

City of Kennedale, Texas

Annual Comprehensive Financial Report

**For the Fiscal Year Ended
September 30, 2022**

Prepared by City of Kennedale, Texas Finance Department



City of Kennedale, Texas
Annual Comprehensive Financial Report
Year Ended September 30, 2022

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May 11, 2023

To the Honorable Mayor and City Council and the Citizens of Kennedale:

The City of Kennedale's (the "City") Financial Management Policies require that the Finance Department prepare a complete set of financial statements that are 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 Annual Comprehensive Financial Report (ACFR) for the City of Kennedale, Texas, for the fiscal year ended September 30, 2022 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 Forvis, independent Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2022, 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 unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2022, 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). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditor.

GOVERNMENTAL PROFILE

Incorporated in 1947, the City of Kennedale is a first-tier suburb of Fort Worth and is located adjacent to Arlington and Mansfield in southeast Tarrant County. The City currently occupies a land area of 6.2 square miles and serves a population of 9,200. The City is empowered to levy property tax on both real and business personal properties located within its boundaries. It also is empowered by 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 Council comprised of a Mayor and five Councilmembers, each elected at large. The term of office is two years with the terms of the Mayor and Council Places 2 and 4 expiring in even-numbered years and the terms of Council Places 1, 3, and 5 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 Judge(s). 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 executive directors and heads of departments, and the performance of administrative 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, curbside recycling, streets, stormwater drainage, community development (planning, code enforcement, building inspection, and economic development), and general administrative services. The City contracts with the City of Arlington for the operation and maintenance of its water and wastewater utility system.

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 each 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 considered from the broader perspective of the environment within which the City operates.

LOCAL ECONOMY. After an election in July of 1947, the Town of Kennedale incorporated with a population of 300 people. By 1950, the population had increased to 500 and a petition to the State of Texas was approved which changed the Township into a recognized City. In more recent years, Kennedale is becoming one of Tarrant County's fastest growing cities.

Located at the nexus of Interstate 20 and State Highway 287, the City provides a highly accessible location for both major retail and professional office space. This transportation corridor provides quick and easy access to the Dallas/Fort Worth International Airport. Downtown Fort Worth is just fifteen minutes to the northwest; and downtown Dallas is less than thirty minutes to the east. The City's central location in the fourth largest metropolitan statistical area (MSA) in the nation means that Kennedale is just a short drive from major entertainment venues including Six Flags over Texas, Hurricane Harbor, Texas Motor Speedway, Globe Life Field (home of the MLB's Texas Rangers), AT&T Stadium (home of the NFL's Dallas Cowboys), and Fort Worth's cultural district and nationally ranked zoo.

Kennedale has experienced steady population growth in the last decade. Beautiful Village Creek slowly winds throughout the City, providing a feeling of tranquility in the community. Much of the City's land is undeveloped, allowing for incoming developments and offering residents a respite from the crowds and traffic congestion existing in much of the Dallas-Fort Worth Metroplex. As the economy continues to grow and expand across North Central 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 City's economic growth. 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 employs a four-pronged approach: (1) land acquisition, assembly, and clearing for resale, (2) manufacturing expansion, (3) retail retention and development, and (4) quality of life improvements. In accordance with the adopted master plan, the redevelopment of the Oak Crest area continues. Link Street to Kennedale Parkway was opened in 2015 and an extension was opened in October 2016. The improved access 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. The KEDC is also working with property owners in the area to develop their land.

The Town Center shopping area is currently being renovated to accommodate new and expanded retail and service locations. This area currently houses an electric supply, Dickey's Barbecue, Subway, Bravo Eats, Emory Grace Salon, and a thriving antique mall.

Several new subdivisions and two apartment complexes have been approved in recent years and are nearing completion. Alta 287 features 270 apartments with four adjacent commercial pad sites; Hammack Creek offers 112 apartments; and Magnolia Hills, with 92 single-family homes is nearing sell-out, with a potential forthcoming second phase with 72 additional homes. Other smaller developments, including Oaks Court with 14 single-family homes, have also been built in recent years.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL. The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when goods or services are received and when liabilities are incurred. Accounting records for the City's utilities are, instead, maintained on an 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 City departments are required to submit requests for appropriation to the City Manager no later than June of each year. These requests are used to develop a proposed budget for consideration by the Council no later than 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'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 via budget amendment. 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 Tarrant County Precinct 2 providing labor and equipment. The City has also partnered with the North Central Texas Council of Governments (NCTCOG) to construct sidewalks and crosswalks in the Crestdale neighborhood via the Safe Routes to School (SRTS) program; and TxDOT for an off-system bridge replacement on New Hope Road. The extension of Little School Road to New Hope Road was recently included in a voter-approved Tarrant County Transportation bond package. This extension will not only increase connectivity and traffic movement but will also strengthen public safety response by providing an above-grade railroad crossing to allow access to the western portion of the City and portions of the extraterritorial jurisdiction (ETJ).

An important element of the City's strategic plan - Imagine Kennedale 2015 - was to facilitate the closure of three racetracks in the southwestern portion of the City and to convert those properties primarily 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 has not yet seen significant development in the TIRZ but continues cooperating with owners and prospective developers to convert those racetrack properties. A water and sewer study to plan for the extension of the utility services is complete. The site of the one track that is still in operation is identified in the Parks Master Plan as a future community park.

Actions and initiatives of the Council, Advisory Boards and Commissions, and the professional staff are guided by the City's Strategic Plan (Imagine Kennedale 2015), the Comprehensive Land Use Plan, and the Asset Management Plan. These plans and are expected to be updated during the next two fiscal years to reflect both progress towards established overarching goals as well as newly emerging community ideals. The TIRZ, as noted earlier, is expected to remain a primary focus along with the redevelopment of Oak Crest and the restoration of Village Creek including the potential for new park and trail facilities along the creek.

The preservation and restoration of Village Creek could require assistance from some or all of the following entities: the City of Arlington, the Army Corps of Engineers, the Trinity River Authority (TRA), the Tarrant Regional Water District (TRWD), 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 could prove essential to the City's efforts to continue encouraging the closure of salvage yards located within the Village Creek floodplain.

The partnership with Arlington Water Utilities (AWU) has expanded to include billing, customer service, and water purchase. Five of the six planned water connection points have been completed and approved by TCEQ. The City of Kennedale receives the majority of its water from AWU, reducing reliance on groundwater and water purchased from the City of Fort Worth.

FUTURE PROJECTS. Beyond community development, there will continue to be a focus on operational efficiencies and strategic planning. The Unified Development Code (UDC) was adopted in 2016 and continues to be reviewed and revised. The City is expected to be positively impacted by the TxDOT Southeast Connector, a redesign of the interchange between Interstate 20, Loop 820, and Highway 287. This project is expected to include a continuous access road along Interstate 20 to the west towards the Anglin exit, providing greater connectivity and accessibility to Kennedale Parkway (Business 287).

RELEVANT FINANCIAL POLICIES

The City will continue controlling expenditures, auditing existing contracts, and exploring new revenue opportunities to strengthen 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 (S&P) in the current year despite being placed on a negative outlook by S&P in 2019 - which was lifted during fiscal year 2021.

AWARDS AND ACKNOWLEDGEMENTS

AWARDS. To be awarded a Certificate of Achievement by the Government Finance Officers Association (GFOA), a governmental unit must publish an easily readable and efficiently organized ACFR. This report must satisfy both GAAP and applicable legal requirements for a government to receive this prestigious award. Staff believes the City's current ACFR will meet program requirements and will be submitted to GFOA for consideration.

ACKNOWLEDGMENTS. The preparation of this report would not be possible without the efficient and dedicated services of the Finance staff and our independent auditors. We would like to express our sincere appreciation to all 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,



Darrell Hull
City Manager

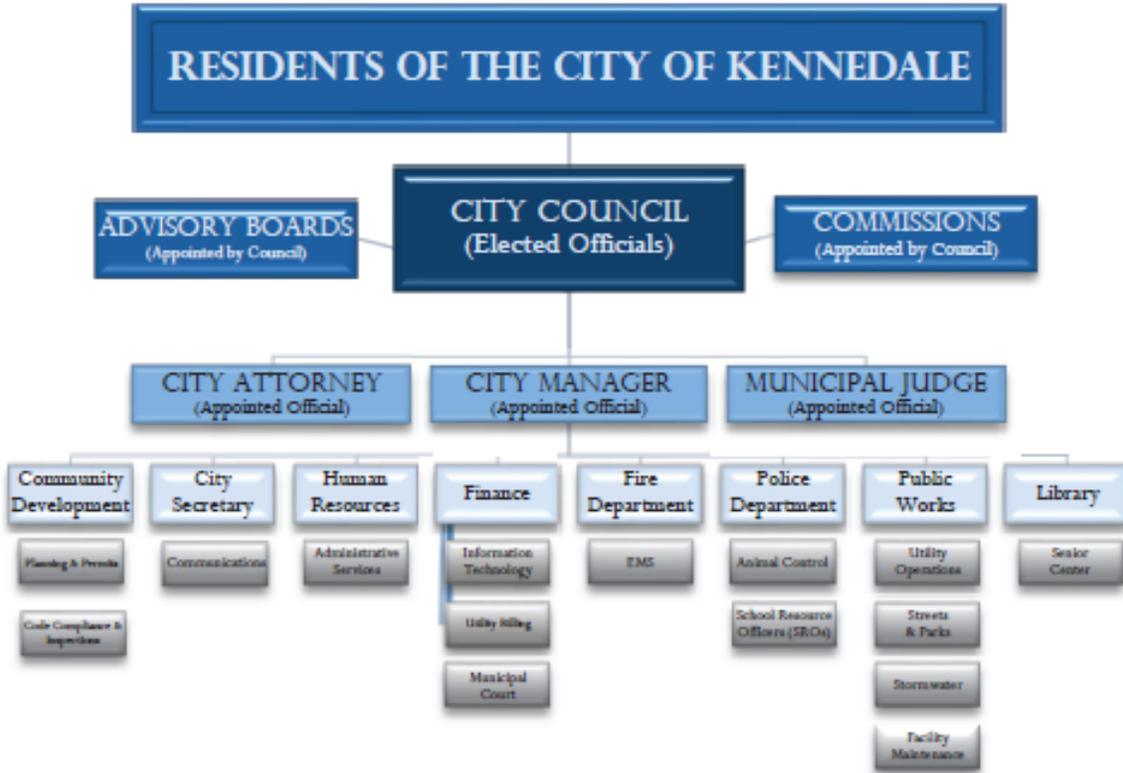


Jonathan Horton, CPA
Director of Finance

City of Kennedale, Texas

Organizational Chart

ORGANIZATIONAL CHART



City of Kennedale, Texas
List of Principal Officers as of September 30, 2022

Elected Officials

| | |
|-----------------------|------------------|
| Mayor | Jan Joplin |
| City Council, Place 1 | Rockie Gilley |
| City Council, Place 2 | Brad Horton |
| City Council, Place 3 | Kenneth Michels |
| City Council, Place 4 | Austin Degenhart |
| City Council, Place 5 | James Connor |

Appointed & Key Officials

| | |
|---|---|
| City Manager | Darrell Hull |
| City Secretary and Communications Coordinator | Kelli Alphin |
| City Attorney | Taylor, Olsen, Adkins, Sralla & Elam, LLP |
| Interim Director of Finance | Tanisha Sherman |
| Director of Human Resources and Administrative Services | Caroline Green |
| Police Chief | Mike Holguin |
| Fire Chief | James Brown |
| Director of Public Works and Planning | James Cowey |

**Economic Development Corporation (EDC)
Board of Directors**

| | |
|---------|----------------------------|
| Place 1 | Tyson Eubanks |
| Place 2 | Marcel Terry |
| Place 3 | Councilmember James Connor |
| Place 4 | Darold Tippey |
| Place 5 | Jerod Reeves |
| Place 6 | KEDC President Mark Yeary |
| Place 7 | David Dickinson-Cuniff |



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Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Kennedale, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kennedale, Texas (City) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The financial statements of Kennedale Economic Development Corporation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matters

As discussed in *Note 1* to the financial statements, the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases*, in fiscal year 2022.

As discussed in *Note 1* to the financial statements, beginning of the year net position for the governmental activities and discretely presented component unit and fund balance for the general fund has been restated for an error correction.

Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary 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 combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2023, 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.

FORVIS,LLP

**Dallas, Texas
May 11, 2023**

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City of Kennedale, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2022

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, 2022. 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 2022, resulting in \$45,912,442 of net position. Net position associated with governmental activities is approximately \$29.5 million, or 64 percent of the total net position of the City. Net position associated with business-type activities is approximately \$16.4 million, or 36 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 \$39.5 million.
- Unrestricted net position of the City is \$4.3 million. Unrestricted net position for governmental activities is approximately \$1.2 million or 4 percent of total net position of governmental activities. Unrestricted net position for business-type activities is approximately \$3.1 million or 18 percent of total net position for business-type activities.
- As of the close of fiscal year 2022, the City's Governmental Funds reported a combined ending fund balance of \$12,894,579, an increase of \$6,053,964 from the prior year's restated balance.
- At the end of the current fiscal year, total fund balance for the General Fund was \$2,469,577. This represents approximately 24 percent of General Fund expenditures.
- Effective October 1, 2021, the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Comparative information presented herein has not been restated for the adoption of GASB 87 because the basic financial statements present fiscal year 2022 only.

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, 2022

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 twelve 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, Disaster Recovery 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, 2022

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, 2022, City assets and deferred outflows of resources exceeded its liabilities and deferred inflows resulting in \$45,912,442 of net position.

Statement of Net Position for Governmental and Business-type Activities

| | 2022 | | | 2021 | | |
|----------------------------------|----------------------------|-----------------------------|---------------|----------------------------|-----------------------------|---------------|
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total |
| Current and other assets | \$ 15,861,896 | \$ 5,949,978 | \$ 21,811,874 | \$ 9,105,608 | \$ 4,974,878 | \$ 14,080,486 |
| Capital and lease assets | 31,266,875 | 14,584,440 | 45,851,315 | 31,820,654 | 15,184,904 | 47,005,558 |
| Total assets | 47,128,771 | 20,534,418 | 67,663,189 | 40,926,262 | 20,159,782 | 61,086,044 |
| Deferred outflows of resources | 971,085 | - | 971,085 | 781,145 | 99,362 | 880,507 |
| Long-term liabilities | 12,640,092 | 1,549,557 | 14,189,649 | 8,979,340 | 2,156,817 | 11,136,157 |
| Other liabilities | 4,546,428 | 2,558,187 | 7,104,615 | 3,188,969 | 846,178 | 4,035,147 |
| Total liabilities | 17,186,520 | 4,107,744 | 21,294,264 | 12,168,309 | 3,002,995 | 15,171,304 |
| Deferred inflows of resources | 1,421,936 | - | 1,421,936 | 656,758 | 64,254 | 721,012 |
| Net position: | | | | | | |
| Net investment in capital assets | 26,469,802 | 13,041,116 | 39,510,918 | 25,697,075 | 12,898,376 | 38,595,451 |
| Restricted | 1,817,752 | 294,597 | 2,112,349 | 3,770,054 | 218,327 | 3,988,381 |
| Unrestricted | 1,203,846 | 3,090,961 | 4,294,807 | (584,789) | 4,075,192 | 3,490,403 |
| Total net position | \$ 29,491,400 | \$ 16,426,674 | \$ 45,918,074 | \$ 28,882,340 | \$ 17,191,895 | \$ 46,074,235 |

By far, the largest portion of the City's net position (85 percent) reflects its investment in capital and lease 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, 2022

An additional portion of the City's net position (5 percent) represents resources that are subject to external restrictions on how they may be used.

Analysis of City's Operations: The following table provides a summary of the City's operations for the year ended September 30, 2022. Overall, the City had an increase in net position of \$324,113.

