
Debt service					
Principal	895,356	1,122,944	1,205,033	1,428,543	1,435,439
Interest and fiscal charges	536,710	349,041	384,963	296,008	276,866
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>9,349,204</u>	<u>9,087,234</u>	<u>8,753,378</u>	<u>10,145,066</u>	<u>10,253,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(648,263)</u>	<u>(1,142,931)</u>	<u>553,312</u>	<u>(409,717)</u>	<u>450,828</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	-	-	-	-	-
Payment to escrow agent	-	-	-	-	(1,214,150)
Refunding bonds/lease issued	(3,646,951)	-	-	-	1,265,803
Transfers in	1,036,598	1,006,384	277,217	230,437	251,926
Transfers out	(83,221)	(257,767)	(277,217)	(230,437)	(251,926)
Total other financing sources (uses)	<u>1,393,644</u>	<u>1,080,482</u>	<u>-</u>	<u>3,068,828</u>	<u>51,653</u>
Net Change in Fund Balances	<u>\$ 745,381</u>	<u>\$ (62,449)</u>	<u>\$ 553,312</u>	<u>\$ 2,659,111</u>	<u>\$ 502,481</u>
Debt service as a percentage of noncapital expenditures	17.9%	18.1%	18.6%	18.3%	17.7%

Source: Comprehensive Annual Financial Report

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
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%
2020	\$ 584,136,210	\$ 111,486,922	\$ 23,929,984	\$ 57,395,099	\$ 662,158,017	\$ 0.73497	\$ 662,158,017	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
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
2020	0.544429	0.190541	0.73497	1.350000	0.234000	0.130170	0.224429

Source: Tarrant Appraisals District (2020 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 – 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
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%
2020	\$ 5,949,183	\$ 5,798,463	97.47%	\$ -	\$ 5,798,463	97%

Source: Tarrant County Tax Office, Summary Part C (As Of September 30, 2020).

City of Kennedale, Texas
Table H – 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					
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	
2020	\$ -	\$ 7,178,035	\$ 451,985	\$ 2,275,000	\$ -	\$ 1,660,288	\$ 1,035,195	\$ 12,600,503	0.64%	1,526	8,255	

Source: Notes to the financial statements and Table N

City of Kennedale, Texas
Table I – 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		
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
2020	\$ 7,178,035	\$ -	\$ 7,178,035	1.08%	\$ 870

Source: Table E, I and N

City of Kennedale, Texas
Table J – 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 2020 was established at \$0.734970 per \$100 assessed valuation based on 100 percent of net taxable value.

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

Year	Estimated Population	Median Household Income	Per Capita Median Household Income	Unemployment Rate
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%
2020	8,255	\$ 80,565	\$ 35,350	3.3%

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 L – Principal Employers
Current and Seven Years Ago (Unaudited)

Employer	2020		2014	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Fort Worth Tower	0	0.00%	480	26.49%
Kennedale Independent School District	412	38.54%	411	22.68%
Speed Fab Crete	76	7.11%	128	7.06%
ARK Contracting Services	155	14.50%	115	6.35%
Harrison Jet Guns	50	4.68%	92	5.08%
Hawk Steel	62	5.80%	92	5.08%
Mike Conkle's Custom Cabinets	48	4.49%	85	4.69%
City of Kennedale	70	6.55%	78	4.30%
Excel Polymers	14	1.31%	76	4.19%
Goss International	-	-	64	3.53%
Texas Tile	15	1.40%	55	3.04%
US Galvanizing LP	50	4.68%	34	1.88%
Stovall Electric	18	1.68%	30	1.66%
Redi-Mix LP	21	1.96%	22	1.21%
H&O Die Supply	9	0.84%	19	1.05%
RE Watson & Associates	50	4.68%	17	0.94%
Global Servo Hydraulics	11	1.03%	9	0.50%
Wear Master	8	0.75%	5	0.28%
	1,069	100.00%	1,812	100.00%

Source: Economic Development Department

City of Kennedale, Texas

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	3.0	2.5	2.5	3.0	3.0
Planning	2.5	2.5	2.5	3.0	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	3.0	2.0	2.0	2.0	1.5	1.0
Police										
Officers	19.0	19.0	19.0	16.0	19.0	20.0	20.0	21.0	21.0	21.0
Civilians	7.5	7.5	7.5	7.5	2.5	2.5	2.1	2.5	2.5	2.5
Fire										
Firefighters and officers	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	20.0	17.0
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	8.0	8.0	8.0	8.0	8.0	8.0	11.0
Economic development	-	-	-	-	-	-	-	-	-	-
Library	3.5	3.5	3.5	3.5	3.5	3.5	4.0	4.0	4.0	4.0
Water/Wastewater	14.5	14.5	12.5	11.5	11.5	11.5	11.5	11.5	11.5	-
Total	79.5	79.5	77.5	76.0	75.00	75.5	75.1	76.5	80.5	68.5

Sources: FY2018-19 Adopted Budget.

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

City of Kennedale, Texas
Table N – Operating Indicators by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government										
Building permits issued	255	535	389	504	406	504	292	593	41	40
Building inspections conducted	204	474	363	477	355	1,185	1,752	1,165	399	114
Police										
Physical arrests	270	246	244	260	203	203	374	109	111	163
Parking violations	1,389	359	2,117	2,045	1,675	24	6	7	8	6
Traffic violations	4,850	6,248	7,609	4,287	3,778	2,828	4,296	1,692	1,725	2,249
Fire										
Emergency responses	1,108	1,028	1,039	909	1,131	867	1,166	693	706	740
Fires extinguished	315	183	217	135	199	200	200	58	155	29
Inspections	32	193	185	173	198	178	218	66	87	56
Library										
Volumes in collection	18,053	17,986	17,943	15,299	14,752	16,292	16,831	16,322	16,322	16,671
Total volumes borrowed	16,508	16,317	17,429	17,257	16,162	20,288	21,579	18,007	18,007	17,863
Water and Wastewater										
New connections	25	54	36	87	73	39	59	65	81	111
Average daily consumption	1,147,339	1,060,488	1,000,704	968,841	892,014	898,918	980,413	909,919	1,003,523	772,156
Peak daily consumption	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 O – Capital Asset Statistics by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1	1
Patrol units	13	13	13	14	17	17	8	8	8	8
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	-	-	-	-	42	42	46	46	46	46
Streetlights	-	-	-	-	332	332	346	346	346	346
Parks and recreation										
Acreage	28	28	28	28	28	28	27	27	27	27
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	3	3	3	3	3	3	3	3	3	3
Community centers	1	1	1	1	1	1	1	1	1	1
Water and Wastewater										
Water mains (miles)	-	-	-	-	48	48	49	49	49	67
Fire hydrants (thousands)	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	3,325
Elevated	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,145
Ground	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,180
Sanitary sewers (miles)	-	-	-	-	48	48	50	50	50	47
Storm sewers (miles)	-	-	-	-	4	4	4	4	4	5