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City of Kennedale, Texas
Annual Comprehensive Financial Report
For Fiscal Year Ended September 30, 2023



City of Kennedale, Texas

Annual Comprehensive Financial Report

For the Fiscal Year Ended September 30, 2023

**Prepared by City of Kennedale, Texas Finance
Department**

City of Kennedale, Texas
Annual Comprehensive Financial Report
Year Ended September 30, 2023

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April 1, 2024

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, 2023 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, 2023, 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 **unmodified opinions** that the City's financial statements for the fiscal year ended September 30, 2023, 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 9,329. 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 is home to the Kennedale Speedway Park, which will host the World of Outlaws for the first time in 2024.

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. Two hotel sites are in the process of development. The KEDC recently acquired four parcels in the Oak Crest Addition for future transit-oriented development as well as a small parcel on South Eden Road for future industrial uses. 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 complete, 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. A five-unit townhome project is currently being constructed in the Oak Crest Addition. New commercial projects recently built include two new industrial buildings along E Kennedale Parkway, a Take 5 Carwash, and a second Popeye's location along Kennedale Sublett Road. Construction of a new Chipotle is currently underway at this same location.

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 ideas. 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



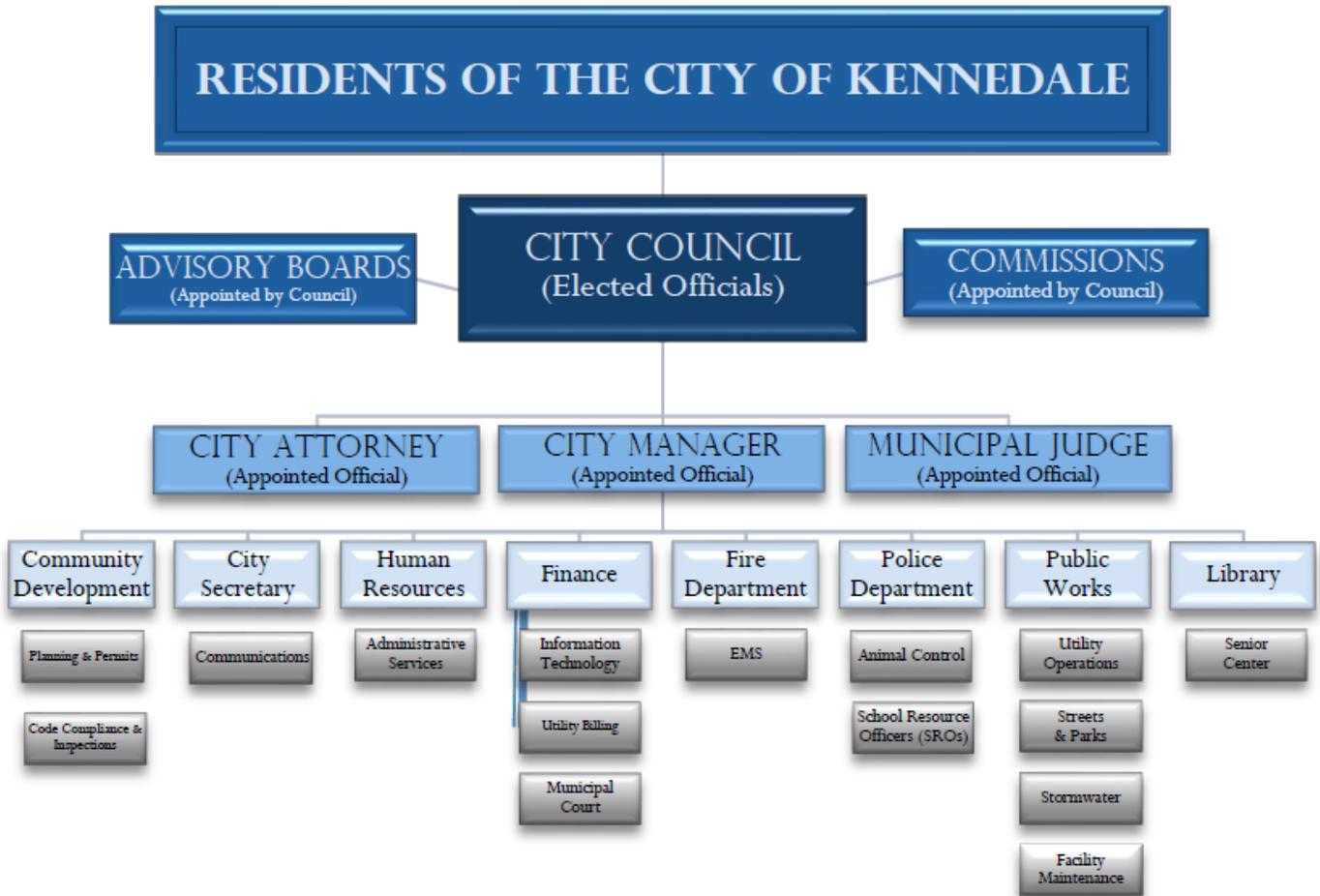
Jonathan Horton, CPA
Director of Finance

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City of Kennedale, Texas

Organizational Chart

ORGANIZATIONAL CHART



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City of Kennedale, Texas
List of Principal Officers as of September 30, 2023

Elected Officials

Mayor	Jan Joplin
City Council, Place 1	Vacant
City Council, Place 2	Brad Horton
City Council, Place 3	Kenneth Michels
City Council, Place 4	Bryant Griffith
City Council, Place 5	Jeff Navarez

Appointed & Key Officials

City Manager	Darrell Hull
City Secretary and Communications Coordinator	Raeanne Byington
City Attorney	Taylor, Olsen, Adkins, Sralla & Elam, LLP
Director of Finance	Jonathan Horton
Director of Human Resources and Administrative Services	Caroline Green
Police Chief	Mike Holguin
Fire Chief	James Brown
Director of Public Works	Kristian Sugrim
Director of Community Development	Nathan Gonzales
Court Administrator	Bertha Vindell

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

Place 1	Tyson Eubanks
Place 2	Marcel Terry
Place 3	Brad Horton
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, 2023, 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, 2023, 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*.

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 GAAS, 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 April 1, 2024, 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
April 1, 2024**

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City of Kennedale, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2023

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, 2023. 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 2023, resulting in \$46,735,541 of net position. Net position associated with governmental activities is approximately \$30.6 million, or 66% of the total net position of the City. Net position associated with business-type activities is approximately \$16.1 million, or 34% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is approximately \$39.7 million.
- Unrestricted net position of the City is \$4.3 million. Unrestricted net position for governmental activities is approximately \$1.6 million or 5% of total net position of governmental activities. Unrestricted net position for business-type activities is approximately \$2.7 million or 17% of total net position for business-type activities.
- As of the close of fiscal year 2023, the City's Governmental Funds reported a combined ending fund balance of \$14,615,663, an increase of \$1,715,432 from the prior year's balance.
- At the end of the current fiscal year, total fund balance for the General Fund was \$3,467,006. This represents approximately 35% of General Fund expenditures.

Overview of the Financial Statements

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

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

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

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.

City of Kennedale, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2023

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.

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.

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2023

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 required supplementary information 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, 2023, City assets and deferred outflows of resources exceeded its liabilities and deferred inflows resulting in \$46,735,541 of net position.

Statement of Net Position for Governmental and Business-type Activities

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 17,597,874	\$ 19,481,156	\$ 37,079,030	\$ 15,861,896	\$ 5,949,978	\$ 21,811,874
Capital and lease assets	32,161,052	14,281,763	46,442,815	31,266,875	14,584,440	45,851,315
Total assets	49,758,926	33,762,919	83,521,845	47,128,771	20,534,418	67,663,189
Deferred outflows of resources	2,344,191	-	2,344,191	971,085	-	971,085
Long-term liabilities	16,682,445	16,299,879	32,982,324	12,640,092	1,549,557	14,189,649
Other liabilities	4,500,509	1,376,447	5,876,956	4,546,428	2,558,187	7,104,615
Total liabilities	21,182,954	17,676,326	38,859,280	17,186,520	4,107,744	21,294,264
Deferred inflows of resources	271,215	-	271,215	1,421,936	-	1,421,936
Net position:						
Net investment in capital assets	26,548,461	13,159,202	39,707,663	26,469,802	13,041,116	39,510,918
Restricted	2,518,064	242,734	2,760,798	1,817,752	294,597	2,112,349
Unrestricted	1,582,423	2,684,657	4,267,080	1,203,846	3,090,961	4,294,807
Total net position	<u>\$ 30,648,948</u>	<u>\$ 16,086,593</u>	<u>\$ 46,735,541</u>	<u>\$ 29,491,400</u>	<u>\$ 16,426,674</u>	<u>\$ 45,918,074</u>

Both current and other assets and long-term liabilities primarily increased due to the issuance of over \$17 million in debt towards the end of the year that will be used for future capital projects.

By far, the largest portion of the City's net position (85%) 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.

An additional portion of the City's net position (6%) represents resources that are subject to external restrictions on how they may be used.

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2023

Analysis of City's Operations: The following table provides a summary of the City's operations for the year ended September 30, 2023. Overall, the City had an increase in net position of \$817,467.

Revenues and Expenses for Governmental and Business-type Activities

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program Revenues						
Charges for services	\$ 1,513,500	\$ 4,655,420	\$ 6,168,920	\$ 1,730,525	\$ 4,721,496	\$ 6,452,021
Operating grant and contributions	592,540	-	592,540	140,941	-	140,941
Capital grant and contributions	-	29,035	29,035	-	134,266	134,266
General revenues						
Taxes and fees	10,436,896	-	10,436,896	9,706,895	-	9,706,895
Other	788,448	377,284	1,165,732	258,578	33,741	292,319
Grants not restricted to a specific purpose	190,984	-	190,984	139,053	-	139,053
Total revenues	<u>13,522,368</u>	<u>5,061,739</u>	<u>18,584,107</u>	<u>11,975,992</u>	<u>4,889,503</u>	<u>16,865,495</u>
Expenses						
General government	2,377,029	-	2,377,029	2,150,492	-	2,150,492
Public safety	6,733,488	-	6,733,488	5,916,631	-	5,916,631
Public works	2,306,021	-	2,306,021	1,870,477	-	1,870,477
Culture and recreation	546,019	-	546,019	411,125	-	411,125
Interest and fiscal charges	304,739	-	304,739	404,756	-	404,756
Water and sewer	-	5,277,033	5,277,033	-	5,698,754	5,698,754
Storm water drainage	-	222,312	222,312	-	83,495	83,495
Total expenses	<u>12,267,295</u>	<u>5,499,345</u>	<u>17,766,640</u>	<u>10,753,481</u>	<u>5,782,249</u>	<u>16,535,730</u>
Increase (Decrease) in Net Position Before Transfers	1,255,073	(437,606)	817,467	1,222,511	(892,746)	329,765
Transfers	(97,525)	97,525	-	(127,525)	127,525	-
Change in Net Position	1,157,548	(340,081)	817,467	1,094,986	(765,221)	329,765
Net Position, Beginning of Year	<u>29,491,400</u>	<u>16,426,674</u>	<u>45,918,074</u>	<u>28,396,414</u>	<u>17,191,895</u>	<u>45,588,309</u>
Net Position, Ending of Year	<u>\$ 30,648,948</u>	<u>\$ 16,086,593</u>	<u>\$ 46,735,541</u>	<u>\$ 29,491,400</u>	<u>\$ 16,426,674</u>	<u>\$ 45,918,074</u>

Governmental Activities: Governmental activities increased the City's net position by \$1,157,548. Total revenue for the governmental activities increased from the previous year by \$1,546,376. General revenue had a net increase of \$1,311,802. Property tax collections increased as a result of real property valuations increasing due to new business and property additions which continues to grow the local economy. Program Revenues increased as a result of an increase in operating grants and contributions. Expenses increased by \$1,513,814 primarily due to increased depreciation expense for capital asset additions as well as increased expenses for maintenance on public roads.