Revenues and Expenses for Governmental and Business-type Activities

| | 2022 | | | 2021 | | |
|--|------------------------------------|-------------------------------------|----------------------|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 1,730,525 | \$ 4,721,496 | \$ 6,452,021 | \$ 2,769,363 | \$ 4,615,697 | \$ 7,385,060 |
| Operating grant and contributions | 140,941 | - | 140,941 | 482,486 | - | 482,486 |
| Capital grant and contributions | - | 134,266 | 134,266 | - | 302,297 | 302,297 |
| General revenues | | | | | | |
| Taxes and fees | 9,706,895 | - | 9,706,895 | 9,588,009 | - | 9,588,009 |
| Other | 258,578 | 33,741 | 292,319 | 87,139 | 1,217 | 88,356 |
| Grants not restricted to a specific purpose | 139,053 | - | 139,053 | - | - | - |
| Total revenues | 11,975,992 | 4,889,503 | 16,865,495 | 12,926,997 | 4,919,211 | 17,846,208 |
| Expenses | | | | | | |
| General government | 2,150,492 | - | 2,150,492 | 1,852,414 | - | 1,852,414 |
| Public safety | 5,916,631 | - | 5,916,631 | 6,244,588 | - | 6,244,588 |
| Public works | 1,870,477 | - | 1,870,477 | 1,938,720 | - | 1,938,720 |
| Culture and recreation | 411,125 | - | 411,125 | 393,212 | - | 393,212 |
| Interest and fiscal charges | 404,756 | - | 404,756 | 331,754 | - | 331,754 |
| Water and sewer | - | 5,698,754 | 5,698,754 | - | 4,146,901 | 4,146,901 |
| Storm water drainage | - | 83,495 | 83,495 | - | 174,439 | 174,439 |
| Total expenses | 10,753,481 | 5,782,249 | 16,535,730 | 10,760,688 | 4,321,340 | 15,082,028 |
| Increase (Decrease) in Net Position Before Transfers | 1,222,511 | (892,746) | 329,765 | 2,166,309 | 597,871 | 2,764,180 |
| Transfers | (127,525) | 127,525 | - | (187,524) | 187,524 | - |
| Change in Net Position | 1,094,986 | (765,221) | 329,765 | 1,978,785 | 785,395 | 2,764,180 |
| Net Position, Beginning of Year, as Previously Reported | 28,837,923 | 17,191,895 | 46,029,818 | 26,903,555 | 16,406,500 | 43,310,055 |
| Adjustment applicable to prior years | (441,509) | - | (441,509) | - | - | - |
| Net Position, Beginning of Year | 28,396,414 | 17,191,895 | 45,588,309 | 26,903,555 | 16,406,500 | 43,310,055 |
| Net Position, Ending of Year | \$ 29,491,400 | \$ 16,426,674 | \$ 45,918,074 | \$ 28,882,340 | \$ 17,191,895 | \$ 46,074,235 |

Governmental Activities: Governmental activities increased the City's net position by \$1,089,334. Total revenue for the governmental activities decreased from the previous year by \$884,819. General revenue had a net increase of \$429,378. 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 decreased as a result of a decrease in charges for services.

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2022

Business-type Activities: Net position from business-type activities decreased by \$765,221. Total revenue for the business-type activities decreased from the previous year by \$29,708, primarily due to decreased capital grants and contributions. Additionally, total expenses for business-type activities increased from the previous year by \$1,460,909, primarily due to a loss on the disposal of capital assets and increase water and wastewater expenses.

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 \$12,894,579, an increase of \$6,053,964 from the prior year. This increase was primarily driven by the issuance of \$6 million in debt which will be expended in future years on capital projects. This amount includes fund balance restricted for Capital Projects of \$8,863,433, restricted for Debt Service of \$838,141, restricted for Parks of \$71,787, restricted for Municipal Court of \$55,749, restricted for Tourism of \$41,928, and Public Safety of \$4,652. The net unassigned fund balance was \$2,291,071, a decrease of \$128,220 from prior year.

In the General Fund, the final budget projected a \$899,432 decrease in fund balance this fiscal year; however, the actual decrease was \$275,871. Total revenues were \$1,566,229 over budget and total expenditures were over budget by \$942,668. Revenues increased from the budget primarily due to increase in property tax, franchise fees and public safety fees. Expenditures increased from the budget primarily due to over budget in all departments except for public works, as well as unbudgeted expenditures for capital outlay and principal payments.

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 \$2,477,602 and the Storm Water Drainage Fund reported an unrestricted net position of \$613,359.

Capital and Lease Assets: The City's capital and lease assets for its governmental and business-type activities as of September 30, 2022, amount to \$45,851,315 (net of accumulated depreciation and amortization). This net investment in capital assets includes land, buildings, park facilities, roads, bridges, and water and sewer lines.

Overall decrease in net capital assets can be attributed to depreciation and disposal of water meters.

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

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2022

| | Governmental Activities | | Business-type Activities | | Totals | |
|---------------------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land | \$ 4,206,187 | \$ 4,206,187 | \$ 632,490 | \$ 632,490 | \$ 4,838,677 | \$ 4,838,677 |
| Buildings | 5,485,109 | 5,447,111 | 5,761,788 | 5,761,788 | 11,246,897 | 11,208,899 |
| Machinery and equipment | 3,828,157 | 4,242,622 | 763,547 | 925,269 | 4,591,704 | 5,167,891 |
| Construction in progress | 1,275,695 | 1,015,890 | 586,482 | 586,482 | 1,862,177 | 1,602,372 |
| Lease assets | 238,968 | - | - | - | 238,968 | - |
| Infrastructure/water distribution | 39,536,846 | 39,511,897 | 18,175,437 | 19,400,847 | 57,712,283 | 58,912,744 |
| Accumulated depreciation/amortization | (23,304,087) | (22,603,053) | (11,335,304) | (12,121,972) | (34,639,391) | (34,725,025) |
| Total | <u>\$ 31,266,875</u> | <u>\$ 31,820,654</u> | <u>\$ 14,584,440</u> | <u>\$ 15,184,904</u> | <u>\$ 45,851,315</u> | <u>\$ 47,005,558</u> |

Long-term Debt: At the end of the current fiscal year, the City had total bonds outstanding of \$12,171,222 and \$1,530,000 of tax notes, all being tax supported. The City also has approximately \$145,422 in lease liabilities and total notes payable of \$805,984. During 2022, the City issued \$6 million in combination and tax revenue certificates of obligations.

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

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| General obligation bonds | \$ 4,816,262 | \$ 5,561,675 | \$ 158,734 | \$ 233,322 | \$ 4,974,996 | \$ 5,794,997 |
| Certificates of obligation | 6,236,226 | 625,000 | 960,000 | 1,130,000 | 7,196,226 | 1,755,000 |
| Tax notes | 1,530,000 | 1,805,000 | - | - | 1,530,000 | 1,805,000 |
| Notes payable | - | - | 805,984 | 923,206 | 805,984 | 923,206 |
| Lease liability | 145,422 | - | - | - | 145,422 | - |
| Total | <u>\$ 12,727,910</u> | <u>\$ 7,991,675</u> | <u>\$ 1,924,718</u> | <u>\$ 2,286,528</u> | <u>\$ 14,652,628</u> | <u>\$ 10,278,203</u> |

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

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

For fiscal year 2023, the City Council passed a property tax rate of \$0.706190 per \$100 of taxable value and budgeted for a balanced budget in the General Fund. The adopted budget includes cost of living increases for all employees and various capital equipment purchases and capital projects throughout the departments. Work will begin on updating the City's Comprehensive Plan, Unified Development Code, and water utilities contract.

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.

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2022

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.

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Basic Financial Statements

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City of Kennedale, Texas
Statement of Net Position
September 30, 2022

| | Primary Government | | | Component Unit |
|---|--------------------|---------------|---------------|---|
| | Governmental | Business-type | Total | Kennedale Economic Development Corporation |
| | Activities | Activities | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 15,233,205 | \$ 5,098,846 | \$ 20,332,051 | \$ 2,011,221 |
| Receivables (net of allowance) | | | | |
| Accounts | 244,700 | 112,419 | 357,119 | 22,766 |
| Taxes | 383,991 | - | 383,991 | 105,702 |
| Leases | - | - | - | 594,841 |
| Prepaid items | - | 100,000 | 100,000 | 10,000 |
| Restricted assets | | | | |
| Cash and cash equivalents | - | 638,713 | 638,713 | - |
| Capital and lease assets | | | | |
| Land and construction in progress | 5,481,882 | 1,218,972 | 6,700,854 | 870,292 |
| Other capital and lease assets, net of accumulated depreciation and amortization | 25,784,993 | 13,365,468 | 39,150,461 | 2,950,443 |
| Total assets | 47,128,771 | 20,534,418 | 67,663,189 | 6,565,265 |
| Deferred Outflows of Resources | | | | |
| Deferred loss on refunding | 68,283 | - | 68,283 | - |
| Deferred outflows of resources – Pension | 838,581 | - | 838,581 | - |
| Deferred outflows of resources – OPEB | 64,221 | - | 64,221 | - |
| Total deferred outflows of resources | 971,085 | - | 971,085 | - |
| Liabilities | | | | |
| Accounts payable and contracts payable | 439,121 | 1,804,082 | 2,243,203 | 141 |
| Accrued liabilities | 287,275 | - | 287,275 | 33,899 |
| Accrued interest | 36,315 | 34,828 | 71,143 | 7,606 |
| Due to other governments | 7,813 | - | 7,813 | - |
| Deposits | - | 344,116 | 344,116 | - |
| Unearned revenue | 2,007,290 | - | 2,007,290 | - |
| Bonds payable | 1,196,895 | 253,413 | 1,450,308 | 80,000 |
| Tax notes payable | 370,000 | - | 370,000 | - |
| Compensated absences | 108,861 | - | 108,861 | - |
| Notes payable | - | 121,748 | 121,748 | 48,345 |
| Lease liability | 92,858 | - | 92,858 | - |
| Noncurrent liabilities | | | | |
| Bonds payable | 9,855,593 | 865,321 | 10,720,914 | 380,000 |
| Tax notes payable | 1,160,000 | - | 1,160,000 | - |
| Compensated absences | 435,443 | - | 435,443 | - |
| Notes payable | - | 684,236 | 684,236 | 152,951 |
| Lease liability | 52,564 | - | 52,564 | - |
| Total OPEB liability | 302,563 | - | 302,563 | - |
| Net pension liability | 833,929 | - | 833,929 | - |
| Total liabilities | 17,186,520 | 4,107,744 | 21,294,264 | 702,942 |
| Deferred Inflows of Resources | | | | |
| Deferred gain on refunding | 172,404 | - | 172,404 | - |
| Deferred inflows of resources – Pension | 1,233,348 | - | 1,233,348 | - |
| Deferred inflows of resources – OPEB | 16,184 | - | 16,184 | - |
| Deferred inflows of resources – Leases | - | - | - | 578,394 |
| Total deferred inflows of resources | 1,421,936 | - | 1,421,936 | 578,394 |
| Net Position | | | | |
| Net investment in capital assets | 26,469,802 | 13,041,116 | 39,510,918 | 3,159,439 |
| Restricted for | | | | |
| Capital projects | 805,495 | - | 805,495 | - |
| Tourism | 41,928 | - | 41,928 | - |
| Debt service | 838,141 | - | 838,141 | - |
| Economic development | - | - | - | 2,124,490 |
| Impact fees | - | 294,597 | 294,597 | - |
| Municipal court | 55,749 | - | 55,749 | - |
| Parks | 71,787 | - | 71,787 | - |
| Other | 4,652 | - | 4,652 | - |
| Unrestricted | 1,203,846 | 3,090,961 | 4,294,807 | - |
| Total net position | \$ 29,491,400 | \$ 16,426,674 | \$ 45,918,074 | \$ 5,283,929 |

City of Kennedale, Texas
Statement of Activities
For the Year Ended September 30, 2022

| Functions/Program | Program Revenues | | | |
|--|-------------------------|-----------------------------|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Governmental activities | | | | |
| General government | \$ 2,150,492 | \$ 831,242 | \$ 140,941 | \$ - |
| Public safety | 5,916,631 | 641,493 | - | - |
| Public works | 1,870,477 | 168,035 | - | - |
| Culture and recreation | 411,125 | 89,755 | - | - |
| Interest and fiscal charges | 404,756 | - | - | - |
| Total governmental activities | 10,753,481 | 1,730,525 | 140,941 | - |
| Business-type activities | | | | |
| Water and wastewater | 5,698,754 | 4,446,280 | - | 134,266 |
| Storm water drainage | 83,495 | 275,216 | - | - |
| Total business-type activities | 5,782,249 | 4,721,496 | - | 134,266 |
| Total primary government | \$ 16,535,730 | \$ 6,452,021 | \$ 140,941 | \$ 134,266 |
| Component unit | | | | |
| Kennedale Economic Development Corporation | \$ 766,722 | \$ 312,171 | \$ - | \$ - |
| Total component unit | \$ 766,722 | \$ 312,171 | \$ - | \$ - |

General Revenues and Transfers

General revenues:

Property taxes
Sales taxes
Franchise taxes
Interest on investments
Miscellaneous
Grants not restricted to a specific purpose
Transfers

Total general revenues and transfers

Change in Net Position

Net Position, Beginning of Year as Previously Report

Adjustments applicable to prior years due to an error correction

Net Position, Beginning of Year as Restated

Net Position, End of Year

| Net (Expense) Revenue and Changes in Net Position | | | |
|--|-------------------------------------|-----------------------|--|
| Primary Government | | | Component Unit Economic Development Corporation |
| Governmental Activities | Business-type Activities | Total | |
| \$ (1,178,309) | \$ - | \$ (1,178,309) | \$ - |
| (5,275,138) | - | (5,275,138) | - |
| (1,702,442) | - | (1,702,442) | - |
| (321,370) | - | (321,370) | - |
| (404,756) | - | (404,756) | - |
| <u>(8,882,015)</u> | <u>-</u> | <u>(8,882,015)</u> | <u>-</u> |
| - | (1,118,208) | (1,118,208) | - |
| <u>-</u> | <u>191,721</u> | <u>191,721</u> | <u>-</u> |
| - | (926,487) | (926,487) | - |
| <u>\$ (8,882,015)</u> | <u>\$ (926,487)</u> | <u>\$ (9,808,502)</u> | <u>\$ -</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (454,551)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (454,551)</u> |
| \$ 6,959,571 | \$ - | \$ 6,959,571 | \$ - |
| 1,859,721 | - | 1,859,721 | 619,749 |
| 887,603 | - | 887,603 | - |
| 107,759 | 33,741 | 141,500 | 11,002 |
| 150,819 | - | 150,819 | 35,103 |
| 139,053 | - | 139,053 | - |
| (127,525) | 127,525 | - | - |
| <u>9,977,001</u> | <u>161,266</u> | <u>10,138,267</u> | <u>665,854</u> |
| <u>1,094,986</u> | <u>(765,221)</u> | <u>329,765</u> | <u>211,303</u> |
| 28,837,923 | 17,191,895 | 46,029,818 | 4,675,534 |
| <u>(441,509)</u> | <u>-</u> | <u>(441,509)</u> | <u>397,092</u> |
| 28,396,414 | 17,191,895 | 45,588,309 | 5,072,626 |
| <u>\$ 29,491,400</u> | <u>\$ 16,426,674</u> | <u>\$ 45,918,074</u> | <u>\$ 5,283,929</u> |

