

City of Kennedale, Texas

Annual Comprehensive Financial Report

For the Fiscal Year Ended September 30, 2024

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

City of Kennedale, Texas
Annual Comprehensive Financial Report
Year Ended September 30, 2024

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April 18, 2025

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, 2024 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 Mazars LLP, 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, 2024, 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, 2024, 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 10,052. The City is empowered to levy property tax on both real and business personal properties located within its boundaries. It also is empowered by statute to extend its corporate limits by annexation, which occurs periodically, when deemed appropriate by the City Council.

The City operates under a Council-Manager form of government with a Council comprised of a Mayor and five Councilmembers, each elected at large. The term of office is two years with the terms of the Mayor and Council Places 2 and 4 expiring in even-numbered years and the terms of Council Places 1, 3, and 5 expiring in odd-numbered years. The City Council is responsible for enacting ordinances, resolutions, and regulations governing the City as well as appointing the members of various statutory and advisory boards, the City Manager, City Secretary, City Attorney, and Municipal Judge(s). The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of executive directors and heads of departments, and the performance of administrative functions within the municipal organization.

The City of Kennedale provides a full range of services including police, fire, emergency medical service, municipal court, library, parks, water distribution, wastewater collection, solid waste collection, curbside recycling, streets, stormwater drainage, community development (planning, code enforcement, building inspection, and economic development), and general administrative services. The City contracts with the City of Arlington for the operation and maintenance of its water and wastewater utility system.

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

FACTORS AFFECTING FINANCIAL CONDITION

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

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

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

Kennedale has experienced steady population growth in the last decade. Beautiful Village Creek slowly winds throughout the City, providing a feeling of tranquility in the community. Much of the City's land is undeveloped, allowing for incoming developments and offering residents a respite from the crowds and traffic congestion existing in much of the Dallas-Fort Worth Metroplex. As the economy continues to grow and expand across North Central Texas, Kennedale will be an attractive choice for businesses and families alike.

The Kennedale Economic Development Corporation (KEDC) was formed in 1996 to spearhead the City's economic growth. The KEDC is funded by a voter-approved half-cent sales tax, which is used to offer grants and other economic incentives to existing and new businesses. The KEDC employs a four-pronged approach: (1) land acquisition, assembly, and clearing for resale, (2) manufacturing expansion, (3) retail retention and development, and (4) quality of life improvements. In accordance with the adopted master plan, the redevelopment of the Oak Crest area continues. Link Street to Kennedale Parkway was opened in 2015 and an extension was opened in October 2016. The improved access led to the development of a Popeye's and Burger King which opened in 2015. McDonald's opened in the Oak Crest area in October 2016. A hotel site is in the process of development. The KEDC is also working with property owners in the area to develop their land.

The Town Center shopping center has room for expansion with three pad sites still undeveloped. The Town Center currently hosts service offerings such as a small event venue, salon, physical therapy, and a roofing contractor. Retail offerings include an antique mall, an electrical supplier, the Dollar General variety store, and Wally's Pickles. Current restaurants in Town Center include Subway, Bravo Eats, Chicken Express, the new Valentino's Pizza, and the incoming Thrive Coffee startup.

Over 35 new structures were scheduled for completion in 2024-2025, including the new Chipotle restaurant, The Learning Center daycare, a new gas station at Eden Rd., a new 20,000 SF building to support the expansion of Southwest Ambulance on E Kennedale Parkway, and new office/retail buildings on Potomac Parkway. Residential projects currently in development include Emerald Crest, Russell Ranch, Kennedale Oaks, and a 32-unit townhome project on Crestview.

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. The Comprehensive Plan was updated in September 2024. 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's bond rating was raised to AA from Standard & Poor's (S&P) Global ratings in December 2024.

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

ORGANIZATIONAL CHART

RESIDENTS OF THE CITY OF KENNEDALE

CITY COUNCIL
 (Elected Officials)

CITY ATTORNEY
 (Appointed Official)

CITY MANAGER
 (Appointed Official)

MUNICIPAL JUDGE
 (Appointed Official)

ADVISORY BOARDS
 (Appointed by Council)

COMMISSIONS
 (Appointed by Council)

City Secretary

Finance

Human Resources

Municipal Court

Community Development

Fire

Library

Police

Public Works

Planning & Permits

EMS

Senior Center

Animal Control

Utility Operations

Code Compliance & Inspections

Communications

Information Technology

Streets & Parks

School Resource Officers (SROs)

Stormwater

Facility Maintenance

Elected Officials

Mayor	Brad Horton
City Council, Place 1	David Glover
City Council, Place 2	Thelma Kobeck
City Council, Place 3	Kenneth Michels
City Council, Place 4	Chris Gary
City Council, Place 5	Jeff Navarez