Business-type Activities: Net position from business-type activities decreased by \$340,081. Total revenue for the business-type activities increased from the previous year by \$172,236, primarily due to increased interest income on investments. Additionally, total expenses for business-type activities decreased from the previous year by \$282,904, primarily due to a loss on the disposal of capital assets recorded in the previous year of \$542,889 which was partially offset by an increase in depreciation expense. These factors led to a decrease in net position that was less than the decrease for the previous year.

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2023

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 \$14,615,663, an increase of \$1,715,432 from the prior year. This increase was primarily driven by the issuance of debt (bonds, premium, and leases), of which \$2.567 million was allocated to governmental funds, which will be expended in future years on capital projects. Fund balance includes amounts restricted for Capital Projects of \$9,821,216, restricted for Debt Service of \$698,325, restricted for Parks of \$76,966, restricted for Municipal Court of \$52,972, restricted for Tourism of \$67,419, and Public Safety of \$4,626. The net unassigned fund balance was \$3,295,720, an increase of \$998,997 from prior year.

In the General Fund, the final budget projected a \$438,074 increase in fund balance this fiscal year; however, the actual increase was \$991,777. Total revenues were \$272,625 under budget and total expenditures were under budget by \$712,391. Revenues decreased from the budget primarily due to intergovernmental revenues coming in under budget, offset by an increase in property tax, sales tax, and investment earnings. Expenditures came in under budget primarily due to public safety and public works coming in under budget, offset by 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 \$1,957,987 and the Storm Water Drainage Fund reported an unrestricted net position of \$726,670.

Capital and Lease Assets: The City's capital and lease assets for its governmental and business-type activities as of September 30, 2023, amount to \$46,442,815 (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 increase in net capital assets can primarily be attributed to a purchase of a fire truck and water and sewer improvements on Third Street.

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

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	\$ 4,206,187	\$ 4,206,187	\$ 632,490	\$ 632,490	\$ 4,838,677	\$ 4,838,677
Buildings	5,677,479	5,485,109	5,761,788	5,761,788	11,439,267	11,246,897
Machinery and equipment	4,965,646	3,828,157	763,547	763,547	5,729,193	4,591,704
Construction in progress	780,866	1,275,695	75,609	586,482	856,475	1,862,177
Lease assets	317,233	238,968	-	-	317,233	238,968
Infrastructure/water distribution	40,980,588	39,536,846	19,006,957	18,175,437	59,987,545	57,712,283
Accumulated depreciation/amortization	(24,766,947)	(23,304,087)	(11,958,628)	(11,335,304)	(36,725,575)	(34,639,391)
Total	\$ 32,161,052	\$ 31,266,875	\$ 14,281,763	\$ 14,584,440	\$ 46,442,815	\$ 45,851,315

City of Kennedale, Texas
Management’s Discussion and Analysis (Unaudited)
September 30, 2023

Long-term Debt: At the end of the current fiscal year, the City had total bonds outstanding of \$28,491,874 and \$1,160,000 of tax notes, all being tax supported. The City also has \$151,169 in lease liabilities and notes payable of \$684,236. During 2023, the City issued over \$17 million in combination and tax revenue certificates of obligations to fund future capital projects.

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

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 4,059,675	\$ 4,816,262	\$ 80,322	\$ 158,734	\$ 4,139,997	\$ 4,974,996
Certificates of obligation	8,247,747	6,236,226	16,104,130	960,000	24,351,877	7,196,226
Tax notes	1,160,000	1,530,000	-	-	1,160,000	1,530,000
Notes payable	-	-	684,236	805,984	684,236	805,984
Lease liability	151,169	145,422	-	-	151,169	145,422
Total	<u>\$ 13,618,591</u>	<u>\$ 12,727,910</u>	<u>\$ 16,868,688</u>	<u>\$ 1,924,718</u>	<u>\$ 30,487,279</u>	<u>\$ 14,652,628</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 2024, 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 issued debt towards the end of fiscal year 2023, of which \$15 million was allocated to the water and sewer fund. Majority of the funds will be used on a sewer project, while the remaining funds will be used for other capital projects related to street resurfacing and upgrading.

Development continues within the City, with new subdivisions continuing construction. In addition, there is ongoing discussion to open new Hilton and Wyndam branded hotels within city limits. The City continues to develop the TownCenter with the desired outcome of full occupancy within the fiscal year. City management continues to explore expanded revenue streams for the City.

Requests for Information

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

Basic Financial Statements

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City of Kennedale, Texas
Statement of Net Position
September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Kennedale Economic Development Corporation
Assets				
Cash and cash equivalents	\$ 8,434,064	\$ 3,667,243	\$ 12,101,307	\$ 2,174,201
Receivables (net of allowance)				
Accounts	439,435	126,374	565,809	17,750
Taxes	520,656	-	520,656	144,975
Leases	-	-	-	790,821
Prepaid items	259	22,786	23,045	15,160
Restricted assets				
Cash and cash equivalents	8,203,460	15,664,753	23,868,213	-
Capital and lease assets				
Land and construction in progress	4,987,053	708,099	5,695,152	845,292
Other capital and lease assets, net of accumulated depreciation and amortization	<u>27,173,999</u>	<u>13,573,664</u>	<u>40,747,663</u>	<u>2,694,235</u>
Total assets	<u>49,758,926</u>	<u>33,762,919</u>	<u>83,521,845</u>	<u>6,682,434</u>
Deferred Outflows of Resources				
Deferred loss on refunding	68,283	-	68,283	-
Deferred outflows of resources – Pension	2,226,117	-	2,226,117	-
Deferred outflows of resources – OPEB	<u>49,791</u>	<u>-</u>	<u>49,791</u>	<u>-</u>
Total deferred outflows of resources	<u>2,344,191</u>	<u>-</u>	<u>2,344,191</u>	<u>-</u>
Liabilities				
Accounts payable and contracts payable	486,293	310,426	796,719	37,957
Accrued liabilities	378,122	-	378,122	33,899
Accrued interest	48,561	137,084	185,645	13,205
Due to other governments	10,011	-	10,011	-
Deposits	-	360,128	360,128	-
Unearned revenue	1,816,306	-	1,816,306	-
Bonds payable	1,193,598	442,362	1,635,960	85,000
Tax notes payable	380,000	-	380,000	-
Compensated absences	113,699	-	113,699	-
Notes payable	-	126,447	126,447	49,937
Lease liability	73,919	-	73,919	-
Noncurrent liabilities				
Bonds payable	11,113,824	15,742,090	26,855,914	295,000
Tax notes payable	780,000	-	780,000	-
Compensated absences	454,798	-	454,798	-
Notes payable	-	557,789	557,789	113,506
Lease liability	77,250	-	77,250	-
Total OPEB liability	207,728	-	207,728	-
Net pension liability	<u>4,048,845</u>	<u>-</u>	<u>4,048,845</u>	<u>-</u>
Total liabilities	<u>21,182,954</u>	<u>17,676,326</u>	<u>38,859,280</u>	<u>628,504</u>
Deferred Inflows of Resources				
Deferred gain on refunding	172,404	-	172,404	-
Deferred inflows of resources – OPEB	98,811	-	98,811	-
Deferred inflows of resources – Leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>747,571</u>
Total deferred inflows of resources	<u>271,215</u>	<u>-</u>	<u>271,215</u>	<u>747,571</u>
Net Position				
Net investment in capital assets	26,548,461	13,159,202	39,707,663	2,996,084
Restricted for				
Capital projects	1,617,756	-	1,617,756	-
Tourism	67,419	-	67,419	-
Debt service	698,325	-	698,325	-
Economic development	-	-	-	2,310,275
Impact fees	-	242,734	242,734	-
Municipal court	52,972	-	52,972	-
Parks	76,966	-	76,966	-
Other	4,626	-	4,626	-
Unrestricted	<u>1,582,423</u>	<u>2,684,657</u>	<u>4,267,080</u>	<u>-</u>
Total net position	<u>\$ 30,648,948</u>	<u>\$ 16,086,593</u>	<u>\$ 46,735,541</u>	<u>\$ 5,306,359</u>

City of Kennedale, Texas
Statement of Activities
For the Year Ended September 30, 2023

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Program				
Primary government				
Governmental activities				
General government	\$ 2,377,029	\$ 726,997	\$ 592,540	\$ -
Public safety	6,733,488	561,043	-	-
Public works	2,306,021	146,962	-	-
Culture and recreation	546,019	78,498	-	-
Interest and fiscal charges	304,739	-	-	-
Total governmental activities	12,267,295	1,513,500	592,540	-
Business-type activities				
Water and wastewater	5,277,033	4,371,432	-	29,035
Storm water drainage	222,312	283,988	-	-
Total business-type activities	5,499,345	4,655,420	-	29,035
Total primary government	\$ 17,766,640	\$ 6,168,920	\$ 592,540	\$ 29,035
Component unit				
Kennedale Economic				
Development Corporation	\$ 1,160,040	\$ 334,035	\$ -	\$ -
Total component unit	\$ 1,160,040	\$ 334,035	\$ -	\$ -

General Revenues and Transfers

General revenues:

- Property taxes
- Sales taxes
- Franchise taxes
- Interest on investments
- Miscellaneous
- Grants not restricted to a specific purpose
- Gain on sale of land
- Transfers

Total general revenues and transfers

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Corporation
\$ (1,057,492)	\$ -	\$ (1,057,492)	\$ -
(6,172,445)	-	(6,172,445)	-
(2,159,059)	-	(2,159,059)	-
(467,521)	-	(467,521)	-
(304,739)	-	(304,739)	-
<u>(10,161,255)</u>	<u>-</u>	<u>(10,161,255)</u>	<u>-</u>
-	(876,566)	(876,566)	-
<u>-</u>	<u>61,676</u>	<u>61,676</u>	<u>-</u>
-	(814,890)	(814,890)	-
<u>\$(10,161,255)</u>	<u>\$ (814,890)</u>	<u>\$(10,976,145)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (826,005)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (826,005)</u>
\$ 7,420,296	\$ -	\$ 7,420,296	\$ -
2,218,382	-	2,218,382	738,973
798,218	-	798,218	-
576,953	377,284	954,237	71,896
211,495	-	211,495	37,201
190,984	-	190,984	-
-	-	-	365
(97,525)	97,525	-	-
<u>11,318,803</u>	<u>474,809</u>	<u>11,793,612</u>	<u>848,435</u>
1,157,548	(340,081)	817,467	22,430
<u>29,491,400</u>	<u>16,426,674</u>	<u>45,918,074</u>	<u>5,283,929</u>
<u>\$ 30,648,948</u>	<u>\$ 16,086,593</u>	<u>\$ 46,735,541</u>	<u>\$ 5,306,359</u>

City of Kennedale, Texas
Balance Sheet
Governmental Funds
September 30, 2023

	General Fund	Debt Service	TIRZ #1 New Hope	Capital Bond	Disaster Recovery	Non-major Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 3,665,625	\$ 694,538	\$ 258,753	\$ 8,884,103	\$ 1,928,080	\$ 1,206,425	\$ 16,637,524
Receivables (net of allowance for uncollectibles)							
Accounts	379,789	-	-	23,070	-	36,576	439,435
Taxes	508,627	12,029	-	-	-	-	520,656
Due from other funds	-	-	-	-	-	147,972	147,972
Prepaid items	259	-	-	-	-	-	259
Total assets	<u>\$ 4,554,300</u>	<u>\$ 706,567</u>	<u>\$ 258,753</u>	<u>\$ 8,907,173</u>	<u>\$ 1,928,080</u>	<u>\$ 1,390,973</u>	<u>\$ 17,745,846</u>
Liabilities							
Accounts payable	\$ 344,335	\$ -	\$ 6,873	\$ 93,339	41,746	\$ -	\$ 486,293
Accrued liabilities	378,122	-	-	-	-	-	378,122
Due to other funds	71,589	-	74,603	-	-	1,780	147,972
Due to other governments	10,011	-	-	-	-	-	10,011
Unearned revenue	-	-	-	-	1,816,306	-	1,816,306
Total liabilities	<u>804,057</u>	<u>-</u>	<u>81,476</u>	<u>93,339</u>	<u>1,858,052</u>	<u>1,780</u>	<u>2,838,704</u>
Deferred Inflows of Resources	<u>283,237</u>	<u>8,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,479</u>
Fund Balances							
Nonspendable							
Prepaid items	259	-	-	-	-	-	259
Restricted for							
Capital projects	-	-	177,277	8,813,834	70,028	760,077	9,821,216
Tourism	-	-	-	-	-	67,419	67,419
Debt service	-	698,325	-	-	-	-	698,325
Municipal court	52,972	-	-	-	-	-	52,972
Parks	76,966	-	-	-	-	-	76,966
Public safety	-	-	-	-	-	4,626	4,626
Assigned							
Capital and special projects	39,437	-	-	-	-	-	39,437
Parks	-	-	-	-	-	558,723	558,723
Unassigned	3,297,372	-	-	-	-	(1,652)	3,295,720
Total fund balances	<u>3,467,006</u>	<u>698,325</u>	<u>177,277</u>	<u>8,813,834</u>	<u>70,028</u>	<u>1,389,193</u>	<u>14,615,663</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,554,300</u>	<u>\$ 706,567</u>	<u>\$ 258,753</u>	<u>\$ 8,907,173</u>	<u>\$ 1,928,080</u>	<u>\$ 1,390,973</u>	<u>\$ 17,745,846</u>