City of Kennedale, Texas
Balance Sheet
Governmental Funds
September 30, 2022

| | General Fund | Debt Service | TIRZ #1 New Hope | Capital Bond | Disaster Recovery | Non-major Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|---------------------|---------------------|----------------------|------------------------------------|--------------------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 2,823,611 | \$ 830,693 | \$ 53,581 | \$ 8,112,189 | \$ 2,016,590 | \$ 1,396,541 | \$ 15,233,205 |
| Receivables (net of allowance for uncollectibles) | | | | | | | |
| Accounts | 221,630 | - | - | 23,070 | - | - | 244,700 |
| Taxes | 367,472 | 16,519 | - | - | - | - | 383,991 |
| Due from other funds | - | - | - | - | - | 147,972 | 147,972 |
| Total assets | <u>\$ 3,412,713</u> | <u>\$ 847,212</u> | <u>\$ 53,581</u> | <u>\$ 8,135,259</u> | <u>\$ 2,016,590</u> | <u>\$ 1,544,513</u> | <u>\$ 16,009,868</u> |
| Liabilities | | | | | | | |
| Accounts payable | \$ 359,799 | \$ - | \$ - | \$ 77,321 | 2,001 | \$ - | \$ 439,121 |
| Accrued liabilities | 287,275 | - | - | - | - | - | 287,275 |
| Due to other funds | 71,502 | - | 74,603 | - | - | 1,867 | 147,972 |
| Due to other governments | 7,813 | - | - | - | - | - | 7,813 |
| Unearned revenue | - | - | - | - | 2,007,290 | - | 2,007,290 |
| Total liabilities | <u>726,389</u> | <u>-</u> | <u>74,603</u> | <u>77,321</u> | <u>2,009,291</u> | <u>1,867</u> | <u>2,889,471</u> |
| Deferred Inflows of Resources | <u>211,095</u> | <u>9,071</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>220,166</u> |
| Fund Balances (Deficits) | | | | | | | |
| Restricted for | | | | | | | |
| Capital projects | - | - | - | 8,057,938 | 7,299 | 798,196 | 8,863,433 |
| Tourism | - | - | - | - | - | 41,928 | 41,928 |
| Debt service | - | 838,141 | - | - | - | - | 838,141 |
| Municipal court | 55,749 | - | - | - | - | - | 55,749 |
| Parks | 71,787 | - | - | - | - | - | 71,787 |
| Public safety | - | - | - | - | - | 4,652 | 4,652 |
| Assigned | | | | | | | |
| Capital and special projects | 28,081 | - | - | - | - | - | 28,081 |
| Parks | - | - | - | - | - | 699,737 | 699,737 |
| Unassigned (deficits) | <u>2,319,612</u> | <u>-</u> | <u>(21,022)</u> | <u>-</u> | <u>-</u> | <u>(1,867)</u> | <u>2,296,723</u> |
| Total fund balances (deficits) | <u>2,475,229</u> | <u>838,141</u> | <u>(21,022)</u> | <u>8,057,938</u> | <u>7,299</u> | <u>1,542,646</u> | <u>12,900,231</u> |
| Total liabilities, deferred inflows of resources and fund balances (deficits) | <u>\$ 3,412,713</u> | <u>\$ 847,212</u> | <u>\$ 53,581</u> | <u>\$ 8,135,259</u> | <u>\$ 2,016,590</u> | <u>\$ 1,544,513</u> | <u>\$ 16,009,868</u> |

City of Kennedale, Texas
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2022

| | | |
|--|------------------|----------------------|
| Total fund balances – governmental funds | | \$ 12,900,231 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital and lease assets (net of accumulated depreciation/amortization) used in governmental activities are not current financial resources and therefore are not reported in the funds. | | 31,266,875 |
| 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. | | (36,315) |
| Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements. | | 220,166 |
| 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 gain on refunding | \$ (172,404) | |
| Deferred loss on refunding | 68,283 | |
| Deferred outflows of resources – Pension | 838,581 | |
| Deferred outflows of resources – OPEB | 64,221 | |
| Deferred inflows of resources – Pension | (1,233,348) | |
| Deferred inflows of resources – OPEB | <u>(16,184)</u> | (450,851) |
| Long-term liabilities, including bonds payable, notes payable, compensated absences, net pension liability, OPEB liability, and lease liability are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. | | |
| Bonds payable | (10,666,262) | |
| Tax notes payable | (1,530,000) | |
| Issuance premium | (386,226) | |
| Lease liability | (145,422) | |
| Compensated absences | (544,304) | |
| Net pension liability | (833,929) | |
| Total OPEB liability | <u>(302,563)</u> | <u>(14,408,706)</u> |
| Total net position of governmental activities | | <u>\$ 29,491,400</u> |

City of Kennedale, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2022

| | General Fund | Debt Service | TIRZ #1 New Hope | Capital Bond | Disaster Recovery | Non-major Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|---------------------|---------------------|----------------------|------------------------------------|--------------------------------|
| Revenues | | | | | | | |
| Property taxes | \$ 5,067,571 | \$ 1,692,480 | \$ 199,520 | \$ - | \$ - | \$ - | \$ 6,959,571 |
| General sales tax | 1,859,721 | - | - | - | - | - | 1,859,721 |
| Occupancy taxes | - | - | - | - | - | 12,100 | 12,100 |
| Franchise fees | 887,603 | - | - | - | - | - | 887,603 |
| Licenses and permits | 320,578 | - | - | - | - | 160,970 | 481,548 |
| Public safety fees | 312,188 | - | - | - | - | - | 312,188 |
| Intergovernmental | 720,257 | 140,941 | - | - | 139,053 | - | 1,000,251 |
| Charges for services | 73,168 | - | - | - | - | 132,901 | 206,069 |
| Fines and forfeitures | 151,046 | - | - | - | - | 358 | 151,404 |
| Investment earnings | 25,896 | 5,452 | 1,145 | 55,809 | 7,300 | 12,157 | 107,759 |
| Miscellaneous | 150,360 | - | - | - | - | 459 | 150,819 |
| Total revenues | <u>9,568,388</u> | <u>1,838,873</u> | <u>200,665</u> | <u>55,809</u> | <u>146,353</u> | <u>318,945</u> | <u>12,129,033</u> |
| Expenditures | | | | | | | |
| Current | | | | | | | |
| General government | 1,809,738 | - | - | - | - | - | 1,809,738 |
| Public safety | 6,008,288 | - | - | - | - | 1,021 | 6,009,309 |
| Public works | 932,478 | - | - | 22,623 | - | - | 955,101 |
| Culture and recreation | 372,277 | - | - | - | - | 63 | 372,340 |
| Capital outlay | 611,877 | - | - | 145,637 | 139,054 | - | 896,568 |
| Debt service | | | | | | | |
| Principal | 93,546 | 1,530,413 | - | - | - | - | 1,623,959 |
| Interest and fiscal charges | 10,403 | 264,474 | - | 143,296 | - | - | 418,173 |
| Total expenditures | <u>9,838,607</u> | <u>1,794,887</u> | <u>-</u> | <u>311,556</u> | <u>139,054</u> | <u>1,084</u> | <u>12,085,188</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(270,219)</u> | <u>43,986</u> | <u>200,665</u> | <u>(255,747)</u> | <u>7,299</u> | <u>317,861</u> | <u>43,845</u> |
| Other financing sources (uses): | | | | | | | |
| Issuance of debt | - | - | - | 5,735,000 | - | - | 5,735,000 |
| Premiums on bonds issued | - | - | - | 408,296 | - | - | 408,296 |
| Transfers in | - | 106,501 | 10,000 | - | - | - | 116,501 |
| Transfers out | - | - | - | - | - | (244,026) | (244,026) |
| Total other financing sources (uses) | <u>-</u> | <u>106,501</u> | <u>10,000</u> | <u>6,143,296</u> | <u>-</u> | <u>(244,026)</u> | <u>6,015,771</u> |
| Net Change in Fund Balances | <u>(270,219)</u> | <u>150,487</u> | <u>210,665</u> | <u>5,887,549</u> | <u>7,299</u> | <u>73,835</u> | <u>6,059,616</u> |
| Fund Balances (Deficits), Beginning of Year, as Previously Reported | 3,142,540 | 687,654 | (231,687) | 2,170,389 | - | 1,468,811 | 7,237,707 |
| Adjustment applicable to prior years | <u>(397,092)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(397,092)</u> |
| Fund Balances (Deficits), Beginning of Year (Restated) | <u>2,745,448</u> | <u>687,654</u> | <u>(231,687)</u> | <u>2,170,389</u> | <u>-</u> | <u>1,468,811</u> | <u>6,840,615</u> |
| Fund Balances (Deficits), End of Year | <u>\$ 2,475,229</u> | <u>\$ 838,141</u> | <u>\$ (21,022)</u> | <u>\$ 8,057,938</u> | <u>\$ 7,299</u> | <u>\$ 1,542,646</u> | <u>\$ 12,900,231</u> |

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, 2022

| | | |
|--|---------------|---------------------|
| Net change in fund balances – total governmental funds | | \$ 6,059,616 |
| 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/amortization expense. | | |
| Capital outlay | | 896,568 |
| Depreciation/amortization | | (1,324,651) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (145,471) |
| 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 | \$ 1,255,413 | |
| Payments on tax notes | 275,000 | |
| Payments on leases | 93,546 | 1,623,959 |
| The issuance of long-term debt, such as bonds and related premiums provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Differences consist of the following: | | |
| Proceeds from bond issuance | (5,735,000) | |
| Premium on bonds issued | (408,296) | |
| Amortization of bond premiums | (22,070) | |
| Amortization of deferred loss on refunding bonds | (11,381) | |
| Amortization of deferred gain on refunding bonds | <u>22,872</u> | (6,153,875) |
| 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. | | 109,772 |
| 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 total OPEB liability, deferred outflows of resources and deferred inflow of resources balances. | | 59,752 |
| 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. | | (10,540) |
| 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>(20,144)</u> |
| Change in net position of governmental activities | | <u>\$ 1,094,986</u> |

City of Kennedale, Texas
Statement of Net Position
Proprietary Funds
September 30, 2022

| | Water and Wastewater | Non-major Storm Water Drainage | Total Proprietary Funds |
|---|---------------------------------|---|--|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 4,490,166 | \$ 608,680 | \$ 5,098,846 |
| Receivables (net of allowance for uncollectibles) | | | |
| Accounts | 107,740 | 4,679 | 112,419 |
| Prepaid expenses | 100,000 | - | 100,000 |
| Restricted cash and cash equivalents | | | |
| Impact fees | 294,597 | - | 294,597 |
| Customer deposits | 344,116 | - | 344,116 |
| | <u>5,336,619</u> | <u>613,359</u> | <u>5,949,978</u> |
| Total current assets | | | |
| Non-current assets | | | |
| Capital assets | | | |
| Land and improvements | 409,801 | 222,689 | 632,490 |
| Buildings | 5,761,788 | - | 5,761,788 |
| Water/Wastewater distribution | 17,128,063 | 1,047,374 | 18,175,437 |
| Equipment and furniture | 763,547 | - | 763,547 |
| Construction in progress | 548,426 | 38,056 | 586,482 |
| Accumulated depreciation | (11,181,938) | (153,366) | (11,335,304) |
| | <u>13,429,687</u> | <u>1,154,753</u> | <u>14,584,440</u> |
| Total non-current assets | | | |
| Total assets | <u>18,766,306</u> | <u>1,768,112</u> | <u>20,534,418</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 1,804,082 | - | 1,804,082 |
| Accrued interest | 34,828 | - | 34,828 |
| Deposits | 344,116 | - | 344,116 |
| Bonds payable | 253,413 | - | 253,413 |
| Notes payable | 121,748 | - | 121,748 |
| | <u>2,558,187</u> | <u>-</u> | <u>2,558,187</u> |
| Total current liabilities | | | |
| Non-current liabilities | | | |
| Bonds payable | 865,321 | - | 865,321 |
| Notes payable | 684,236 | - | 684,236 |
| | <u>1,549,557</u> | <u>-</u> | <u>1,549,557</u> |
| Total non-current liabilities | | | |
| Total liabilities | <u>4,107,744</u> | <u>-</u> | <u>4,107,744</u> |
| Net Position | | | |
| Net investment in capital assets | 11,886,363 | 1,154,753 | 13,041,116 |
| Restricted for | | | |
| Impact fees | 294,597 | - | 294,597 |
| Unrestricted | 2,477,602 | 613,359 | 3,090,961 |
| | <u>\$ 14,658,562</u> | <u>\$ 1,768,112</u> | <u>\$ 16,426,674</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, 2022

| | Water and Wastewater | Non-major Storm Water Drainage | Total Proprietary Funds |
|---|---------------------------------|---|--|
| Operating Revenues | | | |
| Charges for services | | | |
| Water | \$ 2,773,342 | \$ - | \$ 2,773,342 |
| Wastewater | 1,668,538 | - | 1,668,538 |
| Storm water drainage | - | 275,216 | 275,216 |
| Other | 4,400 | - | 4,400 |
| | <u>4,446,280</u> | <u>275,216</u> | <u>4,721,496</u> |
| Total operating revenues | | | |
| Operating Expenses | | | |
| General and administration | 502,497 | 63,195 | 565,692 |
| Maintenance and supplies | 5,444 | - | 5,444 |
| Cost of sales and service | 4,096,601 | - | 4,096,601 |
| Depreciation | 461,865 | 20,300 | 482,165 |
| | <u>5,066,407</u> | <u>83,495</u> | <u>5,149,902</u> |
| Total operating expenses | | | |
| Operating Income (Loss) | (620,127) | 191,721 | (428,406) |
| Non-operating Revenues (Expenses) | | | |
| Interest and investment revenue | 29,978 | 3,763 | 33,741 |
| Interest and fiscal charges | (89,458) | - | (89,458) |
| Loss on disposal of capital assets | (542,889) | - | (542,889) |
| | <u>(602,369)</u> | <u>3,763</u> | <u>(598,606)</u> |
| Total non-operating revenues (expenses) | | | |
| Income (Loss) Before Transfers and Capital Contributions | <u>(1,222,496)</u> | <u>195,484</u> | <u>(1,027,012)</u> |
| Transfers in | 127,525 | 83,334 | 210,859 |
| Transfers out | (83,334) | - | (83,334) |
| Capital contributions | 134,266 | - | 134,266 |
| | <u>178,457</u> | <u>83,334</u> | <u>261,791</u> |
| Total transfers and capital contributions | | | |
| Change in Net Position | (1,044,039) | 278,818 | (765,221) |
| Net Position, Beginning of Year | <u>15,702,601</u> | <u>1,489,294</u> | <u>17,191,895</u> |
| Net Position, End of Year | <u>\$ 14,658,562</u> | <u>\$ 1,768,112</u> | <u>\$ 16,426,674</u> |

City of Kennedale, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2022

| | Water and Wastewater | Non-major Storm Water Drainage | Total Proprietary Funds |
|---|---------------------------------|---|--|
| Cash Flows From Operating Activities | | | |
| Receipts from customers and users | \$ 5,035,858 | \$ 295,025 | \$ 5,330,883 |
| Payments to employees | (699,488) | - | (699,488) |
| Payments to suppliers | <u>(2,012,607)</u> | <u>(67,648)</u> | <u>(2,080,255)</u> |
| Net cash provided by operating activities | <u>2,323,763</u> | <u>227,377</u> | <u>2,551,140</u> |
| Cash Flows From Noncapital and Related Financing Activities | | | |
| Transfers in | <u>127,525</u> | <u>-</u> | <u>127,525</u> |
| Net cash provided by noncapital and related financing activities | <u>127,525</u> | <u>-</u> | <u>127,525</u> |
| Cash Flows From Capital and Related Financing Activities | | | |
| Acquisition and construction of capital assets | (424,590) | - | (424,590) |
| Principal payments on debt | (244,588) | - | (244,588) |
| Interest payments on debt | (86,218) | - | (86,218) |
| Payments on notes payable | (117,222) | - | (117,222) |
| Capital contributions - impact fees | <u>134,266</u> | <u>-</u> | <u>134,266</u> |
| Net cash used in capital and related financing activities | <u>(738,352)</u> | <u>-</u> | <u>(738,352)</u> |
| Cash Flows From Investing Activities | | | |
| Interest on investments | <u>29,978</u> | <u>3,763</u> | <u>33,741</u> |
| Net cash provided by investing activities | <u>29,978</u> | <u>3,763</u> | <u>33,741</u> |
| Increase in Cash and Cash Equivalents | 1,742,914 | 231,140 | 1,974,054 |
| Cash and Cash Equivalents, Beginning of Year | <u>3,385,965</u> | <u>377,540</u> | <u>3,763,505</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 5,128,879</u> | <u>\$ 608,680</u> | <u>\$ 5,737,559</u> |
| Reconciliation of Net Operating Income (Loss) to Net Cash Provided by Operating Activities | | | |
| Operating income (loss) | \$ (620,127) | \$ 191,721 | \$ (428,406) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | |
| Depreciation | 461,865 | 20,300 | 482,165 |
| Changes in assets, liabilities, and deferred inflows and outflows | | | |
| Accounts receivable | 543,720 | 19,809 | 563,529 |
| Inventories | 57,381 | - | 57,381 |
| Due from other funds | 320,601 | - | 320,601 |
| Prepaid expenses | 57,443 | - | 57,443 |
| Deferred outflows of resources | 99,362 | - | 99,362 |
| Accounts payable | 1,654,048 | (4,453) | 1,649,595 |
| Accrued liabilities | 45,823 | - | 45,823 |
| Net pension liability | (198,146) | - | (198,146) |
| Total OPEB Liability | (33,953) | - | (33,953) |
| Deferred inflows of resources | <u>(64,254)</u> | <u>-</u> | <u>(64,254)</u> |
| Net cash provided by operating activities | <u>\$ 2,323,763</u> | <u>\$ 227,377</u> | <u>\$ 2,551,140</u> |
| Supplemental Disclosure of Noncash Capital and Related Financing Activities | | | |
| Transfer of capital assets | <u>\$ (83,334)</u> | <u>\$ 83,334</u> | <u>\$ -</u> |

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2022

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, 2022

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, 2022

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 principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, pension and other postemployment benefit obligations are recorded when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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 City has designated this fund as major.