City of Kennedale, Texas
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2023

Total fund balances – governmental funds		\$ 14,615,663
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.		32,161,052
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.		(48,561)
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.		291,479
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	2,226,117	
Deferred outflows of resources – OPEB	49,791	
Deferred inflows of resources – OPEB	<u>(98,811)</u>	2,072,976
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	(11,839,675)	
Tax notes payable	(1,160,000)	
Issuance premium	(467,747)	
Lease liability	(151,169)	
Compensated absences	(568,497)	
Net pension liability	(4,048,845)	
Total OPEB liability	<u>(207,728)</u>	<u>(18,443,661)</u>
Total net position of governmental activities		<u><u>\$ 30,648,948</u></u>

City of Kennedale, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2023

	General Fund	Debt Service	TIRZ #1 New Hope	Capital Bond	Disaster Recovery	Non-major Governmental Funds	Total Governmental Funds
Revenues							
Property taxes	\$ 5,777,979	\$ 1,385,653	\$ 231,710	\$ -	\$ -	\$ -	\$ 7,395,342
General sales tax	2,218,382	-	-	-	-	-	2,218,382
Occupancy taxes	-	-	-	-	-	30,698	30,698
Franchise fees	798,218	-	-	-	-	-	798,218
Licenses and permits	279,187	-	-	-	-	51,188	330,375
Public safety fees	265,096	-	-	-	-	-	265,096
Intergovernmental	670,607	138,625	-	165,000	190,984	1,408	1,166,624
Charges for services	139,040	-	-	-	-	112,975	252,015
Fines and forfeitures	205,644	-	-	-	-	213	205,857
Investment earnings	189,098	29,122	5,438	241,125	63,388	48,782	576,953
Miscellaneous	205,220	-	-	-	-	6,275	211,495
Total revenues	10,748,471	1,553,400	237,148	406,125	254,372	251,539	13,451,055
Expenditures							
Current							
General government	1,545,511	-	-	-	659	-	1,546,170
Public safety	6,433,686	-	-	-	-	1,589	6,435,275
Public works	762,151	-	-	622,384	-	-	1,384,535
Culture and recreation	464,339	-	-	-	-	13,258	477,597
Capital outlay	547,211	-	48,849	1,427,845	190,984	177,820	2,392,709
Debt service							
Principal	108,190	1,551,587	-	-	-	-	1,659,777
Interest and fiscal charges	9,543	246,429	-	-	-	-	255,972
Issuance costs	-	52,702	-	-	-	-	52,702
Total expenditures	9,870,631	1,850,718	48,849	2,050,229	191,643	192,667	14,204,737
Excess (deficiency) of revenues over (under) expenditures	877,840	(297,318)	188,299	(1,644,104)	62,729	58,872	(753,682)
Other financing sources (uses):							
Issuance of debt	-	52,702	-	2,302,298	-	-	2,355,000
Issuance of Leases	113,937	-	-	-	-	-	113,937
Premiums on bonds issued	-	-	-	97,702	-	-	97,702
Transfers in	-	104,800	10,000	-	-	-	114,800
Transfers out	-	-	-	-	-	(212,325)	(212,325)
Total other financing sources (uses)	113,937	157,502	10,000	2,400,000	-	(212,325)	2,469,114
Net Change in Fund Balances	991,777	(139,816)	198,299	755,896	62,729	(153,453)	1,715,432
Fund Balances (Deficits), Beginning of Year	2,475,229	838,141	(21,022)	8,057,938	7,299	1,542,646	12,900,231
Fund Balances (Deficits), End of Year	\$ 3,467,006	\$ 698,325	\$ 177,277	\$ 8,813,834	\$ 70,028	\$ 1,389,193	\$ 14,615,663

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, 2023

Net change in fund balances – total governmental funds		\$ 1,715,432
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		2,392,709
Depreciation/amortization		(1,498,532)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		71,313
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	\$ 1,181,587	
Payments on tax notes	370,000	
Payments on leases	108,190	1,659,777
The issuance of long-term debt, such as bonds, leases 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	(2,355,000)	
Leases issued	(113,937)	
Premium on bonds issued	(97,702)	
Amortization of bond premiums	16,181	(2,550,458)
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.		(594,032)
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.		(2,222)
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.		(24,193)
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>(12,246)</u>
Change in net position of governmental activities		<u>\$ 1,157,548</u>

City of Kennedale, Texas
Statement of Net Position
Proprietary Funds
September 30, 2023

	Water and Wastewater	Non-major Storm Water Drainage	Total Proprietary Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 2,942,956	\$ 724,287	\$ 3,667,243
Receivables (net of allowance for uncollectibles)			
Accounts	123,991	2,383	126,374
Prepaid expenses	22,786	-	22,786
Restricted cash and cash equivalents			
Impact fees	242,734	-	242,734
Customer deposits	360,128	-	360,128
Capital Projects	<u>15,061,891</u>	<u>-</u>	<u>15,061,891</u>
Total current assets	<u>18,754,486</u>	<u>726,670</u>	<u>19,481,156</u>
Non-current assets			
Capital assets			
Land and improvements	409,801	222,689	632,490
Buildings	5,761,788	-	5,761,788
Water/Wastewater distribution	17,959,583	1,047,374	19,006,957
Equipment and furniture	763,547	-	763,547
Construction in progress	37,552	38,056	75,608
Accumulated depreciation	<u>(11,784,962)</u>	<u>(173,665)</u>	<u>(11,958,627)</u>
Total non-current assets	<u>13,147,309</u>	<u>1,134,454</u>	<u>14,281,763</u>
Total assets	<u>31,901,795</u>	<u>1,861,124</u>	<u>33,762,919</u>
Liabilities			
Current liabilities			
Accounts payable	310,426	-	310,426
Accrued interest	137,084	-	137,084
Deposits	360,128	-	360,128
Bonds payable	442,362	-	442,362
Notes payable	<u>126,447</u>	<u>-</u>	<u>126,447</u>
Total current liabilities	<u>1,376,447</u>	<u>-</u>	<u>1,376,447</u>
Non-current liabilities			
Bonds payable	15,140,000	-	15,140,000
Notes payable	557,789	-	557,789
Premiums on bond debt	<u>602,090</u>	<u>-</u>	<u>602,090</u>
Total non-current liabilities	<u>16,299,879</u>	<u>-</u>	<u>16,299,879</u>
Total liabilities	<u>17,676,326</u>	<u>-</u>	<u>17,676,326</u>
Net Position			
Net investment in capital assets	12,024,748	1,134,454	13,159,202
Restricted for			
Impact fees	242,734	-	242,734
Unrestricted	<u>1,957,987</u>	<u>726,670</u>	<u>2,684,657</u>
Total net position	<u>\$ 14,225,469</u>	<u>\$ 1,861,124</u>	<u>\$ 16,086,593</u>

City of Kennedale, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2023

	Water and Wastewater	Non-major Storm Water Drainage	Total Proprietary Funds
Operating Revenues			
Charges for services			
Water	\$ 2,480,536	\$ -	\$ 2,480,536
Wastewater	1,800,810	-	1,800,810
Storm water drainage	-	283,988	283,988
Other	90,086	-	90,086
	<u>4,371,432</u>	<u>283,988</u>	<u>4,655,420</u>
Total operating revenues			
Operating Expenses			
General and administration	603,592	200,013	803,605
Maintenance and supplies	4,551	-	4,551
Cost of sales and service	3,572,895	2,000	3,574,895
Depreciation	603,025	20,299	623,324
	<u>4,784,063</u>	<u>222,312</u>	<u>5,006,375</u>
Total operating expenses			
Operating Income (Loss)	(412,631)	61,676	(350,955)
Non-operating Revenues (Expenses)			
Interest and investment revenue	345,948	31,336	377,284
Interest and fiscal charges	(96,949)	-	(96,949)
Debt issuance costs	(396,021)	-	(396,021)
	<u>(147,022)</u>	<u>31,336</u>	<u>(115,686)</u>
Total non-operating revenues (expenses)			
Income (Loss) Before Transfers and Capital Contributions	(559,653)	93,012	(466,641)
Transfers in	97,525	-	97,525
Capital contributions	29,035	-	29,035
	<u>126,560</u>	<u>-</u>	<u>126,560</u>
Total transfers and capital contributions			
Change in Net Position	(433,093)	93,012	(340,081)
Net Position, Beginning of Year	<u>14,658,562</u>	<u>1,768,112</u>	<u>16,426,674</u>
Net Position, End of Year	<u>\$ 14,225,469</u>	<u>\$ 1,861,124</u>	<u>\$ 16,086,593</u>

City of Kennedale, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2023

	Water and Wastewater	Non-major Storm Water Drainage	Total Proprietary Funds
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 4,371,193	\$ 286,284	\$ 4,657,477
Payments to employees	(603,592)	-	(603,592)
Payments to suppliers	(4,993,888)	(202,013)	(5,195,901)
Net cash provided by (used in) operating activities	<u>(1,226,287)</u>	<u>84,271</u>	<u>(1,142,016)</u>
Cash Flows From Noncapital and Related Financing Activities			
Transfers in	97,525	-	97,525
Net cash provided by noncapital and related financing activities	<u>97,525</u>	<u>-</u>	<u>97,525</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(320,647)	-	(320,647)
Proceeds from debt, including premium	15,319,130	-	15,319,130
Principal payments on debt	(253,412)	-	(253,412)
Issuance costs on debt	(390,714)	-	(390,714)
Payments on notes payable	(121,748)	-	(121,748)
Capital contributions - impact fees	29,035	-	29,035
Net cash provided by capital and related financing activities	<u>14,261,644</u>	<u>-</u>	<u>14,261,644</u>
Cash Flows From Investing Activities			
Interest on investments	345,948	31,336	377,284
Net cash provided by investing activities	<u>345,948</u>	<u>31,336</u>	<u>377,284</u>
Increase in Cash and Cash Equivalents	13,478,830	115,607	13,594,437
Cash and Cash Equivalents, Beginning of Year	5,128,879	608,680	5,737,559
Cash and Cash Equivalents, End of Year	<u>\$ 18,607,709</u>	<u>\$ 724,287</u>	<u>\$ 19,331,996</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities			
Operating income (loss)	\$ (412,631)	\$ 61,676	\$ (350,955)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	603,025	20,299	623,324
Changes in assets, liabilities, and deferred inflows and outflows			
Accounts receivable	(16,251)	2,296	(13,955)
Inventories	-	-	-
Due from other funds	-	-	-
Prepaid expenses	77,214	-	77,214
Deferred outflows of resources	-	-	-
Accounts payable	(1,493,656)	-	(1,493,656)
Accrued liabilities	16,012	-	16,012
Net pension liability	-	-	-
Total OPEB Liability	-	-	-
Deferred inflows of resources	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (1,226,287)</u>	<u>\$ 84,271</u>	<u>\$ (1,142,016)</u>

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

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

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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

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, 2023

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, 2023

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, 2023, the City had a tax rate of \$0.706190 per \$100 of which \$0.569154 was allocated for general government and \$0.137036 was allocated for payment of principal and interest on general long-term debt.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

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, contractual, and bond obligations. Unspent bond proceeds must be expended in accordance with the bond indenture and are recorded in both governmental and business-type activities. 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 for capital assets and \$15,000 for lease assets, 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 - 50 years
Other structures	50 years

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

Deferred Outflows/Inflows of Resources

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

- Deferred 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.
- 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.

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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

- 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.
- 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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

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

September 30, 2023

Fund Balance

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

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either: (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the city council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the city council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The city council has by resolution authorized the city manager and finance director to assign fund balance. The city council may also assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

Net Position Flow Assumption

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

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

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 New Accounting Standards

During fiscal year 2023, the City adopted the following GASB standards:

GASB Statement No. 91, *Conduit Debt Obligations*. This standard clarifies the definition of conduit debt and provides a single method of reporting these obligations (disclosure only). This standard provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The adoption of this standard had no impact on the City.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This standard addresses the gap in current accounting guidance related to public-private and public-public partnerships (both referred to as PPPs) that do not meet the definition of a service concession arrangement. The adoption of this standard had no impact on the City.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard establishes a single model for subscription-based information technology arrangements (SBITAs) accounting based on the principle that contracts are financings of the right to use an underlying information technology software asset. The standard requires recognition of certain right-to-use subscription assets and subscription liabilities. The adoption of this standard had no impact on the City.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

Note 2: Deposits and Investments

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

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

- ***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, 2023, 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 \$339,548 (with a book value of \$155,997).
- ***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.
- ***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.
- ***Concentration of Credit Risk:*** The government's investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

As of September 30, 2023, the City held the following investments:

	Carrying Value
Primary Government	
TexPool	\$ 32,527,854
TexStar	343,944
Money market investments	2,941,725
Total primary government	35,813,523
Component Unit	
TexPool	1,974,732
TexStar	20,880
Money market investments	178,589
Total component units	2,174,201
Total investments	\$ 37,987,724

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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

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

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, 2023:

	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	\$ 3,120,314	\$ 3,120,314	\$ -	\$ -
	<u>3,120,314</u>	<u>\$ 3,120,314</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at Net Asset Value				
TexStar	<u>364,824</u>			
Investments Measured at Amortized Cost				
TexPool	<u>34,502,586</u>			
Total investments	<u>\$ 37,987,724</u>			

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

Note 4: Receivables

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

	General	Debt Service	Capital Bond	Non-major Governmental	Water and Wastewater	Non-major Storm Water Drainage	Total
Receivables							
Taxes	\$ 639,463	\$ 52,557	\$ -	\$ -	\$ -	\$ -	\$ 692,020
Accounts	81,999	-	23,070	36,576	750,910	30,336	922,891
Intergovernmental	-	-	-	-	-	-	-
Court fines	1,135,171	-	-	-	-	-	1,135,171
Ambulance	2,957,924	-	-	-	-	-	2,957,924
Gross receivables	4,814,557	52,557	23,070	36,576	750,910	30,336	5,708,006
Less: allowance for uncollectibles	(3,926,141)	(40,528)	-	-	(626,919)	(27,953)	(4,621,541)
Net total receivables	<u>\$ 888,416</u>	<u>\$ 12,029</u>	<u>\$ 23,070</u>	<u>\$ 36,576</u>	<u>\$ 123,991</u>	<u>\$ 2,383</u>	<u>\$ 1,086,465</u>

The City records unearned revenue, revenue received but not yet earned, in its governmental funds. At September 30, 2023, the City’s unearned revenue related primarily to grant funding received prior to meeting all eligibility requirements totaled \$1,816,306.

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, 2023, were 99% 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, 2023, the City had a tax rate of \$0.706190 per \$100 assessed valuation, of which \$0.569154 was allocated for general government and \$0.137036 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% 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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

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 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year. This legislation provides that, if approved by the qualified voters in the City, both the appraisal and collection functions may be placed with the appraisal district. In addition, the City may obtain approval from its governing body to place these functions with the appraisal district.

Note 6: Interfund Receivables, Payables, and Transfers

Due To/Due From

The composition of inter-fund balances as of September 30, 2023, is as follows:

	Payable Fund	Receivable Fund
General	\$ 71,589	\$ -
Library building – nonmajor	1,780	
Roadway impact – nonmajor	-	147,972
TIRZ #1 New Hope	74,603	-
Total	\$ 147,972	\$ 147,972

These interfund transactions were a result of the Roadway Impact fund transferring monies to the General fund, Library Building fund, and TIRZ #1 fund for covering negative cash balances in the Library Building fund and to provide funding for certain roadway projects in the General and TIRZ #1 funds.

Interfund Transfers

Interfund activity for the year ended September 30, 2023, is as follows:

	Transfers In	Transfers Out
Debt service	\$ 104,800	\$ -
TIRZ #1 New Hope	10,000	-
Water and wastewater	97,525	-
Non-major governmental	-	212,325
Total	\$ 212,325	\$ 212,325

City of Kennedale, Texas
Notes to Basic Financial Statements
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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 Non-major governmental funds to the TIRZ #1 New Hope fund were for incremental property tax payments. These transfers were in accordance with budgetary authorizations.

Note 7: Capital and Lease Assets

Governmental Activities

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 4,206,187	\$ -	\$ -	\$ -	\$ 4,206,187
Construction in progress	1,275,695	948,913	-	(1,443,742)	780,866
Total capital assets not being depreciated	<u>5,481,882</u>	<u>948,913</u>	<u>-</u>	<u>(1,443,742)</u>	<u>4,987,053</u>
Capital and lease assets being depreciated/amortized					
Buildings	5,485,109	192,370	-	-	5,677,479
Lease assets	238,968	113,937	35,672	-	317,233
Infrastructure	39,536,846	-	-	1,443,742	40,980,588
Machinery and equipment	3,828,157	1,137,489	-	-	4,965,646
Total capital and lease assets being depreciated/amortized	<u>49,089,080</u>	<u>1,443,796</u>	<u>35,672</u>	<u>1,443,742</u>	<u>51,940,946</u>
Less accumulated depreciation/amortization for:					
Buildings	3,413,081	189,220	-	-	3,602,301
Lease assets	96,756	109,169	35,672	-	170,253
Infrastructure	16,668,235	894,732	-	-	17,562,967
Machinery and equipment	3,126,015	305,411	-	-	3,431,426
Total accumulated depreciation/amortization	<u>23,304,087</u>	<u>1,498,532</u>	<u>35,672</u>	<u>-</u>	<u>24,766,947</u>
Total capital and lease assets being depreciated/amortized, net	<u>25,784,993</u>	<u>(54,736)</u>	<u>-</u>	<u>1,443,742</u>	<u>27,173,999</u>
Governmental activities capital and lease assets, net	<u>\$ 31,266,875</u>	<u>\$ 894,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,161,052</u>

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

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

General government	\$ 210,412
Public safety	298,213
Public works	921,486
Culture and recreation	<u>68,422</u>
 Total depreciation/amortization expense – governmental activities	 <u>\$ 1,498,532</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>320,647</u>	<u>-</u>	<u>(831,520)</u>	<u>75,609</u>
Total capital assets not being depreciated	<u>1,218,972</u>	<u>320,647</u>	<u>-</u>	<u>(831,520)</u>	<u>708,099</u>
Capital assets being depreciated					
Buildings	5,761,788	-	-	-	5,761,788
Machinery and equipment	763,547	-	-	-	763,547
Infrastructure	<u>18,175,437</u>	<u>-</u>	<u>-</u>	<u>831,520</u>	<u>19,006,957</u>
Total capital assets being depreciated	<u>24,700,772</u>	<u>-</u>	<u>-</u>	<u>831,520</u>	<u>25,532,292</u>
Less accumulated depreciation for:					
Buildings	3,130,878	119,849	-	-	3,250,727
Machinery and equipment	750,513	8,841	-	-	759,354
Infrastructure	<u>7,453,913</u>	<u>494,634</u>	<u>-</u>	<u>-</u>	<u>7,948,547</u>
Total accumulated depreciation	<u>11,335,304</u>	<u>623,324</u>	<u>-</u>	<u>-</u>	<u>11,958,628</u>
Total capital assets being depreciated, net	<u>13,365,468</u>	<u>(623,324)</u>	<u>-</u>	<u>831,520</u>	<u>13,573,664</u>
Business-type activities capital assets, net	<u>\$ 14,584,440</u>	<u>\$ (302,677)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,281,763</u>

City of Kennedale, Texas
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September 30, 2023

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

Water and wastewater		\$	603,025
Storm water drainage			20,299
Total depreciation expense – business-type activities			\$ 623,324

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	870,292	-	-	(25,000)	845,292
Capital assets, being depreciated					
Buildings	4,917,189	-	-	-	4,917,189
Improvements	1,084,193	28,395	-	25,000	1,137,588
Infrastructure	209,707	-	-	-	209,707
Totals capital assets being depreciated	6,211,089	28,395	-	25,000	6,264,484
Less accumulated depreciation for:					
Buildings	2,630,298	245,859	-	-	2,876,157
Improvements	597,295	59,549	-	-	656,844
Infrastructure	33,053	4,195	-	-	37,248
Total accumulated depreciation	3,260,646	309,603	-	-	3,570,249
Total capital assets, being depreciated, net	2,950,443	(281,208)	-	25,000	2,694,235
Capital assets, net	\$ 3,820,735	\$ (281,208)	\$ -	\$ -	\$ 3,539,527

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

Note 8: Long-term Liabilities

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 4,816,262	\$ -	\$ 756,587	\$ 4,059,675	\$ 779,675
Certificates of obligation	5,850,000	2,355,000	425,000	7,780,000	400,000
Tax notes	1,530,000	-	370,000	1,160,000	380,000
Lease liability	145,422	113,937	108,190	151,169	73,919
Premiums on bonds	386,226	97,702	16,181	467,747	13,923
Compensated absences	544,304	128,779	104,586	568,497	113,699
Total governmental activities	<u>\$ 13,272,214</u>	<u>\$ 2,695,418</u>	<u>\$ 1,780,544</u>	<u>\$ 14,187,088</u>	<u>\$ 1,761,216</u>
Business-type Activities					
General obligation bonds	\$ 158,734	\$ -	\$ 78,412	\$ 80,322	\$ 80,322
Certificates of obligation	960,000	14,710,000	175,000	15,495,000	355,000
Notes payable	805,984	-	121,748	684,236	126,447
Premium on bonds	-	609,130	-	609,130	7,040
Total business-type activities	<u>\$ 2,286,528</u>	<u>\$ 15,319,130</u>	<u>\$ 375,160</u>	<u>\$ 16,868,688</u>	<u>\$ 568,809</u>
Discretely Presented Component Unit					
Revenue bonds	\$ 460,000	\$ -	\$ 80,000	\$ 380,000	\$ 85,000
Texas leverage fund loan	201,296	-	37,853	163,443	49,937
Total	<u>\$ 661,296</u>	<u>\$ -</u>	<u>\$ 117,853</u>	<u>\$ 543,443</u>	<u>\$ 134,937</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 revenues.

Late in fiscal year 2023, the City issued \$17,065,000 of the City of Kennedale, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023, at a premium of \$706,832 for the purpose of acquiring, constructing, or equipping street, sidewalk and related drainage improvements, as well as acquiring, constructing, equipping, repairing, extending, equipping, and improving the City's waterworks and sewer system, 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 4.00% to 5.00%.