The Capital Bond Fund to account for the acquisition and construction of various capital improvements and is funded by general obligation bonds.

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

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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2022

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

Proprietary funds distinguish operating revenues and expenses from 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.

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, 2022, the City had a tax rate of \$0.764085 per \$100 of which \$0.572949 was allocated for general government and \$0.191136 was allocated for payment of principal and interest on general long-term debt.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2022

Prepaid Items

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 and Lease Assets

Capital and lease assets, which include property, plant, equipment, right to use leased 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 and lease assets as assets with an initial, individual cost of more than \$5,000 and \$15,000, respectively, 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 or the lease term, whichever is shorter.

| | |
|---------------------------------------|----------------|
| 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.

City of Kennedale, Texas
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- Deferred loss 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.
- Pension & OPEB contributions/benefit payments subsequent to the measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions related to the 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.
- Differences between expected and actual experience – Pension 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.

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.
- Leases – This is reported under both the full accrual and modified accrual basis of accounting. This is measured at the value of the lease receivable plus any payment received at or before the commencement of the lease term that relate to future periods. The KEDC will recognize an inflow of resources from the deferred inflows of resources in a systematic and rational manner over the term of the lease.
- Deferred gain on refunding – A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and recognized over the shorter of the life of the refunded or refunding debt.
- Differences between expected and actual experience – OPEB plan – 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 – Pension – 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.

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- 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.

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.

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Lease Liability

The City is a lessee for noncancellable leases. The City recognizes a lease liability and an intangible right-to-use asset (lease asset) in the financial statements. The City recognizes a lease liability with an initial, individual value of \$15,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life, or lease term, whichever is shorter.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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' 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

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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.

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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.

Adoption of GASB Statement No. 87, Leases (GASB 87)

In 2022, the City adopted GASB 87. The Statement establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. The adoption of GASB 87 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements. The changes included restating net position as of the beginning of the year by a reduction of \$44,417 to remove the difference in the previously reported capital lease liability and related capital asset as of October 1, 2021.

Prior Period Adjustment

Subsequent to the issuance of the September 30, 2021 financial statements, an error was identified relating to an allocation of sales tax revenue between the primary government and its discretely presented component unit. As a result of this error, beginning net position and fund balance of governmental activities and the general fund were reduced by \$397,092 and the net position of the discretely presented component unit was increased by \$397,092.

The correction of error above had an impact on change in net position for the prior year as follows: decrease change in net position by approximately \$40,000 for governmental activities, increase change in net position by approximately \$40,000 for discretely presented component unit, and decrease change in fund balance by approximately \$40,000 for the general fund.

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Deficit Fund Balance

At year-end the TIRZ #1 New Hope Fund had a deficit fund balance of \$21,022. 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 \$1,867. It is anticipated this deficit fund balance will be funded by future charges.

Excess of Expenditures over Appropriations

For the year ended September 30, 2022, the General Fund expenditures exceeded appropriations by \$942,668, mainly due to unbudgeted capital outlay and debt payments, as well as general government expenditures in excess of budgeted expenditures. Encumbrance accounting is employed in governmental funds, but all operating encumbrances are liquidated at year-end. Only encumbrance for capital project contracts roll forward to the next fiscal year to increase the following year capital budgets.

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.

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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, 2022, 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 \$1,147,373 (with a book value of \$777,212).
- (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, 2022, the City held the following investments:

| | Carrying Value |
|---------------------------|-----------------------|
| Primary Government | |
| TexPool | \$ 18,057,155 |
| TexStar | 317,107 |
| Money market investments | 1,819,290 |
| Total primary government | 20,193,552 |
| Component Unit | |
| TexPool | 1,798,442 |
| TexStar | 31,583 |
| Money market investments | 181,196 |
| Total component units | 2,011,221 |
| Total investments | \$ 22,204,773 |

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 City invests in two pools; TexStar and Texas Local Government Investment Pool (TexPool), which were created under the *Interlocal Cooperation Act*, Texas Government Code Ann. Ch. 791, and the Texas Government Code Ann. Ch. 2256. TexStar is rated AAAM and seeks to maintain a constant net asset value of \$1.00. No investments are reported at amortized cost, except for the City's investments in TexPool. Investments in the pools are considered to be cash equivalents when preparing these financial statements.

The Texas Treasury Safekeeping Trust Company (Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is the sole officer, director, and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the *Public Funds Investment Act*, Texas Government Code Ann. chapter 2256. TexStar is governed by a five-member Board of Directors comprising three government officials or employees and two other persons with expertise in public finance. Additionally, TexStar has a five-member Advisory Board. Fair value of the City's position in the pools is, in all material respects, the same as the value of the pool shares. Investment income earned on pooled cash and investments is allocated to each fund based upon each fund's weighted-average daily cash and investment balances.

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

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The following table presents the fair value measurements of the City and its DPCU's assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2022:

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--|----------------------|---|--|--|
| Investment by Fair Value Level | | | | |
| Money market securities | \$ 2,000,486 | \$ 2,000,486 | \$ - | \$ - |
| | <u>2,000,486</u> | <u>\$ 2,000,486</u> | <u>\$ -</u> | <u>\$ -</u> |
| Investments Measured at Net Asset Value | | | | |
| TexStar | <u>348,690</u> | | | |
| Investments Measured at Amortized Cost | | | | |
| TexPool | <u>19,855,597</u> | | | |
| Total investments | <u>\$ 22,204,773</u> | | | |

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 | Water and Wastewater | Storm Water Drainage | Total |
|------------------------------------|--------------------|-------------------------|-------------------------|---------------------------------|---------------------------------|--------------------|
| Receivables | | | | | | |
| Taxes | \$ 503,880 | \$ 57,946 | \$ - | \$ - | \$ - | \$ 561,826 |
| Accounts | - | - | 23,070 | 114,617 | 4,978 | 142,665 |
| Intergovernmental | - | - | - | - | - | - |
| Court fines | 1,326,632 | - | - | - | - | 1,326,632 |
| Ambulance | <u>2,877,131</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,877,131</u> |
| Gross receivables | 4,707,643 | 57,946 | 23,070 | 114,617 | 4,978 | 4,908,254 |
| Less: allowance for uncollectibles | <u>(4,118,541)</u> | <u>(41,427)</u> | <u>-</u> | <u>(6,877)</u> | <u>(299)</u> | <u>(4,167,144)</u> |
| Net total receivables | <u>\$ 589,102</u> | <u>\$ 16,519</u> | <u>\$ 23,070</u> | <u>\$ 107,740</u> | <u>\$ 4,679</u> | <u>\$ 741,110</u> |

The City records unearned revenue, revenue received but not yet earned, in its governmental funds. At September 30, 2022, the City's unearned revenue related to receipts prior to meeting all eligibility requirements totaled \$2,007,290.

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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, 2022, 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, 2022, the City had a tax rate of \$0.764085 per \$100 assessed valuation, of which \$0.572949 was allocated for general government and \$0.0191136 was allocated for the payment of principal and interest on general obligation debt.

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

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

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

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Notes to Basic Financial Statements
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Note 6: Interfund Receivables, Payables, and Transfers

Due To/Due From

The composition of inter-fund balances as of September 30, 2022, is as follows:

| | Payable Fund | Receivable Fund |
|-----------------------------|-------------------------|----------------------------|
| General | \$ 71,502 | \$ - |
| Library building - nonmajor | 1,867 | |
| Roadway impact - nonmajor | - | 147,972 |
| TIRZ #1 New Hope | 74,603 | - |
| Total | \$ 147,972 | \$ 147,972 |

These interfund transactions were a result of providing advances to the Library Building fund from the General fund to cover negative cash balances, as well as providing funding for certain roadway projects between the General fund and TIRZ #1 to the Roadway Impact fund.

Interfund Transfers

Interfund activity for the year ended September 30, 2022, is as follows:

| | Transfers In | Transfers Out |
|------------------------|-------------------------|--------------------------|
| Debt service | \$ 106,501 | \$ - |
| TIRZ #1 New Hope | 10,000 | - |
| Water and wastewater | 127,525 | 83,334 |
| Non-major governmental | - | 244,026 |
| Non-major enterprise | 83,334 | - |
| Total | \$ 327,360 | \$ 327,360 |

Transfers out of the Non-major governmental funds to the Debt Service and Water and Wastewater fund were for debt payments and impact fees, respectively. Transfers out of the Water and Wastewater fund to the Non-major enterprise fund were for a transfer of capital assets. These transfers were in accordance with budgetary authorizations.

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Note 7: Capital and Lease Assets

Governmental Activities

Capital and lease assets of the Governmental Activities are as follows:

| | Restated Beginning Balance | Increases | Decreases/ Transfers | Ending Balance |
|--|---|---------------------|---------------------------------|---------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 4,206,187 | \$ - | \$ - | \$ 4,206,187 |
| Construction in progress | 1,015,890 | 259,805 | - | 1,275,695 |
| Total capital assets not being depreciated | <u>5,222,077</u> | <u>259,805</u> | <u>-</u> | <u>5,481,882</u> |
| Capital and lease assets being depreciated/amortized | | | | |
| Buildings | 5,447,111 | 37,998 | - | 5,485,109 |
| Lease assets | 238,968 | - | - | 238,968 |
| Infrastructure | 39,511,897 | 24,949 | - | 39,536,846 |
| Machinery and equipment | 3,535,478 | 573,816 | 281,137 | 3,828,157 |
| Total capital and lease assets being depreciated/amortized | <u>48,733,454</u> | <u>636,763</u> | <u>281,137</u> | <u>49,089,080</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | 3,254,953 | 158,128 | - | 3,413,081 |
| Lease assets | - | 96,756 | - | 96,756 |
| Infrastructure | 15,773,503 | 894,732 | - | 16,668,235 |
| Machinery and equipment | 3,232,117 | 175,035 | 281,137 | 3,126,015 |
| Total accumulated depreciation/amortization | <u>22,260,573</u> | <u>1,324,651</u> | <u>281,137</u> | <u>23,304,087</u> |
| Total capital and lease assets being depreciated/amortized, net | <u>26,472,881</u> | <u>(687,888)</u> | <u>-</u> | <u>25,784,993</u> |
| Governmental activities capital and lease assets, net | <u>\$ 31,694,958</u> | <u>\$ (428,083)</u> | <u>\$ -</u> | <u>\$ 31,266,875</u> |

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

| | | |
|--|----|----------------------------|
| General government | \$ | 191,015 |
| Public safety | | 179,475 |
| Public works | | 915,376 |
| Culture and recreation | | <u>38,785</u> |
| Total depreciation/amortization expense – governmental activities | | <u><u>\$ 1,324,651</u></u> |

Business-type Activities

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

| | Beginning Balance | Increases | Decreases/ Transfers | Ending Balance |
|---|-----------------------------|---------------------------|--------------------------|-----------------------------|
| Business-type Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 632,490 | \$ - | \$ - | \$ 632,490 |
| Construction in progress | <u>586,482</u> | <u>-</u> | <u>-</u> | <u>586,482</u> |
| Total capital assets not being depreciated | <u>1,218,972</u> | <u>-</u> | <u>-</u> | <u>1,218,972</u> |
| Capital assets being depreciated | | | | |
| Buildings | 5,761,788 | - | - | 5,761,788 |
| Machinery and equipment | 925,269 | - | 161,722 | 763,547 |
| Infrastructure | <u>19,400,847</u> | <u>424,590</u> | <u>1,650,000</u> | <u>18,175,437</u> |
| Total capital assets being depreciated | <u>26,087,904</u> | <u>424,590</u> | <u>1,811,722</u> | <u>24,700,772</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,011,029 | 119,849 | - | 3,130,878 |
| Machinery and equipment | 958,905 | (94,561) | 113,831 | 750,513 |
| Infrastructure | <u>8,152,036</u> | <u>456,877</u> | <u>1,155,000</u> | <u>7,453,913</u> |
| Total accumulated depreciation | <u>12,121,972</u> | <u>482,165</u> | <u>1,268,831</u> | <u>11,335,304</u> |
| Total capital assets being depreciated, net | <u>13,965,932</u> | <u>(57,575)</u> | <u>542,891</u> | <u>13,365,468</u> |
| Business-type activities capital assets, net | <u><u>\$ 15,184,904</u></u> | <u><u>\$ (57,575)</u></u> | <u><u>\$ 542,891</u></u> | <u><u>\$ 14,584,440</u></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 | \$ | 461,865 |
| Storm water drainage | | 20,300 |
| Total depreciation expense – business-type activities | \$ | 482,165 |

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 | \$ 845,292 | \$ - | \$ - | \$ 845,292 |
| Construction in progress | - | 25,000 | - | 25,000 |
| Totals capital assets not being depreciated | 845,292 | 25,000 | - | 870,292 |
| 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 | 2,384,439 | 245,859 | - | 2,630,298 |
| Improvements | 543,085 | 54,210 | - | 597,295 |
| Infrastructure | 28,858 | 4,195 | - | 33,053 |
| Total accumulated depreciation | 2,956,382 | 304,264 | - | 3,260,646 |
| Total capital assets, being depreciated, net | 3,254,707 | (304,264) | - | 2,950,443 |
| Capital assets, net | \$ 4,099,999 | \$ (279,264) | \$ - | \$ 3,820,735 |

City of Kennedale, Texas
Notes to Basic Financial Statements
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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:

| | Restated Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|---|---------------------|---------------------|---------------------------|------------------------------------|
| Governmental Activities | | | | | |
| General obligation bonds | \$ 5,561,675 | \$ - | \$ 745,413 | \$ 4,816,262 | \$ 756,588 |
| Certificates of obligation | 625,000 | 5,735,000 | 510,000 | 5,850,000 | 425,000 |
| Tax notes | 1,805,000 | - | 275,000 | 1,530,000 | 370,000 |
| Lease liability | 238,968 | - | 93,546 | 145,422 | 92,858 |
| Premiums on bonds | - | 408,296 | 22,070 | 386,226 | 15,307 |
| Compensated absences | 533,764 | 200,200 | 189,660 | 544,304 | 108,861 |
| Total governmental activities | <u>\$ 8,764,407</u> | <u>\$ 6,343,496</u> | <u>\$ 1,835,689</u> | <u>\$ 13,272,214</u> | <u>\$ 1,768,614</u> |
| Business-type Activities | | | | | |
| General obligation bonds | \$ 233,322 | \$ - | \$ 74,588 | \$ 158,734 | \$ 78,413 |
| Certificates of obligation | 1,130,000 | - | 170,000 | 960,000 | 175,000 |
| Notes payable | 923,206 | - | 117,222 | 805,984 | 121,748 |
| Total business-type activities | <u>\$ 2,286,528</u> | <u>\$ -</u> | <u>\$ 361,810</u> | <u>\$ 1,924,718</u> | <u>\$ 375,161</u> |
| Discretely Presented Component Unit | | | | | |
| Revenue bonds | \$ 535,000 | \$ - | \$ 75,000 | \$ 460,000 | \$ 80,000 |
| Texas leverage fund loan | 253,105 | - | 51,809 | 201,296 | 48,345 |
| Total | <u>\$ 788,105</u> | <u>\$ -</u> | <u>\$ 126,809</u> | <u>\$ 661,296</u> | <u>\$ 128,345</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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Early in fiscal year 2022, the City issued \$5,735,000 of the City of Kennedale, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2021, for the purpose of acquiring, constructing, or equipping street, sidewalk and related drainage improvements, as well as acquiring public safety equipment including a fire truck and ambulance, as well as paying the costs associated with the issuance of the Certificates. The bonds mature over a 20-year period and have interest rates ranging from 1.50 percent to 4.00 percent.