City of Kennedale, Texas
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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%	\$ 129,675	\$ 80,322	\$ 209,997
\$1,260,000, 2020 General Obligation Refunding Bonds, due in annual installments through February 15, 2030, 1.93%	905,000	-	905,000
\$3,720,000, 2016 General Obligation Refunding Bonds, due in annual installments through February 15, 2028, 1.79%	1,775,000	-	1,775,000
\$1,540,000, 2020A General Obligation Refunding Bonds, due in annual installments through February 15, 2031, 1.22%	<u>1,250,000</u>	<u>-</u>	<u>1,250,000</u>
	<u>\$ 4,059,675</u>	<u>\$ 80,322</u>	<u>\$ 4,139,997</u>
<u>Certificates of Obligation</u>			
\$2,900,000, 2007 Certificate of Obligation Bonds, due in annual installments through February 15, 2027, 4.10%	\$ -	\$ 785,000	\$ 785,000
\$2,735,000, 2007A Certificate of Obligation Bonds, due in annual installments through February 15, 2024, 4.00%	215,000	-	215,000
\$5,735,000 2021 Certificate of Obligation Bonds, due in annual installments through February 15, 2041, 2.00%	5,210,000	-	5,210,000
\$17,065,000 2023 Certificate of Obligation Bonds, due in annual installments through February 15, 2043, 4.00% to 5.00%	<u>2,355,000</u>	<u>14,710,000</u>	<u>17,065,000</u>
	<u>\$ 7,780,000</u>	<u>\$ 15,495,000</u>	<u>\$ 23,275,000</u>

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

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%	\$ 1,160,000	\$ 1,160,000
	\$ 1,160,000	\$ 1,160,000

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

Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 1,179,675	\$ 322,991	\$ 1,502,666	\$ 435,322	\$ 684,806	\$ 1,120,128
2025	970,000	268,964	1,238,964	290,000	668,774	958,774
2026	1,010,000	243,646	1,253,646	450,000	652,029	1,102,029
2027	960,000	224,581	1,184,581	560,000	628,624	1,188,624
2028	985,000	199,812	1,184,812	595,000	600,693	1,195,693
2029-2033	2,775,000	715,646	3,490,646	3,440,000	2,544,219	5,984,219
2034-2038	2,170,000	414,587	2,584,587	4,390,000	1,590,944	5,980,944
2039-2043	1,790,000	115,763	1,905,763	5,415,000	567,859	5,982,859
Total	\$ 11,839,675	\$ 2,505,989	\$ 14,345,664	\$ 15,575,322	\$ 7,937,948	\$ 23,513,270

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
September 30, 2023

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

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2024	\$ 380,000	\$ 18,430	\$ 398,430
2025	385,000	11,163	396,163
2026	395,000	3,753	398,753
Total	<u>\$ 1,160,000</u>	<u>\$ 33,346</u>	<u>\$ 1,193,346</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%.

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

Fiscal Year	Business-Type Activities		
	Principal	Interest	Total
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>\$ 684,236</u>	<u>\$ 81,092</u>	<u>\$ 765,328</u>

Lease Liability

The City’s general fund has lease agreements for vehicles, the terms of which expire in various years through 2028. During the fiscal year ended September 30, 2023, the City recognized rental expense of approximately \$9,000 for the year ended September 30, 2023, 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
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The following is a schedule by year of payments under the leases as of September 30, 2023:

Governmental Activities

Year Ending September 30,	Principal	Interest	Total
2024	\$ 73,919	\$ 5,699	\$ 79,618
2025	22,449	3,353	25,802
2026	23,598	2,204	25,802
2027	24,805	997	25,802
2028	6,399	54	6,453
	<u>\$ 151,169</u>	<u>\$ 12,306</u>	<u>\$ 163,475</u>

Annual debt service requirements to maturity for the revenue bonds and loan of the KEDC are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2024	\$ 134,937	\$ 38,387	\$ 173,324
2025	144,351	28,155	172,506
2026	159,155	17,007	176,162
2027	105,000	7,298	112,298
Total	<u>\$ 543,443</u>	<u>\$ 90,847</u>	<u>\$ 634,290</u>

The following is a summary of pledged revenues for KEDC for the year ended September 30, 2023:

Revenue Pledged	Total Revenue Pledged	Current Year Debt Service Requirements	Percentage Portion of Revenue Stream	Remaining Principal and Interest	Period Revenue Will not be Available for Other Purposes
.05% sales and use tax	\$ 738,973	\$ 222,608	30.10%	\$ 634,290	Until 2027

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

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.tmr.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 years
Service retirement eligibility	20 years at any age, 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% of the total Member contributions and interest.

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	68
Inactive employees entitled to but not yet receiving benefits	131
Active employees	<u>64</u>
	<u><u>263</u></u>

City of Kennedale, Texas
Notes to Basic Financial Statements
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Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, 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 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.01% and 14.37% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$718,649, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2022, 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 generational 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.

City of Kennedale, Texas
Notes to Basic Financial Statements
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Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

City of Kennedale, Texas
Notes to Basic Financial Statements
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The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
Total	<u>100.00%</u>	

Discount Rate

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

Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension Liability(a) - (b)</u>
Balances as of October 1, 2022	\$ 21,943,406	\$ 21,109,477	\$ 833,929
Changes for the year			
Service cost	800,930	-	800,930
Interest on total pension liability	1,475,741	-	1,475,741
Effect of difference in expected and actual experience	376,038	-	376,038
Benefit payments	(962,093)	(962,093)	-
Administrative expenses	-	(13,334)	13,334
Member contributions	-	329,037	(329,037)
Net investment income	-	(1,543,508)	1,543,508
Employer contributions	-	649,686	(649,686)
Other	-	15,912	(15,912)
Net changes	<u>1,690,616</u>	<u>(1,524,300)</u>	<u>3,214,916</u>
Balances as of September 30, 2023	<u>\$ 23,634,022</u>	<u>\$ 19,585,177</u>	<u>\$ 4,048,845</u>

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

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

	1% Decrease (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
City's net pension liability	\$ 7,985,902	\$ 4,048,845	\$ 920,822

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.tmrs.com.

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

For the year ended September 30, 2023, the primary government recognized pension expense of \$1,315,626. At September 30, 2023, the primary government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 331,181
Net difference between projected and actual investment earnings	1,371,917
Contributions subsequent to the measurement date	523,019
	\$ 2,226,117

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

\$523,019 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, 2024. 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
2024	\$ 373,301
2025	374,686
2026	361,434
2027	593,677
	\$ 1,703,098

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.

City of Kennedale, Texas
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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, 2022, (measurement date):

Inactive employees or beneficiaries currently receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	16
Active employees	64
Total employees	118

Total OPEB Liability

The City's total OPEB liability of \$207,728 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The City’s total OPEB liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	December 31, 2022
Discount Rate	4.05% as of December 31, 2022 (1.84% as of December 31, 2021)
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.

City of Kennedale, Texas
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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 4.05% based on the 20-Year Municipal GO AA Index published by bondbuyer.com is used as of the measurement date of December 31, 2022.

Changes in Total OPEB Liability

	Total OPEB Liability
Balances as of October 1, 2022	\$ 302,563
Changes for the year	
Service cost	15,937
Interest on total OPEB liability	5,668
Difference between expected and actual experience	(1,495)
Effect of assumption changes (discount rate change)	(109,936)
Benefit payments, age adjusted premiums, net of retiree contributions	(5,009)
Balances as of September 30, 2023	\$ 207,728

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 4.05%. 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 3.05%	Current Discount Rate 4.05%	1% Increase 5.05%
Total OPEB Liability	\$ 249,399	\$ 207,728	\$ 175,580

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$10,127. At September 30, 2023, 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	\$ 35,202	\$ 90,100
Differences between expected and actual experience	2,942	8,711
Benefit payments subsequent to the measurement date	11,647	
	\$ 49,791	\$ 98,811

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, 2024.

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
2024	\$ (13,023)
2025	(9,962)
2026	(16,186)
2027	(20,180)
2028	(1,316)
	\$ (60,667)

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2023

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, 2023, the City paid premiums to TML for provisions of various liability, property, and casualty insurance. The City has various deductible amounts ranging from \$0 to \$2,000 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, 2023, 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.

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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	2022
Total Pension Liability									
Service cost	\$ 589,507	\$ 648,581	\$ 675,284	\$ 697,041	\$ 712,721	\$ 734,380	\$ 769,790	\$ 880,878	\$ 800,930
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	1,475,741
Differences between expected and actual experience	(102,280)	(168,052)	(109,980)	(52,740)	(205,171)	(90,293)	369,096	457,263	376,038
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)	(962,093)
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	1,690,616
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	21,943,406
Total pension liability – Ending (a)	\$ 12,199,345	\$ 13,338,373	\$ 14,486,487	\$ 15,753,763	\$ 16,872,693	\$ 18,117,510	\$ 19,965,419	\$ 21,943,406	\$ 23,634,022
Plan Fiduciary Net Position									
Contributions – employer	\$ 397,779	\$ 525,561	\$ 540,075	\$ 565,061	\$ 558,900	\$ 580,085	\$ 591,844	\$ 666,382	\$ 649,686
Contributions – employee	239,832	254,774	265,860	276,603	279,969	295,491	305,299	348,370	329,037
Net investment income	548,705	15,487	740,899	1,687,364	(429,406)	2,207,757	1,274,858	2,404,252	(1,543,508)
Benefit payments, including refunds of employee contributions	(274,797)	(320,705)	(329,210)	(366,034)	(460,511)	(559,415)	(522,263)	(713,470)	(962,093)
Administrative expense	(5,727)	(9,432)	(8,365)	(8,740)	(8,292)	(12,459)	(8,239)	(11,108)	(13,334)
Other	(471)	(466)	(451)	(443)	(432)	(375)	(321)	77	15,912
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	(1,524,300)
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	21,109,477
Plan fiduciary net position – Ending (b)	\$ 10,494,646	\$ 10,959,865	\$ 12,168,673	\$ 14,322,484	\$ 14,262,712	\$ 16,773,796	\$ 18,414,974	\$ 21,109,477	\$ 19,585,177
City's net pension liability – Ending (a) – (b)	\$ 1,704,699	\$ 2,378,508	\$ 2,317,814	\$ 1,431,279	\$ 2,609,981	\$ 1,343,714	\$ 1,550,445	\$ 833,929	\$ 4,048,845
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%	82.87%
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	\$ 4,553,327
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%	88.92%

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	2023
Actuarially determined contribution	\$ 391,136	\$ 483,133	\$ 555,231	\$ 560,038	\$ 566,892	\$ 586,411	\$ 640,350	\$ 686,761	\$ 624,339	\$ 718,649
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	718,649
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	\$ 4,952,043
Contributions as a percentage of covered payroll	12%	13.51%	14.12%	14.29%	13.97%	13.85%	13.81%	14.06%	13.97%	14.51%

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	22 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					
	2017	2018	2019	2020	2021	2022
Total OPEB Liability						
Service cost	\$ 16,201	\$ 17,998	\$ 14,203	\$ 19,626	\$ 21,400	\$ 15,937
Interest cost	5,260	5,765	6,271	6,105	5,483	5,668
Difference between expected and actual experience of the total OPEB liability	-	(13,157)	(6,021)	(7,744)	4,520	(1,495)
Changes of assumptions	13,846	(12,621)	37,090	36,148	9,963	(109,936)
Benefit payments	(1,185)	(1,200)	(1,253)	(1,308)	(4,479)	(5,009)
Net change in total OPEB liability	34,122	(3,215)	50,290	52,827	36,887	(94,835)
Total OPEB Liability (Beginning)	131,652	165,774	162,559	212,849	265,676	302,563
Total OPEB Liability (Ending)	<u>\$ 165,774</u>	<u>\$ 162,559</u>	<u>\$ 212,849</u>	<u>\$ 265,676</u>	<u>\$ 302,563</u>	<u>\$ 207,728</u>
Covered-employee payroll	\$ 3,951,478	\$ 3,999,556	\$ 4,177,363	\$ 4,361,416	\$ 4,976,712	\$ 4,553,327
Total OPEB liability as a percentage of covered-employee payroll	4.20%	4.06%	5.10%	6.09%	6.08%	4.56%

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:

2017	3.78%
2018	3.71%
2019	2.75%
2020	2.00%
2021	1.84%
2022	4.05%

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, 2023

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property	\$ 5,452,751	\$ 5,452,751	\$ 5,777,979	\$ 325,228
Sales	1,991,717	1,991,717	2,218,382	226,665
Franchise fees	997,721	997,721	798,218	(199,503)
Licenses and permits	354,928	354,928	279,187	(75,741)
Fines and forfeitures	148,866	148,866	205,644	56,778
Public safety fees	307,250	307,250	265,096	(42,154)
Intergovernmental	1,566,629	1,566,629	670,607	(896,022)
Charges for service	100,000	100,000	139,040	39,040
Investment earnings	23,619	23,619	189,098	165,479
Other	77,615	77,615	205,220	127,605
Total revenues	<u>11,021,096</u>	<u>11,021,096</u>	<u>10,748,471</u>	<u>(272,625)</u>
Expenditures				
Current				
General government	1,555,977	1,555,977	1,545,511	10,466
Public safety	7,017,952	7,017,952	6,433,686	584,266
Public works	1,556,178	1,556,178	762,151	794,027
Culture and recreation	452,915	452,915	464,339	(11,424)
Capital outlay	-	-	547,211	(547,211)
Debt service				
Principal	-	-	108,190	(108,190)
Interest and other	-	-	9,543	(9,543)
Total expenditures	<u>10,583,022</u>	<u>10,583,022</u>	<u>9,870,631</u>	<u>712,391</u>
Excess of revenues over expenditures	<u>438,074</u>	<u>438,074</u>	<u>877,840</u>	<u>439,766</u>
Other financing sources				
Lease proceeds	-	-	113,937	113,937
Total other financing sources	<u>-</u>	<u>-</u>	<u>113,937</u>	<u>113,937</u>
Net Change in Fund Balances	438,074	438,074	991,777	553,703
Fund Balance, Beginning of Year	<u>2,475,229</u>	<u>2,475,229</u>	<u>2,475,229</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,913,303</u>	<u>\$ 2,913,303</u>	<u>\$ 3,467,006</u>	<u>\$ 553,703</u>

City of Kennedale, Texas
Notes to Budgetary Information (Unaudited)
September 30, 2023

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 adopted for the General and Debt Service Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The budgetary data presented has been amended from the original budget by the City Council. The City Council provided a brief description for all significant supplemental appropriations.

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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, 2023

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, 2023

Assets	Special Revenue Funds		
	LEOSE	Police Seizure	Hotel Motel
Cash and cash equivalents	\$ 850	\$ 3,776	59,093
Receivables (net of allowance for uncollectibles)	-	-	8,326
Due from other funds	-	-	-
Total assets	\$ 850	\$ 3,776	\$ 67,419
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund Balances (Deficit)			
Restricted for			
Capital projects	-	-	-
Public safety	850	3,776	-
Tourism	-	-	67,419
Assigned			
Parks	-	-	-
Unassigned (deficit)	-	-	-
Total fund balances (deficit)	850	3,776	67,419
Total liabilities, deferred inflows of resources, and fund balances	\$ 850	\$ 3,776	\$ 67,419

Capital Projects Funds

Park Dedication	Capital Projects	Roadway Impact Fee	Library Building	Total Non-major Governmental Funds
\$ 558,723	\$ 162,073	\$ 421,782	\$ 128	\$ 1,206,425
-	28,250	-	-	36,576
-	-	147,972	-	147,972
<u>\$ 558,723</u>	<u>\$ 190,323</u>	<u>\$ 569,754</u>	<u>\$ 128</u>	<u>\$ 1,390,973</u>
\$ -	\$ -	\$ -	\$ 1,780	\$ 1,780
-	-	-	1,780	1,780
-	190,323	569,754	-	760,077
-	-	-	-	4,626
-	-	-	-	67,419
558,723	-	-	-	558,723
-	-	-	(1,652)	(1,652)
<u>558,723</u>	<u>190,323</u>	<u>569,754</u>	<u>(1,652)</u>	<u>1,389,193</u>
<u>\$ 558,723</u>	<u>\$ 190,323</u>	<u>\$ 569,754</u>	<u>\$ 128</u>	<u>\$ 1,390,973</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, 2023

Revenues	Special Revenue Funds		
	LEOSE	Police Seizure	Hotel Motel
Occupancy taxes	\$ -	\$ -	30,698
Charges for services	-	-	-
Licenses and permits	-	-	-
Intergovernmental	1,408	-	-
Fines and forfeitures	-	-	-
Investment earnings	30	125	1,776
Miscellaneous	-	-	6,275
	-	-	6,275
Total revenues	1,438	125	38,749
 Expenditures			
Current			
Public safety	1,589	-	-
Culture and recreation	-	-	13,258
Capital outlay	-	-	-
	-	-	-
Total expenditures	1,589	-	13,258
Excess (deficiency) of revenues over (under) expenditures	(151)	125	25,491
 Other Financing Uses			
Transfers out	-	-	-
	-	-	-
Total other financing uses	-	-	-
Net Change in Fund Balances	(151)	125	25,491
Fund Balances (Deficit), Beginning of Year	1,001	3,651	41,928
Fund Balances (Deficit), End of Year	\$ 850	\$ 3,776	\$ 67,419

Capital Projects Fund				
Park Dedication	Capital Projects	Roadway Impact Fee	Library Building	Total Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 30,698
-	112,975	-	-	112,975
13,200	-	37,988	-	51,188
-	-	-	-	1,408
-	-	-	213	213
23,606	7,556	15,687	2	48,782
-	-	-	-	6,275
<u>36,806</u>	<u>120,531</u>	<u>53,675</u>	<u>215</u>	<u>251,539</u>
-	-	-	-	1,589
-	-	-	-	13,258
<u>177,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,820</u>
<u>177,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,667</u>
<u>(141,014)</u>	<u>120,531</u>	<u>53,675</u>	<u>215</u>	<u>58,872</u>
<u>-</u>	<u>(104,800)</u>	<u>(107,525)</u>	<u>-</u>	<u>(212,325)</u>
<u>-</u>	<u>(104,800)</u>	<u>(107,525)</u>	<u>-</u>	<u>(212,325)</u>
(141,014)	15,731	(53,850)	215	(153,453)
<u>699,737</u>	<u>174,592</u>	<u>623,604</u>	<u>(1,867)</u>	<u>1,542,646</u>
<u>\$ 558,723</u>	<u>\$ 190,323</u>	<u>\$ 569,754</u>	<u>\$ (1,652)</u>	<u>\$ 1,389,193</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, 2023

	<u>Budgeted Amounts</u>		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes – property	\$ 1,317,695	\$ 1,317,695	\$ 1,385,653	\$ 67,958
Intergovernmental	-	-	138,625	138,625
Investment earnings	49,931	49,931	29,122	(20,809)
Total revenues	<u>1,367,626</u>	<u>1,367,626</u>	<u>1,553,400</u>	<u>185,774</u>
Expenditures				
Debt service				
Principal	1,431,588	1,431,588	1,551,587	(119,999)
Interest and other fiscal charges	240,840	240,840	246,429	(5,589)
Issuance costs	-	-	52,702	(52,702)
Total expenditures	<u>1,672,428</u>	<u>1,672,428</u>	<u>1,850,718</u>	<u>(178,290)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(304,802)</u>	<u>(304,802)</u>	<u>(297,318)</u>	<u>7,484</u>
Other financing sources (uses)				
Issuance of Debt	-	-	52,702	52,702
Transfers in	104,800	104,800	104,800	-
Total other financing sources (uses)	<u>104,800</u>	<u>104,800</u>	<u>157,502</u>	<u>52,702</u>
Net Change in Fund Balances	(200,002)	(200,002)	(139,816)	60,186
Fund Balance, Beginning of Year	<u>838,141</u>	<u>838,141</u>	<u>838,141</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 638,139</u>	<u>\$ 638,139</u>	<u>\$ 698,325</u>	<u>\$ 60,186</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.

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Governmental Activities					
Net investment in capital assets	\$ 20,904,287	\$ 21,429,758	\$ 24,048,321	\$ 24,362,252	\$ 24,410,280
Restricted	380,622	409,454	400,170	481,742	867,754
Unrestricted	933,606	215,475	689,620	457,818	454,903
Total governmental activities net position	<u>\$ 22,218,515</u>	<u>\$ 22,054,687</u>	<u>\$ 25,138,111</u>	<u>\$ 25,301,812</u>	<u>\$ 25,732,937</u>
Business-type Activities					
Net investment in capital assets	\$ 10,443,338	\$ 11,184,859	\$ 13,054,176	\$ 13,238,962	\$ 13,310,004
Restricted	-	-	-	204,223	274,043
Unrestricted	1,450,811	17,432	655,058	1,644,150	2,103,785
Total business-type activities net position	<u>\$ 11,894,149</u>	<u>\$ 11,202,291</u>	<u>\$ 13,709,234</u>	<u>\$ 15,087,335</u>	<u>\$ 15,687,832</u>
Primary Government					
Net investment in capital assets	\$ 31,347,625	\$ 32,614,617	\$ 37,102,497	\$ 37,601,214	\$ 37,720,284
Restricted	380,622	409,454	400,170	685,965	1,141,797
Unrestricted	2,384,417	232,907	1,344,678	2,101,968	2,558,688
Total primary governmental net position	<u>\$ 34,112,664</u>	<u>\$ 33,256,978</u>	<u>\$ 38,847,345</u>	<u>\$ 40,389,147</u>	<u>\$ 41,420,769</u>

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

	Fiscal Year				
	2019	2020	2021	2022	2023
Governmental Activities					
Net investment in capital assets	\$ 27,195,004	\$ 25,002,224	\$ 25,697,075	\$ 26,469,802	\$ 26,548,461
Restricted	998,047	3,447,408	3,770,054	1,817,752	2,518,064
Unrestricted (deficit)	<u>(2,450,204)</u>	<u>(1,546,077)</u>	<u>(722,995)</u>	<u>1,198,194</u>	<u>1,582,423</u>
Total governmental activities net position	<u>\$ 25,742,847</u>	<u>\$ 26,903,555</u>	<u>\$ 28,744,134</u>	<u>\$ 29,485,748</u>	<u>\$ 30,648,948</u>
Business-type Activities					
Net investment in capital assets	\$ 13,397,767	\$ 13,173,241	\$ 12,898,376	\$ 13,041,116	\$ 13,159,202
Restricted	92,694	-	218,327	294,597	242,734
Unrestricted	<u>2,670,080</u>	<u>3,233,259</u>	<u>4,075,192</u>	<u>3,090,961</u>	<u>2,684,657</u>
Total business-type activities net position	<u>\$ 16,160,541</u>	<u>\$ 16,406,500</u>	<u>\$ 17,191,895</u>	<u>\$ 16,426,674</u>	<u>\$ 16,086,593</u>
Primary Government					
Net investment in capital assets	\$ 40,592,771	\$ 38,175,465	\$ 38,595,451	\$ 39,510,918	\$ 39,707,663
Restricted	1,090,741	3,447,408	3,988,381	2,112,349	2,760,798
Unrestricted	<u>219,876</u>	<u>1,687,182</u>	<u>3,352,197</u>	<u>4,289,155</u>	<u>4,267,080</u>
Total primary governmental net position	<u>\$ 41,903,388</u>	<u>\$ 43,310,055</u>	<u>\$ 45,936,029</u>	<u>\$ 45,912,422</u>	<u>\$ 46,735,541</u>

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Expenses					
Governmental activities					
General government	\$ 1,242,021	\$ 1,348,921	\$ 1,340,991	\$ 1,460,659	\$ 1,526,536
Public safety	4,274,108	4,521,511	4,658,016	4,494,080	4,680,243
Public works	1,476,670	1,638,428	1,838,124	1,743,770	1,615,294
Culture and recreation	358,226	339,328	370,519	397,477	436,270
Interest and fiscal charges	510,355	478,440	521,675	348,741	403,223
Total governmental activities expenses	<u>7,861,380</u>	<u>8,326,628</u>	<u>8,729,325</u>	<u>8,444,727</u>	<u>8,661,566</u>
Business-type activities					
Water, wastewater, and storm water drainage	3,640,588	4,112,610	3,506,506	3,271,916	4,558,939
Total business-type activities expenses	<u>3,640,588</u>	<u>4,112,610</u>	<u>3,506,506</u>	<u>3,271,916</u>	<u>4,558,939</u>
Total primary government expenses	<u>\$ 11,501,968</u>	<u>\$ 12,439,238</u>	<u>\$ 12,235,831</u>	<u>\$ 11,716,643</u>	<u>\$ 13,220,505</u>
Program Revenues					
Governmental activities					
Charges for services					
General government	\$ 975,684	\$ 720,308	\$ 540,893	\$ 457,595	\$ 709,603
Public safety	567,835	500,044	515,906	353,139	547,621
Public works	115,110	84,250	150,936	92,502	143,445
Culture and recreation	1,470	1,187	164,817	49,410	76,621
Operating grants and contributions	47,119	139,677	126,520	145,560	152,588
Capital grants and contributions	115,058	490,975	2,595,371	154,819	-
Total governmental activities program revenues	<u>\$ 1,822,276</u>	<u>\$ 1,936,441</u>	<u>\$ 4,094,443</u>	<u>\$ 1,253,025</u>	<u>\$ 1,629,878</u>

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

	Fiscal Year				
	2019	2020	2021	2022	2023
Expenses					
Governmental activities					
General government	\$ 1,979,235	\$ 2,105,441	\$ 1,852,414	\$ 2,156,521	\$ 2,377,029
Public safety	5,213,493	4,950,888	6,244,588	5,916,631	6,733,488
Public works	1,737,211	1,815,849	1,938,720	1,870,100	2,306,021
Culture and recreation	372,805	420,777	393,212	411,125	546,019
Interest and fiscal charges	349,118	265,057	331,754	404,756	304,739
Total governmental activities expenses	<u>9,651,862</u>	<u>9,558,012</u>	<u>10,760,688</u>	<u>10,759,133</u>	<u>12,267,295</u>
Business-type activities					
Water, wastewater, and storm water drainage	4,089,637	4,263,029	4,321,340	5,782,249	5,499,345
Total business-type activities expenses	<u>4,089,637</u>	<u>4,263,029</u>	<u>4,321,340</u>	<u>5,782,249</u>	<u>5,499,345</u>
Total primary government expenses	<u>\$ 13,741,499</u>	<u>\$ 13,821,041</u>	<u>\$ 15,082,028</u>	<u>\$ 16,541,382</u>	<u>\$ 17,766,640</u>
Program Revenues					
Governmental activities					
Charges for services					
General government	\$ 630,969	\$ 748,228	\$ 1,330,239	\$ 831,242	\$ 726,997
Public safety	486,937	577,428	1,026,555	641,493	561,043
Public works	127,549	151,253	268,906	168,035	146,962
Culture and recreation	68,131	80,792	143,636	89,755	78,498
Operating grants and contributions	154,825	344,278	482,486	140,941	592,540
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	<u>\$ 1,468,411</u>	<u>\$ 1,901,979</u>	<u>\$ 3,251,822</u>	<u>\$ 1,871,466</u>	<u>\$ 2,106,040</u>

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Business-type Activities					
Charges for services					
Water, wastewater, and storm water drainage	\$ 3,775,546	\$ 3,683,542	\$ 4,782,055	\$ 5,086,486	\$ 4,832,378
Capital grants and contributions	-	-	1,479,937	374,296	325,676
Total business-type activities program revenues	<u>3,775,546</u>	<u>3,683,542</u>	<u>6,261,992</u>	<u>5,460,782</u>	<u>5,158,054</u>
Total primary government program revenues	<u>\$ 5,597,822</u>	<u>\$ 5,619,983</u>	<u>\$ 10,356,435</u>	<u>\$ 6,713,807</u>	<u>\$ 6,787,932</u>
Net (Expenses) Revenues					
Governmental activities	\$ (6,039,104)	\$ (6,390,187)	\$ (4,634,882)	\$ (7,191,702)	\$ (7,031,688)
Business-type activities	<u>134,958</u>	<u>(429,068)</u>	<u>2,755,486</u>	<u>2,188,866</u>	<u>599,115</u>
Total primary government net expenses	<u>\$ (5,904,146)</u>	<u>\$ (6,819,255)</u>	<u>\$ (1,879,396)</u>	<u>\$ (5,002,836)</u>	<u>\$ (6,432,573)</u>
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property	\$ 4,143,977	\$ 4,274,752	\$ 4,521,765	\$ 4,703,870	\$ 5,140,105
Sales	1,093,946	1,491,342	1,253,391	1,208,557	1,459,743
Franchise	871,351	910,886	545,140	537,454	777,768
Investment earnings	389	887	3,986	13,272	53,986
Miscellaneous	509,287	690,772	308,179	143,633	141,834
Grants not restricted to a specific purpose	-	-	-	-	-
Transfers	-	49,178	953,377	748,617	-
Total governmental activities	<u>6,618,950</u>	<u>7,417,817</u>	<u>7,585,838</u>	<u>7,355,403</u>	<u>7,573,436</u>
Business-type activities					
Investment earnings	218	281	521	3,919	17,591
Transfers	-	(49,178)	(953,377)	(748,617)	-
Total business-type activities	<u>218</u>	<u>(48,897)</u>	<u>(952,856)</u>	<u>(744,698)</u>	<u>17,591</u>
Total primary government	<u>6,619,168</u>	<u>7,368,920</u>	<u>6,632,982</u>	<u>6,610,705</u>	<u>7,591,027</u>
Change in Net Position					
Governmental activities	579,846	1,027,630	2,950,956	163,701	541,748
Business-type activities	<u>135,176</u>	<u>(477,965)</u>	<u>1,802,630</u>	<u>1,444,168</u>	<u>616,706</u>
Total primary government	<u>\$ 715,022</u>	<u>\$ 549,665</u>	<u>\$ 4,753,586</u>	<u>\$ 1,607,869</u>	<u>\$ 1,158,454</u>

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

	Fiscal Year				
	2019	2020	2021	2022	2023
Business-type Activities					
Charges for services					
Water, wastewater, and storm water drainage	\$ 4,467,770	\$ 4,482,591	\$ 4,350,305	\$ 4,721,496	\$ 4,655,420
Capital grants and contributions	51,247	10,099	265,392	134,266	29,035
Total business-type activities program revenues	<u>4,519,017</u>	<u>4,492,690</u>	<u>4,615,697</u>	<u>4,855,762</u>	<u>4,684,455</u>
Total primary government program revenues	<u>\$ 5,987,428</u>	<u>\$ 6,394,669</u>	<u>\$ 7,867,519</u>	<u>\$ 6,727,228</u>	<u>\$ 6,790,495</u>
Net (Expenses) Revenues					
Governmental activities	\$ (8,183,451)	\$ (7,656,033)	\$ (7,647,047)	\$ (8,887,667)	\$ (10,161,255)
Business-type activities	429,380	229,661	596,654	(926,487)	(814,890)
Total primary government net expenses	<u>\$ (7,754,071)</u>	<u>\$ (7,426,372)</u>	<u>\$ (7,050,393)</u>	<u>\$ (9,814,154)</u>	<u>\$ (10,976,145)</u>
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property	\$ 5,321,225	\$ 6,144,664	\$ 6,820,007	\$ 6,959,571	\$ 7,420,296
Sales	1,774,698	1,765,996	1,958,164	1,859,721	2,218,382
Franchise	764,887	806,115	809,838	887,603	798,218
Investment earnings	112,609	59,584	3,490	107,759	576,953
Miscellaneous	219,942	40,382	83,651	150,819	211,495
Grants not restricted to a specific purpose	-	-	-	139,053	190,984
Transfers	-	-	(187,524)	(127,525)	(97,525)
Total governmental activities	<u>8,193,361</u>	<u>8,816,741</u>	<u>9,487,626</u>	<u>9,977,001</u>	<u>11,318,803</u>
Business-type activities					
Investment earnings	43,329	16,298	1,217	33,741	377,284
Transfers	-	-	187,524	127,525	97,525
Total business-type activities	<u>43,329</u>	<u>16,298</u>	<u>188,741</u>	<u>161,266</u>	<u>474,809</u>
Total primary government	<u>8,236,690</u>	<u>8,833,039</u>	<u>9,676,367</u>	<u>10,138,267</u>	<u>11,793,612</u>
Change in Net Position					
Governmental activities	9,910	1,160,708	1,978,785	1,089,334	1,157,548
Business-type activities	472,709	245,959	785,395	(765,221)	(340,081)
Total primary government	<u>\$ 482,619</u>	<u>\$ 1,406,667</u>	<u>\$ 2,764,180</u>	<u>\$ 324,113</u>	<u>\$ 817,467</u>

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

	2014	2015	2016	2017	2018
General Fund					
Nonspendable	\$ 40,633	\$ 15,786	\$ 240,850	\$ 206,755	\$ 86,778
Restricted	-	-	-	-	106,347
Assigned	-	-	367,218	-	915,608
Unassigned	<u>1,193,553</u>	<u>1,716,655</u>	<u>1,972,229</u>	<u>2,264,414</u>	<u>1,746,714</u>
Total general fund	<u>\$ 1,234,186</u>	<u>\$ 1,732,441</u>	<u>\$ 2,580,297</u>	<u>\$ 2,471,169</u>	<u>\$ 2,855,447</u>
All Other Governmental Funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for					
Debt service	2,849	10,375	11,861	-	194,135
Tourism	-	-	-	-	-
Public safety	10,164	5,286	-	155	-
Economic development	1,112	-	-	-	-
Other	-	-	-	-	1,747
Capital projects	341,663	373,456	400,170	425,432	565,525
Assigned					
Parks	-	-	-	-	158,092
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(788,591)</u>
Total all other governmental funds	<u>\$ 355,788</u>	<u>\$ 389,117</u>	<u>\$ 412,031</u>	<u>\$ 425,587</u>	<u>\$ 130,908</u>

Source: Annual Comprehensive Financial Report

2019	2020	2021	2022	2023
\$ 54,346	\$ 66,280	\$ 74,707	\$ -	\$ 259
106,347	113,983	118,515	127,536	129,938
915,608	501,973	296,074	28,081	39,437
<u>1,597,593</u>	<u>2,453,218</u>	<u>2,653,244</u>	<u>2,313,960</u>	<u>3,297,372</u>
<u>\$ 2,673,894</u>	<u>\$ 3,135,454</u>	<u>\$ 3,142,540</u>	<u>\$ 2,469,577</u>	<u>\$ 3,467,006</u>
\$ -	\$ -	\$ -	\$ -	\$ -
315,015	489,285	687,654	838,141	698,325
-	-	-	41,928	67,419
1,895	4,320	2,549	4,652	4,626
-	-	-	-	-
-	-	-	-	-
3,164,782	2,839,820	2,961,336	8,863,433	9,821,216
84,108	101,611	648,018	699,737	558,723
<u>(594,328)</u>	<u>(422,643)</u>	<u>(233,953)</u>	<u>(22,889)</u>	<u>(1,652)</u>
<u>\$ 2,971,472</u>	<u>\$ 3,012,393</u>	<u>\$ 4,065,604</u>	<u>\$ 10,425,002</u>	<u>\$ 11,148,657</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				
	2014	2015	2016	2017	2018
Revenues					
Taxes	\$ 6,086,574	\$ 6,696,668	\$ 6,330,577	\$ 6,399,207	\$ 6,703,224
Licenses, fees, and permits	477,447	346,011	727,163	465,917	462,291
Franchise fees	-	-	-	-	777,768
Fines and penalties	274,413	228,482	232,660	196,564	189,315
Public safety fees	243,002	247,907	237,104	264,317	184,260
Charges for services	614,145	459,651	73,840	76,682	81,142
Intergovernmental	48,231	630,669	787,432	339,415	712,870
Investment earnings	389	887	3,986	13,272	53,986
Contributions	2,314	2,153	1,527	4,399	-
Miscellaneous	620,919	713,443	306,652	184,530	141,834
Total revenues	8,367,434	9,325,871	8,700,941	7,944,303	9,306,690
Expenditures					
Current					
General government	1,126,632	1,228,989	1,247,881	1,321,110	1,473,009
Public safety	4,052,316	4,247,507	4,346,827	4,271,460	4,390,751
Public works	1,051,794	850,933	681,748	728,228	718,519
Culture and recreation	272,102	272,964	301,411	322,353	373,593
Capital outlay	100,478	896,467	1,339,271	972,098	207,510
Debt service					
Principal	841,178	844,371	895,356	1,122,944	1,205,033
Interest and fiscal charges	526,300	493,943	536,710	349,041	384,963
Bond issuance costs	-	-	-	-	-
Total expenditures	7,970,800	8,835,174	9,349,204	9,087,234	8,753,378
Excess (deficiency) of revenues over (under) expenditures	396,634	490,697	(648,263)	(1,142,931)	553,312
Other Financing Sources (Uses)					
Issuance of debt	-	-	-	-	-
Issuance of lease	-	-	4,087,218	331,865	-
Premiums on bonds issued	-	-	-	-	-
Payment to escrow agent	-	(1,214,150)	-	-	-
Refunding bonds/lease issued	-	-	(3,646,951)	-	-
Transfers in	161,832	258,832	1,036,598	1,006,384	277,217
Transfers out	(161,832)	(258,832)	(83,221)	(257,767)	(277,217)
Total other financing sources (uses)	-	(1,214,150)	1,393,644	1,080,482	-
Net Change in Fund Balances	\$ 396,634	\$ (723,453)	\$ 745,381	\$ (62,449)	\$ 553,312
Debt service as a percentage of noncapital expenditures	17.4%	16.9%	17.9%	18.1%	18.6%