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

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total Primary Government</u> |
|--|------------------------------------|-------------------------------------|---|
| <u>General Obligation Bonds</u> | | | |
| \$4,365,000, 2007 General Obligation Refunding Bonds, due in annual installments through February 15, 2024, 3.97% | \$ 256,262 | \$ 158,734 | \$ 414,996 |
| \$1,260,000, 2020 General Obligation Refunding Bonds, due in annual installments through February 15, 2030, 1.93% | 1,025,000 | - | 1,025,000 |
| \$3,720,000, 2016 General Obligation Refunding Bonds, due in annual installments through February 15, 2028, 1.79% | 2,140,000 | - | 2,140,000 |
| \$1,540,000, 2020A General Obligation Refunding Bonds, due in annual installments through February 15, 2031, 1.22% | <u>1,395,000</u> | <u>-</u> | <u>1,395,000</u> |
| | <u>\$ 4,816,262</u> | <u>\$ 158,734</u> | <u>\$ 4,974,996</u> |
| <u>Certificates of Obligation</u> | | | |
| \$2,900,000, 2007 Certificate of Obligation Bonds, due in annual installments through February 15, 2027, 4.10% | \$ - | \$ 960,000 | \$ 960,000 |
| \$2,735,000, 2007A Certificate of Obligation Bonds, due in annual installments through February 15, 2024, 4.00% | 425,000 | - | 425,000 |
| \$5,735,000 2021 Certificate of Obligation Bonds, due in annual installments through February 15, 2041, 2.00% | <u>5,425,000</u> | <u>-</u> | <u>5,425,000</u> |
| | <u>\$ 5,850,000</u> | <u>\$ 960,000</u> | <u>\$ 6,810,000</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> | Governmental Activities | Total Primary Government |
|--|------------------------------------|---|
| \$2,000,000, 2019 Tax Notes due in annual installments through February 1, 2026, 1.90% | \$ 1,530,000 | \$ 1,530,000 |
| | \$ 1,530,000 | \$ 1,530,000 |

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

| Fiscal Year | Governmental Activities | | | Business-type Activities | | |
|------------------------|--------------------------------|-----------------|---------------|---------------------------------|-----------------|--------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2023 | \$ 1,181,588 | \$ 112,546 | \$ 1,294,134 | \$ 253,413 | \$ 22,831 | \$ 276,244 |
| 2024 | 1,179,674 | 99,834 | 1,279,508 | 265,321 | 17,687 | 283,008 |
| 2025 | 890,000 | 87,439 | 977,439 | 190,000 | 12,300 | 202,300 |
| 2026 | 930,000 | 80,914 | 1,010,914 | 200,000 | 8,405 | 208,405 |
| 2027 | 875,000 | 70,017 | 945,017 | 210,000 | 4,305 | 214,305 |
| 2028-2041 | 5,610,000 | 348,296 | 5,958,296 | - | - | - |
| Total | \$ 10,666,262 | \$ 799,046 | \$ 11,465,308 | \$ 1,118,734 | \$ 65,528 | \$ 1,184,262 |

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

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

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

City of Kennedale, Texas
Notes to Basic Financial Statements
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Annual debt service requirements to maturity for tax notes are as follows:

| Fiscal Year | Governmental Activities | | |
|--------------------|--------------------------------|------------------|---------------------|
| | Principal | Interest | Total |
| 2023 | \$ 370,000 | \$ 25,555 | \$ 395,555 |
| 2024 | 380,000 | 18,430 | 398,430 |
| 2025 | 385,000 | 11,163 | 396,163 |
| 2026 | 395,000 | 3,753 | 398,753 |
| Total | <u>\$ 1,530,000</u> | <u>\$ 58,901</u> | <u>\$ 1,588,901</u> |

Notes Payable

In 2021, the City of Arlington, Texas (Arlington) took over the billing of the City’s utility services. As part of this agreement, Arlington removed existing water meters that were originally a part of a capital lease. The City no longer has the meters, but is indebted for the remaining balance under the original agreement, which expires in fiscal year 2028 and has an interest rate of 3.30 percent.

The maturity of the City’s liability related to the previous agreement is as follows:

| Fiscal Year | Business-Type Activities | | |
|--------------------|---------------------------------|-------------------|-------------------|
| | Principal | Interest | Total |
| 2023 | \$ 121,748 | \$ 31,065 | \$ 152,813 |
| 2024 | 126,447 | 26,365 | 152,812 |
| 2025 | 131,329 | 21,484 | 152,813 |
| 2026 | 136,399 | 16,414 | 152,813 |
| 2027 | 141,664 | 11,149 | 152,813 |
| 2028 | 148,397 | 5,680 | 154,077 |
| Total | <u>\$ 805,984</u> | <u>\$ 112,157</u> | <u>\$ 918,141</u> |

Lease Liability

The City’s general fund has agreements for vehicles, the terms of which expire in various years through 2024. During the fiscal year ended September 30, 2022, the City recognized rental expense of approximately \$10,000 for the year ended September 30, 2022, for variable payments related to management fees, not previously included in the measurement of the lease liability.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2022

The following is a schedule by year of payments under the leases as of September 30, 2022:

Governmental Activities

| Year Ending September 30, | Principal | Interest | Total |
|---------------------------|-------------------|-----------------|-------------------|
| 2023 | \$ 92,858 | \$ 5,524 | \$ 98,382 |
| 2024 | 52,564 | 1,254 | 53,818 |
| | <u>\$ 145,422</u> | <u>\$ 6,778</u> | <u>\$ 152,200</u> |

Note 9: Employee Benefit Plans

Plan Description

The City participates as one of over 900 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (annual report) that can be obtained at www.tmrs.com.

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

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

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the total Member contributions and interest.

City of Kennedale, Texas
Notes to Basic Financial Statements
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At the December 31, 2021, valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | 59 |
| Inactive employees entitled to but not yet receiving benefits | 129 |
| Active employees | 60 |
| | 248 |

Contributions

Member contribution rates in TMRS are either 5 percent, 6 percent, or 7 percent of employee gross earnings, and the City matching percentages are either 100 percent, 150 percent, or 200 percent, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry-Age Normal (EAN) actuarial cost method. The City’s contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

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 13.39 percent and 14.01 percent in calendar years 2021 and 2022, respectively. The City’s contributions to TMRS for the year ended September 30, 2022, were \$624,339, and were equal to the required contributions.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2022

Actuarial Assumptions

The Total Pension Liability in the December 31, 2021, 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 |
| Asset valuation method | 10 year smoothed market; 12% soft corridor |
| Retirement age | Experience-based table of rates that are specific to the City's plan 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 general basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

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.

City of Kennedale, Texas
Notes to Basic Financial Statements
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Actuarial assumptions used in the December 31, 2021 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.

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 | 35.00% | 7.55% |
| Core Fixed Income | 6.00% | 2.00% |
| Non-Core Fixed Income | 20.00% | 5.68% |
| Real Return | 12.00% | 7.22% |
| Real Estate | 12.00% | 6.85% |
| Absolute Return | 5.00% | 5.35% |
| Private Equity | 10.00% | 10.00% |
| 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
Notes to Basic Financial Statements
September 30, 2022

Changes in the Net Pension Liability

| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability(a) - (b) |
|---|--|---------------------------------------|---|
| Balances as of October 1, 2021 | \$ 19,965,419 | \$ 18,414,975 | \$ 1,550,444 |
| Changes for the year | | | |
| Service cost | 880,878 | - | 880,878 |
| Interest on total pension liability | 1,353,316 | - | 1,353,316 |
| Effect of difference in expected and actual experience | 457,263 | - | 457,263 |
| Benefit payments | (713,470) | (713,470) | - |
| Administrative expenses | - | (11,108) | 11,108 |
| Member contributions | - | 348,370 | (348,370) |
| Net investment income | - | 2,404,252 | (2,404,252) |
| Employer contributions | - | 666,382 | (666,382) |
| Other | - | 76 | (76) |
| Net changes | <u>1,977,987</u> | <u>2,694,502</u> | <u>(716,515)</u> |
| Balances as of September 30, 2022 | <u>\$ 21,943,406</u> | <u>\$ 21,109,477</u> | <u>\$ 833,929</u> |

The net pension liability is recorded only in governmental activities, as business-type activities have no personnel. The net pension liability 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 (asset) of the City, calculated using the discount rate of 6.75 percent, as well as what the City's net pension liability (asset) 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 (asset) | \$ 4,548,773 | \$ 833,929 | \$ (2,111,771) |

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 at www.tmr.com.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2022

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

For the year ended September 30, 2022, the primary government recognized pension expense of \$530,943. At September 30, 2022, the primary government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 387,469 | \$ - |
| Net difference between projected and actual investment earnings | - | 1,233,348 |
| Contributions subsequent to the measurement date | 451,112 | - |
| | \$ 838,581 | \$ 1,233,348 |

\$451,112 reported as deferred outflows of resources, related to pensions 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, 2023. 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 | Amortization of Net Deferred Outflows (Inflows) of Resources |
|---------------------------------|---|
| 2023 | \$ 34,652 |
| 2024 | (387,507) |
| 2025 | (260,776) |
| 2026 | (232,248) |
| | \$ (845,879) |

City of Kennedale, Texas
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Deferred Compensation Plan

The City offers all of its employees a defined contribution, deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan offered to employees is administered by ICMA Trust. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries; therefore, it is not reported in the financial statements.

The plan, available to all full-time City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Benefit provisions are contained in the plan document and were established and can be amended by the action of City Council. The City does not contribute to the plan.

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, 2021, (measurement date):

| | |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | 34 |
| Inactive employees entitled to but not yet receiving benefits | 16 |
| Active employees | 60 |
| Total employees | 110 |

City of Kennedale, Texas
Notes to Basic Financial Statements
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Total OPEB Liability

The City's total OPEB liability of \$302,563 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The City's total OPEB liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | <u>December 31, 2021</u> |
|-------------------------------------|--|
| Discount Rate | 1.84% as of December 31, 2021 (2.00% as of December 31, 2020) |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50%, 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 3.5% 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 GASB 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 1.84 percent based on the 20-Year Municipal GO AA Index published by bondbuyer.com is used as of the measurement date of December 31, 2021.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2022

Changes in Total OPEB Liability

| | Total OPEB Liability |
|--|---------------------------------|
| Balances as of October 1, 2021 | \$ 265,676 |
| Changes for the year | |
| Service cost | 21,400 |
| Interest on total OPEB liability | 5,483 |
| Difference between expected and actual experience | 4,520 |
| Effect of assumption changes (discount rate change) | 9,963 |
| Benefit payments, age adjusted premiums, net of retiree contributions | (4,479) |
| Balances as of September 30, 2022 | \$ 302,563 |

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 1.84 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 0.84% | Current Discount Rate 1.84% | 1% Increase 2.84% |
|-----------------------------|------------------------------|--|------------------------------|
| Total OPEB Liability | \$ 376,798 | \$ 302,563 | \$ 247,387 |

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2022

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$37,712. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Changes of actuarial assumptions | \$ 51,739 | \$ 4,037 |
| Differences between expected and actual experience | 3,731 | 12,147 |
| Benefit payments subsequent to the measurement date | 8,751 | |
| | \$ 64,221 | \$ 16,184 |

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, 2023.

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 Net Deferred Outflows (Inflows) of Resources |
|---------------------------------|---|
| 2023 | \$ 10,545 |
| 2024 | 9,000 |
| 2025 | 12,061 |
| 2026 | 5,837 |
| 2027 | 1,843 |
| | \$ 39,286 |

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2022

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, 2022, 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, 2022, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

Contingent Liabilities

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

General Litigation

The City is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. The City evaluates such allegations by conducting investigations to determine the validity of each potential. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the City. Events could occur that would change this estimate materially in the near term.

Required Supplementary Information

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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 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Total Pension Liability | | | | | | | | |
| Service cost | \$ 589,507 | \$ 648,581 | \$ 675,284 | \$ 697,041 | \$ 712,721 | \$ 734,380 | \$ 769,790 | \$ 880,878 |
| Interest (on the Total Pension Liability) | 794,485 | 865,430 | 912,020 | 989,009 | 1,071,891 | 1,144,812 | 1,231,286 | 1,353,316 |
| Differences between expected and actual experience | (102,280) | (168,052) | (109,980) | (52,740) | (205,171) | (90,293) | 369,096 | 457,263 |
| 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) | (522,263) | (713,470) |
| Net change in total pension liability | 1,006,915 | 1,139,028 | 1,148,114 | 1,267,276 | 1,118,930 | 1,244,817 | 1,847,909 | 1,977,987 |
| Total pension liability – Beginning | 11,192,430 | 12,199,345 | 13,338,373 | 14,486,487 | 15,753,763 | 16,872,693 | 18,117,510 | 19,965,419 |
| 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> | <u>\$ 19,965,419</u> | <u>\$ 21,943,406</u> |
| Plan Fiduciary Net Position | | | | | | | | |
| Contributions – employer | \$ 397,779 | \$ 525,561 | \$ 540,075 | \$ 565,061 | \$ 558,900 | \$ 580,085 | \$ 591,844 | \$ 666,382 |
| Contributions – employee | 239,832 | 254,774 | 265,860 | 276,603 | 279,969 | 295,491 | 305,299 | 348,370 |
| Net investment income | 548,705 | 15,487 | 740,899 | 1,687,364 | (429,406) | 2,207,757 | 1,274,858 | 2,404,252 |
| Benefit payments, including refunds of employee contributions | (274,797) | (320,705) | (329,210) | (366,034) | (460,511) | (559,415) | (522,263) | (713,470) |
| Administrative expense | (5,727) | (9,432) | (8,365) | (8,740) | (8,292) | (12,459) | (8,239) | (11,108) |
| Other | (471) | (466) | (451) | (443) | (432) | (375) | (321) | 77 |
| Net change in plan fiduciary net position | 905,321 | 465,219 | 1,208,808 | 2,153,811 | (59,772) | 2,511,084 | 1,641,178 | 2,694,503 |
| Plan fiduciary net position – Beginning | 9,589,325 | 10,494,646 | 10,959,865 | 12,168,673 | 14,322,484 | 14,262,712 | 16,773,796 | 18,414,974 |
| 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> | <u>\$ 18,414,974</u> | <u>\$ 21,109,477</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> | <u>\$ 1,550,445</u> | <u>\$ 833,929</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% | 92.23% | 96.20% |
| Covered payroll | \$ 3,426,174 | \$ 3,639,622 | \$ 3,797,997 | \$ 3,951,478 | \$ 3,999,556 | \$ 4,177,363 | \$ 4,361,416 | \$ 4,976,712 |
| City's net pension liability as a percentage of covered payroll | 49.76% | 65.35% | 61.03% | 36.22% | 65.26% | 32.17% | 35.55% | 16.76% |