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				
	2019	2020	2021	2022	2023
Revenues					
Taxes	\$ 7,169,500	\$ 7,896,341	\$ 8,736,857	\$ 8,831,392	\$ 9,644,422
Licenses, fees, and permits	182,210	244,188	1,646,852	481,548	330,375
Franchise fees	764,887	806,115	809,838	887,603	798,218
Fines and forfeitures	144,181	90,778	85,918	151,404	205,857
Public safety fees	194,930	193,734	337,044	312,188	265,096
Charges for services	82,754	308,599	245,453	206,069	252,015
Intergovernmental	864,336	1,064,680	937,032	1,000,251	1,166,624
Investment earnings	112,609	59,584	3,490	107,759	576,953
Contributions	-	-	-	-	-
Miscellaneous	219,942	40,382	83,648	150,819	211,495
Total revenues	9,735,349	10,704,401	12,886,132	12,129,033	13,451,055
Expenditures					
Current					
General government	1,611,757	1,982,013	1,873,559	1,815,767	1,546,170
Public safety	4,966,865	4,709,552	6,071,051	6,009,309	6,435,275
Public works	788,130	878,155	1,005,271	954,724	1,384,535
Culture and recreation	328,507	376,479	348,914	372,340	477,597
Capital outlay	725,256	595,069	516,446	896,568	2,392,709
Debt service					
Principal	1,428,543	1,435,439	1,554,474	1,623,959	1,659,777
Interest and fiscal charges	296,008	276,866	263,296	418,173	255,972
Bond issuance costs	66,550	-	-	-	52,702
Total expenditures	10,211,616	10,253,573	11,633,011	12,090,840	14,204,737
Excess (deficiency) of revenues over (under) expenditures	(476,267)	450,828	1,253,121	38,193	(753,682)
Other Financing Sources (Uses)					
Debt issuance	2,760,000	-	-	5,735,000	2,355,000
Issuance of lease	375,378	-	-	-	113,937
Premium on debt issuance	-	-	-	408,296	97,702
Payment to escrow agent	-	(1,214,150)	(1,545,300)	-	-
Refunding bonds/lease issued	-	1,265,803	1,540,000	-	-
Transfers in	230,437	251,926	195,560	116,501	114,800
Transfers out	(230,437)	(251,926)	(383,084)	(244,026)	(212,325)
Total other financing sources (uses)	3,135,378	51,653	(192,824)	6,015,771	2,469,114
Net Change in Fund Balances	\$ 2,659,111	\$ 502,481	\$ 1,060,297	\$ 6,053,964	\$ 1,715,432
Debt service as a percentage of noncapital expenditures	18.2%	17.7%	16.4%	18.2%	16.2%

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
2014	\$ 369,809,150	\$ 122,562,814	\$ 62,617,391	\$ 74,529,874	\$ 480,459,481	\$ 0.74750	\$ 480,459,481	100.00%
2015	\$ 418,964,219	\$ 135,862,868	\$ 43,604,299	\$ 69,044,161	\$ 529,387,225	\$ 0.74750	\$ 529,387,225	100.00%
2016	\$ 423,074,019	\$ 133,607,106	\$ 42,937,171	\$ 50,198,154	\$ 549,420,142	\$ 0.76750	\$ 549,420,142	100.00%
2017	\$ 434,127,908	\$ 137,328,197	\$ 21,506,171	\$ 25,203,051	\$ 567,759,225	\$ 0.76750	\$ 567,759,225	100.00%
2018	\$ 479,936,919	\$ 147,896,807	\$ 35,746,004	\$ 33,925,413	\$ 629,654,317	\$ 0.77750	\$ 629,654,317	100.00%
2019	\$ 517,326,245	\$ 155,373,286	\$ 29,734,655	\$ 11,730,455	\$ 690,703,731	\$ 0.72571	\$ 690,703,731	100.00%
2020	\$ 584,136,210	\$ 111,486,922	\$ 23,929,984	\$ 57,395,099	\$ 662,158,017	\$ 0.73497	\$ 662,158,017	100.00%
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%
2023	\$ 928,544,958	\$ 288,569,538	\$ 28,185,966	\$ 86,177,943	\$1,159,122,519	\$ 0.70619	\$1,159,122,519	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
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
2023	0.569154	0.137036	0.70619	1.226400	0.224000	0.130170	0.224429

Source: Tarrant Appraisals District (2022 Tax Rates).

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
2014	\$ 4,083,024	\$ 4,015,994	98.36%	\$ 28	\$ 4,016,022	98%
2015	\$ 4,231,865	\$ 4,174,320	98.64%	\$ 140	\$ 4,174,460	99%
2016	\$ 4,501,716	\$ 4,464,778	99.18%	\$ 131	\$ 4,464,909	99%
2017	\$ 4,644,955	\$ 4,589,538	98.81%	\$ 65	\$ 4,589,603	99%
2018	\$ 5,086,080	\$ 5,045,734	99.21%	\$ 100	\$ 5,045,834	99%
2019	\$ 5,219,526	\$ 5,169,354	99.04%	\$ 23	\$ 5,169,377	99%
2020	\$ 5,949,183	\$ 5,798,463	97.47%	\$ 5,298	\$ 5,803,761	98%
2021	\$ 6,521,122	\$ 6,063,561	92.98%	\$ (13,886)	\$ 6,049,674	93%
2022	\$ 7,123,299	\$ 6,824,573	95.81%	\$ 36,400	\$ 6,860,973	96%
2023	\$ 7,140,875	\$ 7,082,236	99.18%	\$ -	\$ 7,082,236	99%

* Excludes levy for TIRZ #1.

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	Premium on Bonds	Notes Payable				
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	\$ 145,422	\$ 1,530,000	\$ 1,118,734	\$ -	\$ 805,984	\$ 14,652,628	0.70%	1,756	8,342
2023	\$ 11,839,675	\$ 467,747	\$ 151,169	\$ 1,160,000	\$ 15,575,322	\$ 609,130	\$ 684,236	\$ 30,487,279	0.37%	3,268	9,329

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		
2014	\$ 12,469,623	\$ -	\$ 12,469,623	2.60%	\$ 1,686
2015	\$ 11,655,557	\$ -	\$ 11,655,557	2.20%	\$ 1,458
2016	\$ 11,001,843	\$ -	\$ 11,001,843	2.00%	\$ 1,370
2017	\$ 10,026,300	\$ -	\$ 10,026,300	1.77%	\$ 1,206
2018	\$ 9,024,582	\$ -	\$ 9,024,582	1.43%	\$ 1,082
2019	\$ 8,099,682	\$ -	\$ 8,099,682	1.17%	\$ 948
2020	\$ 7,178,035	\$ -	\$ 7,178,035	1.08%	\$ 870
2021	\$ 6,186,673	\$ -	\$ 6,186,673	0.89%	\$ 726
2022	\$ 10,666,262	\$ 386,226	\$ 11,052,488	1.33%	\$ 1,325
2023	\$ 11,839,675	\$ 467,747	\$ 12,307,422	1.06%	\$ 1,319

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 2023 was established at \$0.706190 per \$100 assessed valuation based on 100% 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
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%
2023	9,329	\$ 112,646	\$ 44,483	3.9%

Sources: United States Census Bureau, Quick Facts, Kennedale, TX
Texas Workforce Commission

Note: Personal Income & Per Capita Personal Income & Unemployment Rate:
United States Census Bureau, 2023 American Community Survey, Federal
Reserve Bank of St. Louis

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

Employer	2023 Employees	2014 Employees
Sabre Industries/Fort Worth Tower	300-350	450-500
Kennedale Independent School District	400-450	400-450
Old Castle Infrastructure	100-150	100-150
ARK Contracting Services	100-500	50-100
Speed Fab Crete	50-100	100-150
Hawk Steel	50-100	50-100
Hexpol Compounding	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 conducted by the City of Kennedale

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	3.0	2.5	2.5	3.0	3.0	3.7	3.5	3.8
Planning	3.0	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	3.0	2.0	2.0	2.0	1.5	1.0	1.0	2.0	2.0
Police										
Officers	16.0	19.0	20.0	20.0	21.0	21.0	21.0	21.0	21.0	22.0
Civilians	7.5	2.5	2.5	2.1	2.5	2.5	2.5	2.7	3.0	3.0
Fire										
Firefighters and officers	16.0	16.0	16.0	16.0	16.0	20.0	17.0	19.0	19.0	20.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other public works										
Streets & Parks	8.0	8.0	8.0	8.0	8.0	8.0	11.0	10.8	10.4	8.0
Library	3.5	3.5	3.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Water/Wastewater	11.5	11.5	11.5	11.5	11.5	11.5	-	-	-	-
Total	76.0	75.00	75.5	75.1	76.5	80.5	68.5	71.1	71.9	71.8

Sources: FY2022-23 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government										
Building permits issued	504	406	504	292	593	41	40	664	694	638
Building inspections conducted	477	355	1,185	1,752	1,165	399	114	1,232	1,320	1,057
Police										
Physical arrests	260	203	203	374	109	111	163	154	241	211
Parking violations	2,045	1,675	24	6	7	8	6	16	56	163
Traffic violations	4,287	3,778	2,828	4,296	1,692	1,725	2,249	1,263	3,822	5,775
Fire										
Emergency responses	909	1,131	867	1,166	693	706	740	1,508	1,559	1,650
Fires extinguished	135	199	200	200	58	155	29	80	100	61
Inspections	173	198	178	218	66	87	56	45	104	205
Library										
Volumes in collection	15,299	14,752	16,292	16,831	16,322	16,322	16,671	14,896	18,990	15,986
Total volumes borrowed	17,257	16,162	20,288	21,579	18,007	18,007	17,863	16,291	20,035	24,494
Water and Wastewater										
New connections	87	73	39	59	65	81	111	79	63	4
Average daily consumption	968,841	892,014	898,918	980,413	909,919	1,003,523	772,156	921,301	1,163,573	1,129,573
Peak daily consumption	2,135,272	2,471,500	2,021,800	1,884,040	2,449,850	2,015,488	-	2,190,436	1,994,745	9,827,980

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

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	14	17	17	8	8	8	8	9	9	11
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	49
Streetlights	-	332	332	346	346	346	346	376	376	376
Parks and recreation										
Acreage	28	28	28	27	27	27	27	27	28	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	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	3,325	3,300	2,820	2,820
Elevated	1,250	1,250	1,250	1,250	1,250	1,250	1,145	1,250	1,720	1,720
Ground	2,100	2,100	2,100	2,100	2,100	2,100	2,180	2,150	1,100	1,100
Sanitary sewers (miles)	-	48	48	50	50	50	47	48	48	48
Storm sewers (miles)	-	4	4	4	4	4	5	6	6	6