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 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Actuarially determined contribution | \$ 391,136 | \$ 483,133 | \$ 555,231 | \$ 560,038 | \$ 566,892 | \$ 586,411 | \$ 640,350 | \$ 686,761 | \$ 624,339 |
| Contributions in relation to the actuarially determined contribution | 391,136 | 483,133 | 555,231 | 560,038 | 566,892 | 586,411 | 640,350 | 686,761 | 624,339 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 3,396,046 | \$ 3,575,054 | \$ 3,932,717 | \$ 3,919,319 | \$ 4,058,043 | \$ 4,232,531 | \$ 4,636,444 | \$ 4,885,183 | \$ 4,468,337 |
| Contributions as a percentage of covered payroll | 12% | 13.51% | 14.12% | 14.29% | 13.97% | 13.85% | 13.81% | 14.06% | 13.97% |

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 23 years |
| Asset Valuation Method | 10 Year smoothed market; 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50%, 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 | 2019 | 2020 | 2021 |
| Total OPEB Liability | | | | |
| Service cost | \$ 17,998 | \$ 14,203 | \$ 19,626 | \$ 21,400 |
| Interest cost | 5,765 | 6,271 | 6,105 | 5,483 |
| Difference between expected and actual experience of the total OPEB liability | (13,157) | (6,021) | (7,744) | 4,520 |
| Changes of assumptions | (12,621) | 37,090 | 36,148 | 9,963 |
| Benefit payments | (1,200) | (1,253) | (1,308) | (4,479) |
| Net change in total OPEB liability | (3,215) | 50,290 | 52,827 | 36,887 |
| Total OPEB Liability (Beginning) | 165,774 | 162,559 | 212,849 | 265,676 |
| Total OPEB Liability (Ending) | \$ 162,559 | \$ 212,849 | \$ 265,676 | \$ 302,563 |
| Covered-employee payroll | \$ 3,999,556 | \$ 4,177,363 | \$ 4,361,416 | \$ 4,976,712 |
| Total OPEB liability as a percentage of covered-employee payroll | 4.06% | 5.10% | 6.09% | 6.08% |

Notes to Schedule:

Changes of benefit term: None

Changes of assumption:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

| | |
|------|-------|
| 2018 | 3.71% |
| 2019 | 2.75% |
| 2020 | 2.00% |
| 2021 | 1.84% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date (December 31).

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

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, 2022

| | Budgeted Amounts | | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|----------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | | | | |
| Property | \$ 4,813,480 | \$ 4,813,480 | \$ 5,067,571 | \$ 254,091 |
| Sales | 1,824,643 | 1,824,643 | 1,859,721 | 35,078 |
| Franchise fees | - | - | 887,603 | 887,603 |
| Licenses and permits | 192,680 | 192,680 | 320,578 | 127,898 |
| Fines and forfeitures | 71,604 | 71,604 | 151,046 | 79,442 |
| Public safety fees | - | - | 312,188 | 312,188 |
| Intergovernmental | 778,217 | 778,217 | 720,257 | (57,960) |
| Charges for service | 247,400 | 247,400 | 73,168 | (174,232) |
| Investment earnings | 1,500 | 1,500 | 25,896 | 24,396 |
| Other | 72,635 | 72,635 | 150,360 | 77,725 |
| | <u>8,002,159</u> | <u>8,002,159</u> | <u>9,568,388</u> | <u>1,566,229</u> |
| Total revenues | | | | |
| Expenditures | | | | |
| Current | | | | |
| General government | 1,390,714 | 1,390,714 | 1,809,738 | (419,024) |
| Public safety | 5,987,080 | 5,987,080 | 6,008,288 | (21,208) |
| Public works | 1,175,800 | 1,175,800 | 932,478 | 243,322 |
| Culture and recreation | 347,997 | 347,997 | 372,277 | (24,280) |
| Capital outlay | - | - | 611,877 | (611,877) |
| Debt service | | | | |
| Principal | - | - | 93,546 | (93,546) |
| Interest and other | - | - | 10,403 | (10,403) |
| | <u>8,901,591</u> | <u>8,901,591</u> | <u>9,838,607</u> | <u>(937,016)</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenues over (under) expenditures | <u>(899,432)</u> | <u>(899,432)</u> | <u>(270,219)</u> | <u>629,213</u> |
| Net Change in Fund Balances | (899,432) | (899,432) | (270,219) | 629,213 |
| Fund Balance, Beginning of Year, as Restated | <u>2,745,448</u> | <u>2,745,448</u> | <u>2,745,448</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 1,846,016</u> | <u>\$ 1,846,016</u> | <u>\$ 2,475,229</u> | <u>\$ 629,213</u> |

City of Kennedale, Texas
Notes to Budgetary Information (Unaudited)
September 30, 2022

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. Expenditures may not legally exceed appropriations at the division level for legally adopted operating budgets. The City Manager has the authority to transfer appropriation balances from one department, the primary subunits of each fund, or division and the primary subunit of each department, to another within a single fund of the City. Department heads may approve amendments of amounts between line items within a division so long as the transfers do not significantly change the work program contemplated in the approved budget.
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. During 2022, there were no amendments to the original budget.

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**Combining and Individual Fund
Statements and Schedules**

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City of Kennedale, Texas
Non-major Governmental Funds
September 30, 2022

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.

Hotel Motel Fund – to account for funds received from the occupancy tax collected from hotels and motels. These funds are restricted by law for specified purposes.

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, 2022

| Assets | Special Revenue Funds | | |
|--|------------------------------|---------------------------|------------------------|
| | LEOSE | Police Seizure | Hotel Motel |
| Cash and cash equivalents | \$ 1,001 | \$ 3,651 | 41,928 |
| Due from other funds | - | - | - |
| Total assets | \$ 1,001 | \$ 3,651 | \$ 41,928 |
| Liabilities | | | |
| Due to other funds | \$ - | \$ - | |
| Total liabilities | - | - | - |
| Fund Balances (Deficit) | | | |
| Restricted for | | | |
| Capital projects | - | - | - |
| Public safety | 1,001 | 3,651 | - |
| Tourism | - | - | 41,928 |
| Assigned | | | |
| Parks | - | - | - |
| Unassigned (deficit) | - | - | - |
| Total fund balances (deficit) | 1,001 | 3,651 | 41,928 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 1,001 | \$ 3,651 | \$ 41,928 |

Capital Projects Funds

| Park Dedication | Capital Projects | Roadway Impact Fee | Library Building | Total Non-major Governmental Funds |
|----------------------------|-----------------------------|-----------------------------------|-----------------------------|---|
| \$ 699,737 | \$ 174,592 | \$ 475,632 | \$ - | \$ 1,396,541 |
| - | - | 147,972 | - | 147,972 |
| <u>\$ 699,737</u> | <u>\$ 174,592</u> | <u>\$ 623,604</u> | <u>\$ -</u> | <u>\$ 1,544,513</u> |
| \$ - | \$ - | \$ - | \$ 1,867 | \$ 1,867 |
| - | - | - | 1,867 | 1,867 |
| - | 174,592 | 623,604 | - | 798,196 |
| - | - | - | - | 4,652 |
| - | - | - | - | 41,928 |
| 699,737 | - | - | - | 699,737 |
| - | - | - | (1,867) | (1,867) |
| <u>699,737</u> | <u>174,592</u> | <u>623,604</u> | <u>(1,867)</u> | <u>1,542,646</u> |
| <u>\$ 699,737</u> | <u>\$ 174,592</u> | <u>\$ 623,604</u> | <u>\$ -</u> | <u>\$ 1,544,513</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, 2022

| | <u>Special Revenue Funds</u> | | |
|--|------------------------------|---------------------------|------------------------|
| | <u>LEOSE</u> | <u>Police Seizure</u> | <u>Hotel Motel</u> |
| Revenues | | | |
| Occupany taxes | \$ - | \$ - | 12,100 |
| Charges for services | - | - | - |
| Licenses and permits | - | - | - |
| Fines and forfeitures | - | - | - |
| Investment earnings | 11 | 2,988 | 265 |
| Miscellaneous | - | - | - |
| | <u>11</u> | <u>2,988</u> | <u>12,365</u> |
| Expenditures | | | |
| Current | | | |
| Public safety | 896 | - | - |
| Culture and recreation | - | - | - |
| | <u>896</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>896</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(885)</u> | <u>2,988</u> | <u>12,365</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 | (885) | 2,988 | 12,365 |
| Fund Balances (Deficit), Beginning of Year | <u>1,886</u> | <u>663</u> | <u>29,563</u> |
| Fund Balances (Deficit), End of Year | <u>\$ 1,001</u> | <u>\$ 3,651</u> | <u>\$ 41,928</u> |

| Capital Projects Fund | | | | Total Non-major Governmental Funds |
|------------------------------|-----------------------------|-----------------------------------|-----------------------------|---|
| Park Dedication | Capital Projects | Roadway Impact Fee | Library Building | |
| \$ - | \$ - | \$ - | \$ - | \$ 12,100 |
| - | 132,901 | - | - | 132,901 |
| 46,800 | - | 114,170 | - | 160,970 |
| - | - | - | 358 | 358 |
| 4,689 | 1,104 | 3,100 | - | 12,157 |
| 355 | - | - | 104 | 459 |
| <u>51,844</u> | <u>134,005</u> | <u>117,270</u> | <u>462</u> | <u>318,945</u> |
| 125 | - | - | - | 1,021 |
| - | - | - | 63 | 63 |
| <u>125</u> | <u>-</u> | <u>-</u> | <u>63</u> | <u>1,084</u> |
| <u>51,719</u> | <u>134,005</u> | <u>117,270</u> | <u>399</u> | <u>317,861</u> |
| - | (106,501) | (137,525) | - | (244,026) |
| - | (106,501) | (137,525) | - | (244,026) |
| 51,719 | 27,504 | (20,255) | 399 | 73,835 |
| <u>648,018</u> | <u>147,088</u> | <u>643,859</u> | <u>(2,266)</u> | <u>1,468,811</u> |
| <u>\$ 699,737</u> | <u>\$ 174,592</u> | <u>\$ 623,604</u> | <u>\$ (1,867)</u> | <u>\$ 1,542,646</u> |

City of Kennedale, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2022

| | <u>Budgeted Amounts</u> | | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------|----------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes – property | \$ 1,620,779 | \$ 1,620,779 | \$ 1,692,480 | \$ 71,701 |
| Intergovernmental | - | - | 140,941 | 140,941 |
| Investment earnings | 425 | 425 | 5,452 | 5,027 |
| | <u>1,621,204</u> | <u>1,621,204</u> | <u>1,838,873</u> | <u>217,669</u> |
| Total revenues | | | | |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | 1,415,413 | 1,415,413 | 1,530,413 | (115,000) |
| Interest and other | 253,352 | 253,352 | 264,474 | (11,122) |
| | <u>1,668,765</u> | <u>1,668,765</u> | <u>1,794,887</u> | <u>(126,122)</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenues over (under) expenditures | <u>(47,561)</u> | <u>(47,561)</u> | <u>43,986</u> | <u>91,547</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 106,501 | 106,501 | 106,501 | - |
| | <u>106,501</u> | <u>106,501</u> | <u>106,501</u> | <u>-</u> |
| Total other financing sources (uses) | | | | |
| Net Change in Fund Balances | 58,940 | 58,940 | 150,487 | 91,547 |
| Fund Balance, Beginning of Year | <u>687,654</u> | <u>687,654</u> | <u>687,654</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 746,594</u> | <u>\$ 746,594</u> | <u>\$ 838,141</u> | <u>\$ 91,547</u> |

Statistical Section

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Statistical Section

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

Contents Tables

Financial Trends 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.

Revenue Capacity E – G

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity 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.

Economic and Demographic Indicators 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.

Operating Information 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 annual comprehensive financial reports for the relevant year.

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

| | Fiscal Year | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental Activities | | | | | |
| Net investment in capital assets | \$ 21,100,450 | \$ 20,904,287 | \$ 21,429,758 | \$ 24,048,321 | \$ 24,362,252 |
| Restricted | 227,181 | 380,622 | 409,454 | 400,170 | 481,742 |
| Unrestricted | 615,406 | 933,606 | 215,475 | 689,620 | 457,818 |
| Total governmental activities net position | <u>\$ 21,943,037</u> | <u>\$ 22,218,515</u> | <u>\$ 22,054,687</u> | <u>\$ 25,138,111</u> | <u>\$ 25,301,812</u> |
| Business-type Activities | | | | | |
| Net investment in capital assets | \$ 10,217,885 | \$ 10,443,338 | \$ 11,184,859 | \$ 13,054,176 | \$ 13,238,962 |
| Restricted | - | - | - | - | 204,223 |
| Unrestricted | 1,348,391 | 1,450,811 | 17,432 | 655,058 | 1,644,150 |
| Total business-type activities net position | <u>\$ 11,566,276</u> | <u>\$ 11,894,149</u> | <u>\$ 11,202,291</u> | <u>\$ 13,709,234</u> | <u>\$ 15,087,335</u> |
| Primary Government | | | | | |
| Net investment in capital assets | \$ 31,318,335 | \$ 31,347,625 | \$ 32,614,617 | \$ 37,102,497 | \$ 37,601,214 |
| Restricted | 227,181 | 380,622 | 409,454 | 400,170 | 685,965 |
| Unrestricted | 1,963,797 | 2,384,417 | 232,907 | 1,344,678 | 2,101,968 |
| Total primary governmental net position | <u>\$ 33,509,313</u> | <u>\$ 34,112,664</u> | <u>\$ 33,256,978</u> | <u>\$ 38,847,345</u> | <u>\$ 40,389,147</u> |

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

| | Fiscal Year | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Governmental Activities | | | | | |
| Net investment in capital assets | \$ 24,410,280 | \$ 27,195,004 | \$ 25,002,224 | \$ 25,697,075 | \$ 26,469,802 |
| Restricted | 867,754 | 998,047 | 3,447,408 | 3,770,054 | 1,817,752 |
| Unrestricted (deficit) | 454,903 | (2,450,204) | (1,546,077) | (722,995) | 1,198,194 |
| Total governmental activities net position | <u>\$ 25,732,937</u> | <u>\$ 25,742,847</u> | <u>\$ 26,903,555</u> | <u>\$ 28,744,134</u> | <u>\$ 29,485,748</u> |
| Business-type Activities | | | | | |
| Net investment in capital assets | \$ 13,310,004 | \$ 13,397,767 | \$ 13,173,241 | \$ 12,898,376 | \$ 13,041,116 |
| Restricted | 274,043 | 92,694 | - | 218,327 | 294,597 |
| Unrestricted | 2,103,785 | 2,670,080 | 3,233,259 | 4,075,192 | 3,090,961 |
| Total business-type activities net position | <u>\$ 15,687,832</u> | <u>\$ 16,160,541</u> | <u>\$ 16,406,500</u> | <u>\$ 17,191,895</u> | <u>\$ 16,426,674</u> |
| Primary Government | | | | | |
| Net investment in capital assets | \$ 37,720,284 | \$ 40,592,771 | \$ 38,175,465 | \$ 38,595,451 | \$ 39,510,918 |
| Restricted | 1,141,797 | 1,090,741 | 3,447,408 | 3,988,381 | 2,112,349 |
| Unrestricted | 2,558,688 | 219,876 | 1,687,182 | 3,352,197 | 4,289,155 |
| Total primary governmental net position | <u>\$ 41,420,769</u> | <u>\$ 41,903,388</u> | <u>\$ 43,310,055</u> | <u>\$ 45,936,029</u> | <u>\$ 45,912,422</u> |

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

| | Fiscal Year | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| Expenses | | | | | |
| Governmental activities | | | | | |
| General government | \$ 1,338,046 | \$ 1,242,021 | \$ 1,348,921 | \$ 1,340,991 | \$ 1,460,659 |
| Public safety | 4,216,559 | 4,274,108 | 4,521,511 | 4,658,016 | 4,494,080 |
| Public works | 1,338,143 | 1,476,670 | 1,638,428 | 1,838,124 | 1,743,770 |
| Culture and recreation | 358,251 | 358,226 | 339,328 | 370,519 | 397,477 |
| Interest and fiscal charges | 558,639 | 510,355 | 478,440 | 521,675 | 348,741 |
| Total governmental activities expenses | <u>7,809,638</u> | <u>7,861,380</u> | <u>8,326,628</u> | <u>8,729,325</u> | <u>8,444,727</u> |
| Business-type activities | | | | | |
| Water, wastewater, and storm water drainage | <u>3,401,162</u> | <u>3,640,588</u> | <u>4,112,610</u> | <u>3,506,506</u> | <u>3,271,916</u> |
| Total business-type activities expenses | <u>3,401,162</u> | <u>3,640,588</u> | <u>4,112,610</u> | <u>3,506,506</u> | <u>3,271,916</u> |
| Total primary government expenses | <u>\$ 11,210,800</u> | <u>\$ 11,501,968</u> | <u>\$ 12,439,238</u> | <u>\$ 12,235,831</u> | <u>\$ 11,716,643</u> |
| Program Revenues | | | | | |
| Governmental activities | | | | | |
| Charges for services | | | | | |
| General government | \$ 554,664 | \$ 975,684 | \$ 720,308 | \$ 540,893 | \$ 457,595 |
| Public safety | 556,655 | 567,835 | 500,044 | 515,906 | 353,139 |
| Public works | 52,299 | 115,110 | 84,250 | 150,936 | 92,502 |
| Culture and recreation | 34,591 | 1,470 | 1,187 | 164,817 | 49,410 |
| Operating grants and contributions | 135,520 | 47,119 | 139,677 | 126,520 | 145,560 |
| Capital grants and contributions | 453,020 | 115,058 | 490,975 | 2,595,371 | 154,819 |
| Total governmental activities program revenues | <u>\$ 1,786,749</u> | <u>\$ 1,822,276</u> | <u>\$ 1,936,441</u> | <u>\$ 4,094,443</u> | <u>\$ 1,253,025</u> |

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

| | Fiscal Year | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Expenses | | | | | |
| Governmental activities | | | | | |
| General government | \$ 1,526,536 | \$ 1,979,235 | \$ 2,105,441 | \$ 1,852,414 | \$ 2,156,521 |
| Public safety | 4,680,243 | 5,213,493 | 4,950,888 | 6,244,588 | 5,916,631 |
| Public works | 1,615,294 | 1,737,211 | 1,815,849 | 1,938,720 | 1,870,100 |
| Culture and recreation | 436,270 | 372,805 | 420,777 | 393,212 | 411,125 |
| Interest and fiscal charges | 403,223 | 349,118 | 265,057 | 331,754 | 404,756 |
| Total governmental activities expenses | <u>8,661,566</u> | <u>9,651,862</u> | <u>9,558,012</u> | <u>10,760,688</u> | <u>10,759,133</u> |
| Business-type activities | | | | | |
| Water, wastewater, and storm water drainage | 4,558,939 | 4,089,637 | 4,263,029 | 4,321,340 | 5,782,249 |
| Total business-type activities expenses | <u>4,558,939</u> | <u>4,089,637</u> | <u>4,263,029</u> | <u>4,321,340</u> | <u>5,782,249</u> |
| Total primary government expenses | <u>\$ 13,220,505</u> | <u>\$ 13,741,499</u> | <u>\$ 13,821,041</u> | <u>\$ 15,082,028</u> | <u>\$ 16,541,382</u> |
| Program Revenues | | | | | |
| Governmental activities | | | | | |
| Charges for services | | | | | |
| General government | \$ 709,603 | \$ 630,969 | \$ 748,228 | \$ 1,330,239 | \$ 831,242 |
| Public safety | 547,621 | 486,937 | 577,428 | 1,026,555 | 641,493 |
| Public works | 143,445 | 127,549 | 151,253 | 268,906 | 168,035 |
| Culture and recreation | 76,621 | 68,131 | 80,792 | 143,636 | 89,755 |
| Operating grants and contributions | 152,588 | 154,825 | 344,278 | 482,486 | 140,941 |
| Capital grants and contributions | - | - | - | - | - |
| Total governmental activities program revenues | <u>\$ 1,629,878</u> | <u>\$ 1,468,411</u> | <u>\$ 1,901,979</u> | <u>\$ 3,251,822</u> | <u>\$ 1,871,466</u> |

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

| | Fiscal Year | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| Business-type Activities | | | | | |
| Charges for services | | | | | |
| Water, wastewater, and storm water drainage | \$ 3,138,201 | \$ 3,775,546 | \$ 3,683,542 | \$ 4,782,055 | \$ 5,086,486 |
| Capital grants and contributions | - | - | - | 1,479,937 | 374,296 |
| Total business-type activities program revenues | <u>3,138,201</u> | <u>3,775,546</u> | <u>3,683,542</u> | <u>6,261,992</u> | <u>5,460,782</u> |
| Total primary government program revenues | <u>\$ 4,924,950</u> | <u>\$ 5,597,822</u> | <u>\$ 5,619,983</u> | <u>\$ 10,356,435</u> | <u>\$ 6,713,807</u> |
| Net (Expenses) Revenues | | | | | |
| Governmental activities | \$ (6,022,889) | \$ (6,039,104) | \$ (6,390,187) | \$ (4,634,882) | \$ (7,191,702) |
| Business-type activities | <u>(262,961)</u> | <u>134,958</u> | <u>(429,068)</u> | <u>2,755,486</u> | <u>2,188,866</u> |
| Total primary government net expenses | <u>\$ (6,285,850)</u> | <u>\$ (5,904,146)</u> | <u>\$ (6,819,255)</u> | <u>\$ (1,879,396)</u> | <u>\$ (5,002,836)</u> |
| General Revenues and Other Changes in Net Position | | | | | |
| Governmental activities | | | | | |
| Taxes | | | | | |
| Property | \$ 3,951,116 | \$ 4,143,977 | \$ 4,274,752 | \$ 4,521,765 | \$ 4,703,870 |
| Franchise | 817,733 | 871,351 | 910,886 | 545,140 | 537,454 |
| Sales | 1,008,875 | 1,093,946 | 1,491,342 | 1,253,391 | 1,208,557 |
| Investment earnings | 724 | 389 | 887 | 3,986 | 13,272 |
| Miscellaneous | 426,068 | 509,287 | 690,772 | 308,179 | 143,633 |
| Grants not restricted to a specific purpose | - | - | - | - | - |
| Transfers | - | - | 49,178 | 953,377 | 748,617 |
| Total governmental activities | <u>6,204,516</u> | <u>6,618,950</u> | <u>7,417,817</u> | <u>7,585,838</u> | <u>7,355,403</u> |
| Business-type activities | | | | | |
| Investment earnings | 535 | 218 | 281 | 521 | 3,919 |
| Transfers | - | - | (49,178) | (953,377) | (748,617) |
| Total business-type activities | <u>535</u> | <u>218</u> | <u>(48,897)</u> | <u>(952,856)</u> | <u>(744,698)</u> |
| Total primary government | <u>6,205,051</u> | <u>6,619,168</u> | <u>7,368,920</u> | <u>6,632,982</u> | <u>6,610,705</u> |
| Change in Net Position | | | | | |
| Governmental activities | 181,627 | 579,846 | 1,027,630 | 2,950,956 | 163,701 |
| Business-type activities | <u>(262,426)</u> | <u>135,176</u> | <u>(477,965)</u> | <u>1,802,630</u> | <u>1,444,168</u> |
| Total primary government | <u>\$ (80,799)</u> | <u>\$ 715,022</u> | <u>\$ 549,665</u> | <u>\$ 4,753,586</u> | <u>\$ 1,607,869</u> |

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

| | Fiscal Year | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Business-type Activities | | | | | |
| Charges for services | | | | | |
| Water, wastewater, and storm water drainage | \$ 4,832,378 | \$ 4,467,770 | \$ 4,482,591 | \$ 4,350,305 | \$ 4,721,496 |
| Capital grants and contributions | <u>325,676</u> | <u>51,247</u> | <u>10,099</u> | <u>265,392</u> | <u>134,266</u> |
| Total business-type activities program revenues | <u>5,158,054</u> | <u>4,519,017</u> | <u>4,492,690</u> | <u>4,615,697</u> | <u>4,855,762</u> |
| Total primary government program revenues | <u>\$ 6,787,932</u> | <u>\$ 5,987,428</u> | <u>\$ 6,394,669</u> | <u>\$ 7,867,519</u> | <u>\$ 6,727,228</u> |
| Net (Expenses) Revenues | | | | | |
| Governmental activities | \$ (7,031,688) | \$ (8,183,451) | \$ (7,656,033) | \$ (7,647,047) | \$ (8,887,667) |
| Business-type activities | <u>599,115</u> | <u>429,380</u> | <u>229,661</u> | <u>596,654</u> | <u>(926,487)</u> |
| Total primary government net expenses | <u>\$ (6,432,573)</u> | <u>\$ (7,754,071)</u> | <u>\$ (7,426,372)</u> | <u>\$ (7,050,393)</u> | <u>\$ (9,814,154)</u> |
| General Revenues and Other Changes in Net Position | | | | | |
| Governmental activities | | | | | |
| Taxes | | | | | |
| Property | \$ 5,140,105 | \$ 5,321,225 | \$ 6,144,664 | \$ 6,820,007 | \$ 6,959,571 |
| Franchise | 777,768 | 1,774,698 | 1,765,996 | 1,958,164 | 1,859,721 |
| Sales | 1,459,743 | 764,887 | 806,115 | 809,838 | 887,603 |
| Investment earnings | 53,986 | 112,609 | 59,584 | 3,490 | 107,759 |
| Miscellaneous | 141,834 | 219,942 | 40,382 | 83,651 | 150,819 |
| Grants not restricted to a specific purpose | - | - | - | - | 139,053 |
| Transfers | <u>-</u> | <u>-</u> | <u>-</u> | <u>(187,524)</u> | <u>(127,525)</u> |
| Total governmental activities | <u>7,573,436</u> | <u>8,193,361</u> | <u>8,816,741</u> | <u>9,487,626</u> | <u>9,977,001</u> |
| Business-type activities | | | | | |
| Investment earnings | 17,591 | 43,329 | 16,298 | 1,217 | 33,741 |
| Transfers | <u>-</u> | <u>-</u> | <u>-</u> | <u>187,524</u> | <u>127,525</u> |
| Total business-type activities | <u>17,591</u> | <u>43,329</u> | <u>16,298</u> | <u>188,741</u> | <u>161,266</u> |
| Total primary government | <u>7,591,027</u> | <u>8,236,690</u> | <u>8,833,039</u> | <u>9,676,367</u> | <u>10,138,267</u> |
| Change in Net Position | | | | | |
| Governmental activities | 541,748 | 9,910 | 1,160,708 | 1,978,785 | 1,089,334 |
| Business-type activities | <u>616,706</u> | <u>472,709</u> | <u>245,959</u> | <u>785,395</u> | <u>(765,221)</u> |
| Total primary government | <u>\$ 1,158,454</u> | <u>\$ 482,619</u> | <u>\$ 1,406,667</u> | <u>\$ 2,764,180</u> | <u>\$ 324,113</u> |

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

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|-------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | | |
| Nonspendable | \$ 46,486 | \$ 40,633 | \$ 15,786 | \$ 240,850 | \$ 206,755 |
| Restricted | - | - | - | - | - |
| Assigned | - | - | - | 367,218 | - |
| Unassigned | <u>937,508</u> | <u>1,193,553</u> | <u>1,716,655</u> | <u>1,972,229</u> | <u>2,264,414</u> |
| Total general fund | <u>\$ 983,994</u> | <u>\$ 1,234,186</u> | <u>\$ 1,732,441</u> | <u>\$ 2,580,297</u> | <u>\$ 2,471,169</u> |
| All Other Governmental Funds | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted for | | | | | |
| Debt service | 23,829 | 2,849 | 10,375 | 11,861 | - |
| Tourism | - | - | - | - | - |
| Public safety | 3 | 10,164 | 5,286 | - | 155 |
| Economic development | - | 1,112 | - | - | - |
| Other | - | - | - | - | - |
| Capital projects | 185,514 | 341,663 | 373,456 | 400,170 | 425,432 |
| Assigned | | | | | |
| Parks | - | - | - | - | - |
| Unassigned (deficit) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total all other governmental funds | <u>\$ 209,346</u> | <u>\$ 355,788</u> | <u>\$ 389,117</u> | <u>\$ 412,031</u> | <u>\$ 425,587</u> |

Source: Annual Comprehensive Financial Report

| 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------------|---------------------|---------------------|---------------------|----------------------|
| \$ 86,778 | \$ 54,346 | \$ 66,280 | \$ 74,707 | \$ - |
| 106,347 | 106,347 | 113,983 | 118,515 | 127,536 |
| 915,608 | 915,608 | 501,973 | 296,074 | 28,081 |
| <u>1,746,714</u> | <u>1,597,593</u> | <u>2,453,218</u> | <u>2,653,244</u> | <u>2,313,960</u> |
| <u>\$ 2,855,447</u> | <u>\$ 2,673,894</u> | <u>\$ 3,135,454</u> | <u>\$ 3,142,540</u> | <u>\$ 2,469,577</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| 194,135 | 315,015 | 489,285 | 687,654 | 838,141 |
| - | - | - | - | 41,928 |
| - | 1,895 | 4,320 | 2,549 | 4,652 |
| - | - | - | - | - |
| 1,747 | - | - | - | - |
| 565,525 | 3,164,782 | 2,839,820 | 2,961,336 | 8,863,433 |
| 158,092 | 84,108 | 101,611 | 648,018 | 699,737 |
| <u>(788,591)</u> | <u>(594,328)</u> | <u>(422,643)</u> | <u>(233,953)</u> | <u>(22,889)</u> |
| <u>\$ 130,908</u> | <u>\$ 2,971,472</u> | <u>\$ 3,012,393</u> | <u>\$ 4,065,604</u> | <u>\$ 10,425,002</u> |

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 | | | | |
|--|---------------------|-------------------|---------------------|-------------------|--------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| Revenues | | | | | |
| Taxes | \$ 5,799,322 | \$ 6,086,574 | \$ 6,696,668 | \$ 6,330,577 | \$ 6,399,207 |
| Licenses, fees, and permits | 261,451 | 477,447 | 346,011 | 727,163 | 465,917 |
| Franchise fees | - | - | - | - | - |
| Fines and penalties | 298,964 | 274,413 | 228,482 | 232,660 | 196,564 |
| Public safety fees | 257,998 | 243,002 | 247,907 | 237,104 | 264,317 |
| Charges for services | 379,796 | 614,145 | 459,651 | 73,840 | 76,682 |
| Intergovernmental | 588,540 | 48,231 | 630,669 | 787,432 | 339,415 |
| Investment earnings | 724 | 389 | 887 | 3,986 | 13,272 |
| Contributions | - | 2,314 | 2,153 | 1,527 | 4,399 |
| Miscellaneous | 426,068 | 620,919 | 713,443 | 306,652 | 184,530 |
| Total revenues | <u>8,012,863</u> | <u>8,367,434</u> | <u>9,325,871</u> | <u>8,700,941</u> | <u>7,944,303</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 1,238,641 | 1,126,632 | 1,228,989 | 1,247,881 | 1,321,110 |
| Public safety | 3,964,561 | 4,052,316 | 4,247,507 | 4,346,827 | 4,271,460 |
| Public works | 684,840 | 1,051,794 | 850,933 | 681,748 | 728,228 |
| Culture and recreation | 270,204 | 272,102 | 272,964 | 301,411 | 322,353 |
| Capital outlay | 664,329 | 100,478 | 896,467 | 1,339,271 | 972,098 |
| Debt service | | | | | |
| Principal | 806,600 | 841,178 | 844,371 | 895,356 | 1,122,944 |
| Interest and fiscal charges | 552,879 | 526,300 | 493,943 | 536,710 | 349,041 |
| Total expenditures | <u>8,182,054</u> | <u>7,970,800</u> | <u>8,835,174</u> | <u>9,349,204</u> | <u>9,087,234</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(169,191)</u> | <u>396,634</u> | <u>490,697</u> | <u>(648,263)</u> | <u>(1,142,931)</u> |
| Other Financing Sources (Uses) | | | | | |
| Debt issuance | - | - | - | - | - |
| Issuance of capital lease | - | - | - | 4,087,218 | 331,865 |
| Cost to issue debt | - | - | - | - | - |
| Premium on debt issuance | - | - | - | - | - |
| Payment to escrow agent | - | - | (1,214,150) | - | - |
| Refunding bonds/lease issued | - | - | - | (3,646,951) | - |
| Transfers in | 295,373 | 161,832 | 258,832 | 1,036,598 | 1,006,384 |
| Transfers out | (295,373) | (161,832) | (258,832) | (83,221) | (257,767) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(1,214,150)</u> | <u>1,393,644</u> | <u>1,080,482</u> |
| Net Change in Fund Balances | <u>\$ (169,191)</u> | <u>\$ 396,634</u> | <u>\$ (723,453)</u> | <u>\$ 745,381</u> | <u>\$ (62,449)</u> |
| Debt service as a percentage of noncapital expenditures | 18.1% | 17.4% | 16.9% | 17.9% | 18.1% |

Source: Annual Comprehensive Financial Report

City of Kennedale, Texas

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

| | Fiscal Year | | | | |
|--|-------------------|---------------------|-------------------|---------------------|---------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Revenues | | | | | |
| Taxes | \$ 6,703,224 | \$ 7,169,500 | \$ 7,896,341 | \$ 8,736,857 | \$ 8,831,392 |
| Licenses, fees, and permits | 462,291 | 182,210 | 244,188 | 1,646,852 | 481,548 |
| Franchise fees | 777,768 | 764,887 | 806,115 | 809,838 | 887,603 |
| Fines and forfeitures | 189,315 | 144,181 | 90,778 | 85,918 | 151,404 |
| Public safety fees | 184,260 | 194,930 | 193,734 | 337,044 | 312,188 |
| Charges for services | 81,142 | 82,754 | 308,599 | 245,453 | 206,069 |
| Intergovernmental | 712,870 | 864,336 | 1,064,680 | 937,032 | 1,000,251 |
| Investment earnings | 53,986 | 112,609 | 59,584 | 3,490 | 107,759 |
| Contributions | - | - | - | - | - |
| Miscellaneous | 141,834 | 219,942 | 40,382 | 83,648 | 150,819 |
| Total revenues | <u>9,306,690</u> | <u>9,735,349</u> | <u>10,704,401</u> | <u>12,886,132</u> | <u>12,129,033</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 1,473,009 | 1,611,757 | 1,982,013 | 1,873,559 | 1,815,767 |
| Public safety | 4,390,751 | 4,966,865 | 4,709,552 | 6,071,051 | 6,009,309 |
| Public works | 718,519 | 788,130 | 878,155 | 1,005,271 | 954,724 |
| Culture and recreation | 373,593 | 328,507 | 376,479 | 348,914 | 372,340 |
| Capital outlay | 207,510 | 725,256 | 595,069 | 516,446 | 896,568 |
| Debt service | | | | | |
| Principal | 1,205,033 | 1,428,543 | 1,435,439 | 1,554,474 | 1,623,959 |
| Interest and fiscal charges | 384,963 | 296,008 | 276,866 | 263,296 | 418,173 |
| Total expenditures | <u>8,753,378</u> | <u>10,145,066</u> | <u>10,253,573</u> | <u>11,633,011</u> | <u>12,090,840</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>553,312</u> | <u>(409,717)</u> | <u>450,828</u> | <u>1,253,121</u> | <u>38,193</u> |
| Other Financing Sources (Uses) | | | | | |
| Debt issuance | - | 2,760,000 | - | - | 5,735,000 |
| Issuance of capital lease | - | 375,378 | - | - | - |
| Cost to issue debt | - | (66,550) | - | - | - |
| Premium on debt issuance | - | - | - | - | 408,296 |
| Payment to escrow agent | - | - | (1,214,150) | (1,545,300) | - |
| Refunding bonds/lease issued | - | - | 1,265,803 | 1,540,000 | - |
| Transfers in | 277,217 | 230,437 | 251,926 | 195,560 | 116,501 |
| Transfers out | (277,217) | (230,437) | (251,926) | (383,084) | (244,026) |
| Total other financing sources (uses) | <u>-</u> | <u>3,068,828</u> | <u>51,653</u> | <u>(192,824)</u> | <u>6,015,771</u> |
| Net Change in Fund Balances | <u>\$ 553,312</u> | <u>\$ 2,659,111</u> | <u>\$ 502,481</u> | <u>\$ 1,060,297</u> | <u>\$ 6,053,964</u> |
| Debt service as a percentage of noncapital expenditures | 18.6% | 18.3% | 17.7% | 16.4% | 18.2% |

Source: Annual Comprehensive 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 |
|--------------------|-----------------------------|----------------------------|----------------------------|---------------------------------|-------------------------------------|------------------------------|---------------------------------------|---|
| 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 | \$ 690,703,731 | \$ 0.73497 | \$ 690,703,731 | 100.00% |
| 2021 | \$ 610,463,688 | \$ 114,757,038 | \$ 25,308,936 | \$ 55,313,812 | \$ 695,215,850 | \$ 0.77409 | \$ 695,215,850 | 100.00% |
| 2022 | \$ 738,320,131 | \$ 141,805,669 | \$ 26,707,811 | \$ 73,032,853 | \$ 833,800,758 | \$ 0.76409 | \$ 833,800,758 | 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 |
| 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 |
| 2021 | 0.582686 | 0.191399 | 0.77409 | 1.336400 | 0.234000 | 0.130170 | 0.224429 |
| 2022 | 0.572949 | 0.191136 | 0.76409 | 1.226400 | 0.224000 | 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 |
| 2013 | \$ 3,937,340 | \$ 3,880,817 | 98.56% | \$ 55,921 | \$ 3,936,738 | 100% |
| 2014 | \$ 4,083,024 | \$ 4,015,994 | 98.36% | \$ 98 | \$ 4,016,092 | 98% |
| 2015 | \$ 4,231,865 | \$ 4,174,320 | 98.64% | \$ 306 | \$ 4,174,626 | 99% |
| 2016 | \$ 4,501,716 | \$ 4,464,778 | 99.18% | \$ 238 | \$ 4,465,016 | 99% |
| 2017 | \$ 4,644,955 | \$ 4,589,538 | 98.81% | \$ 410 | \$ 4,589,948 | 99% |
| 2018 | \$ 5,086,080 | \$ 5,045,734 | 99.21% | \$ (984) | \$ 5,044,750 | 99% |
| 2019 | \$ 5,219,526 | \$ 5,169,354 | 99.04% | \$ 2,920 | \$ 5,172,274 | 99% |
| 2020 | \$ 5,949,183 | \$ 5,798,463 | 97.47% | \$ 3,606 | \$ 5,802,069 | 98% |
| 2021 | \$ 6,521,122 | \$ 6,063,561 | 92.98% | \$ 36,808 | \$ 6,100,369 | 94% |
| 2022 | \$ 7,123,299 | \$ 6,824,573 | 95.81% | \$ - | \$ 6,824,573 | 96% |

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 |
|-------------|--|------------------|--------------------|--------------|--|---------------|--------------------------|-------------------------------|------------|------------|
| | General Obligation/ Certificates of Obligation | Premium on Bonds | Leases Obligations | Tax Notes | General Obligation/ Certificates of Obligation | Notes Payable | | | | |
| 2013 | \$ 13,240,601 | \$ - | \$ 221,065 | \$ - | \$ 3,411,325 | \$ 1,721,658 | \$ 18,594,649 | 0.40% | 2,562 | 7,063 |
| 2014 | \$ 12,469,623 | \$ - | \$ 140,436 | \$ - | \$ 3,191,875 | \$ 1,629,163 | \$ 17,431,097 | 0.42% | 2,357 | 7,257 |
| 2015 | \$ 11,655,557 | \$ - | \$ 99,701 | \$ - | \$ 2,965,512 | \$ 1,539,241 | \$ 16,260,011 | 0.45% | 2,035 | 7,394 |
| 2016 | \$ 11,001,843 | \$ - | \$ 424,473 | \$ - | \$ 2,728,413 | \$ 1,445,849 | \$ 15,600,578 | 0.47% | 1,943 | 7,992 |
| 2017 | \$ 10,026,300 | \$ - | \$ 600,557 | \$ - | \$ 2,475,575 | \$ 1,350,209 | \$ 14,452,641 | 0.50% | 1,738 | 8,031 |
| 2018 | \$ 9,024,582 | \$ - | \$ 554,114 | \$ - | \$ 2,213,912 | \$ 1,254,570 | \$ 13,047,178 | 0.56% | 1,565 | 8,315 |
| 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 |
| 2021 | \$ 6,186,673 | \$ - | \$ 559,180 | \$ 1,805,000 | \$ 1,363,322 | \$ 923,206 | \$ 10,837,381 | 0.73% | 1,272 | 8,517 |
| 2022 | \$ 10,666,262 | \$ 386,226 | \$ 154,010 | \$ 1,530,000 | \$ 1,118,734 | \$ 805,984 | \$ 14,661,216 | 0.70% | 1,758 | 8,342 |

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)

| <u>General Bonded Debt Outstanding</u> | | | | Percentage of Actual Taxable Value of Property | Per Capita |
|--|---|------------------------|---------------|--|------------|
| Fiscal Year | General Obligation Bonds/ Certificates of Obligation | Premium on Bonds | Total | | |
| 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 | 1.04% | \$ 870 |
| 2021 | \$ 6,186,673 | \$ - | \$ 6,186,673 | 0.89% | \$ 726 |
| 2022 | \$ 10,666,262 | \$ 386,226 | \$ 11,052,488 | 1.33% | \$ 1,325 |

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 2022 was established at \$0.764085 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 |
|------|-------------------------|-------------------------------|---|----------------------|
| 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% |
| 2021 | 8,517 | \$ 79,575 | \$ 36,588 | 6.9% |
| 2022 | 8,342 | \$ 102,217 | \$ 40,477 | 3.3% |

Sources: Population: United States Census Bureau, 2022

Note: Personal Income & Per Capita Personal Income & Unemployment Rate:
United States Census Bureau, 2022 American Community Survey, Texas
Workforce Commission

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

| Employer | 2022 Employees | 2013 Employees |
|---------------------------------------|---------------------------------|---------------------------------|
| Kennedale Independent School District | 400-450 | 400-450 |
| Sabre Industries/Fort Worth Tower | 300-350 | 450-500 |
| Old Castle Infrastructure | 100-150 | 100-150 |
| Speed Fab Crete | 50-100 | 100-150 |
| Hawk Steel | 50-100 | 50-100 |
| Excel Polymers | 50-100 | 50-100 |
| ARK Contracting Services | 50-100 | 50-100 |
| RE Watson & Associates | 50-100 | 50-100 |
| Harrison Jet Guns | 50-100 | 50-100 |
| City of Kennedale | 50-100 | 50-100 |

Source: Survey responses from employers and Economic Development Department.

Note: Employees listed by employers are estimates

City of Kennedale, Texas

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

| Function/Program | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 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 | 3.0 | 2.5 | 2.5 | 3.0 | 3.0 | 3.7 | 3.5 |
| Planning | 2.5 | 3.0 | 3.0 | 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 | 3.0 | 2.0 | 2.0 | 2.0 | 1.5 | 1.0 | 1.0 | 2.0 |
| Police | | | | | | | | | | |
| Officers | 19.0 | 16.0 | 19.0 | 20.0 | 20.0 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 |
| Civilians | 7.5 | 7.5 | 2.5 | 2.5 | 2.1 | 2.5 | 2.5 | 2.5 | 2.7 | 3.0 |
| Fire | | | | | | | | | | |
| Firefighters and officers | 16.0 | 16.0 | 16.0 | 16.0 | 16.0 | 16.0 | 20.0 | 17.0 | 19.0 | 19.0 |
| 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 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 11.0 | 10.8 | 10.4 |
| Library | 3.5 | 3.5 | 3.5 | 3.5 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Water/Wastewater | 12.5 | 11.5 | 11.5 | 11.5 | 11.5 | 11.5 | 11.5 | - | - | - |
| Total | 77.5 | 76.0 | 75.00 | 75.5 | 75.1 | 76.5 | 80.5 | 68.5 | 71.1 | 71.9 |

Sources: FY2021-22 Adopted Budget.

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

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

| Function/Program | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government | | | | | | | | | | |
| Building permits issued | 389 | 504 | 406 | 504 | 292 | 593 | 41 | 40 | 664 | 694 |
| Building inspections conducted | 363 | 477 | 355 | 1,185 | 1,752 | 1,165 | 399 | 114 | 1,232 | 1,320 |
| Police | | | | | | | | | | |
| Physical arrests | 244 | 260 | 203 | 203 | 374 | 109 | 111 | 163 | 154 | 241 |
| Parking violations | 2,117 | 2,045 | 1,675 | 24 | 6 | 7 | 8 | 6 | 16 | 56 |
| Traffic violations | 7,609 | 4,287 | 3,778 | 2,828 | 4,296 | 1,692 | 1,725 | 2,249 | 1,263 | 3,822 |
| Fire | | | | | | | | | | |
| Emergency responses | 1,039 | 909 | 1,131 | 867 | 1,166 | 693 | 706 | 740 | 1,508 | 1,559 |
| Fires extinguished | 217 | 135 | 199 | 200 | 200 | 58 | 155 | 29 | 80 | 100 |
| Inspections | 185 | 173 | 198 | 178 | 218 | 66 | 87 | 56 | 45 | 104 |
| Library | | | | | | | | | | |
| Volumes in collection | 17,943 | 15,299 | 14,752 | 16,292 | 16,831 | 16,322 | 16,322 | 16,671 | 14,896 | 18,990 |
| Total volumes borrowed | 17,429 | 17,257 | 16,162 | 20,288 | 21,579 | 18,007 | 18,007 | 17,863 | 16,291 | 20,035 |
| Water and Wastewater | | | | | | | | | | |
| New connections | 36 | 87 | 73 | 39 | 59 | 65 | 81 | 111 | 79 | 63 |
| Average daily consumption | 1,000,704 | 968,841 | 892,014 | 898,918 | 980,413 | 909,919 | 1,003,523 | 772,156 | 921,301 | 1,163,573 |
| Peak daily consumption | 2,355,100 | 2,135,272 | 2,471,500 | 2,021,800 | 1,884,040 | 2,449,850 | 2,015,488 | - | 2,190,436 | 1,994,745 |

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

| Function/Program | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 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 | 14 | 17 | 17 | 8 | 8 | 8 | 8 | 9 | 9 |
| Fire | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Other public works | | | | | | | | | | |
| Streets (miles) | - | - | 42 | 42 | 46 | 46 | 46 | 46 | 49 | 49 |
| Streetlights | - | - | 332 | 332 | 346 | 346 | 346 | 346 | 376 | 376 |
| Parks and recreation | | | | | | | | | | |
| Acreage | 28 | 28 | 28 | 28 | 27 | 27 | 27 | 27 | 27 | 28 |
| 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 | 68 | 68 |
| 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 | 3,325 | 3,300 | 2,820 |
| Elevated | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,145 | 1,250 | 1,720 |
| Ground | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,100 | 2,180 | 2,150 | 1,100 |
| Sanitary sewers (miles) | - | - | 48 | 48 | 50 | 50 | 50 | 47 | 48 | 48 |
| Storm sewers (miles) | - | - | 4 | 4 | 4 | 4 | 4 | 5 | 6 | 6 |