Appointed & Key Officials

City Manager	Darrell Hull
City Secretary	Bobbie Jo Taylor
City Attorney	Taylor, Olsen, Adkins, Sralla & Elam, LLP
Director of Finance	Jonathan Horton
Director of Human Resources	Vacant
Police Chief	Mike Holguin
Fire Chief	Eric Peterson
Director of Public Works	Kristian Sugrim
Director of Community Development	Nathan Gonzales
Court Administrator	Bertha Vindell
Director of Library and Communications	Elizabeth Partridge

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

Place 1	Tyson Eubanks
Place 2	Marcel Terry
Place 3	Kenneth Michels
Place 4	Jeff Nevarez
Place 5	Dustin Verona
Place 6	KEDC President Mark Yeary
Place 7	David Glover



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Kennedale
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2023

Christopher P. Morill

Executive Director/CEO

Independent Auditor's Report

To 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, 2024, 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, 2024, 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.

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, general fund and major special revenue funds budgetary comparison information, pension, and other postemployment benefit information as listed in the table of contents 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 and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 and schedules 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 as listed in the table contents 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 18, 2025, 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 Mazars, LLP

**Dallas, Texas
April 21, 2025**

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City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2024

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, 2024. 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 2024, resulting in \$48,772,498 of net position. Net position associated with governmental activities is approximately \$32.2 million, or 66% of the total net position of the City. Net position associated with business-type activities is approximately \$16.6 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 \$41.4 million.
- Unrestricted net position of the City is \$5.4 million. Unrestricted net position for governmental activities is approximately \$2.3 million or 7% of total net position of governmental activities. Unrestricted net position for business-type activities is approximately \$3.1 million or 19% of total net position for business-type activities.
- As of the close of fiscal year 2024, the City's Governmental Funds reported a combined ending fund balance of \$26,279,353, an increase of \$11,663,690 from the prior year's balance.
- At the end of the current fiscal year, total fund balance for the General Fund was \$4,306,342. This represents approximately 40% 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.

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.

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2024

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, Grants 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.

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, 2024, City assets and deferred outflows of resources exceeded its liabilities and deferred inflows resulting in \$48,772,498 of net position.

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2024

Statement of Net Position for Governmental and Business-type Activities

	2024			2023		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 33,189,924	\$ 20,396,303	\$ 53,586,227	\$ 17,597,874	\$ 19,481,156	\$ 37,079,030
Capital, lease, and subscription assets	35,221,260	13,893,998	49,115,258	32,161,052	14,281,763	46,442,815
Total assets	68,411,184	34,290,301	102,701,485	49,758,926	33,762,919	83,521,845
Deferred outflows of resources	1,562,651	-	1,562,651	2,344,191	-	2,344,191
Long-term liabilities	28,814,409	15,878,549	44,692,958	16,682,445	16,299,879	32,982,324
Other liabilities	8,725,744	1,793,726	10,519,470	4,500,509	1,376,447	5,876,956
Total liabilities	37,540,153	17,672,275	55,212,428	21,182,954	17,676,326	38,859,280
Deferred inflows of resources	279,210	-	279,210	271,215	-	271,215
Net position:						
Net investment in capital assets	28,095,130	13,275,187	41,370,317	26,548,461	13,159,202	39,707,663
Restricted	1,799,661	207,371	2,007,032	2,518,064	242,734	2,760,798
Unrestricted	2,259,681	3,135,468	5,395,149	1,582,423	2,684,657	4,267,080
Total net position	\$ 32,154,472	\$ 16,618,026	\$ 48,772,498	\$ 30,648,948	\$ 16,086,593	\$ 46,735,541

Both current and other assets and long-term liabilities primarily increased due to the issuance of over \$13 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, lease, and subscription 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 (4%) 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, 2024

Analysis of City's Operations: The following table provides a summary of the City's operations for the year ended September 30, 2024. Overall, the City had an increase in net position of \$2,036,957.

Revenues and Expenses for Governmental and Business-type Activities

	2024			2023		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program Revenues						
Charges for services	\$ 1,692,793	\$ 5,082,982	\$ 6,775,775	\$ 1,513,500	\$ 4,655,420	\$ 6,168,920
Operating grant and contributions	650,302	-	650,302	592,540	-	592,540
Capital grant and contributions	-	86,309	86,309	-	29,035	29,035
General revenues						
Taxes and fees	11,811,434	-	11,811,434	10,436,896	-	10,436,896
Other	1,118,221	933,543	2,051,764	788,448	377,284	1,165,732
Grants not restricted to a specific purpose	731,152	-	731,152	190,984	-	190,984
Total revenues	16,003,902	6,102,834	22,106,736	13,522,368	5,061,739	18,584,107
Expenses						
General government	2,516,232	-	2,516,232	2,377,029	-	2,377,029
Public safety	7,450,881	-	7,450,881	6,733,488	-	6,733,488
Public works	2,324,535	-	2,324,535	2,306,021	-	2,306,021
Culture and recreation	602,906	-	602,906	546,019	-	546,019
Interest and fiscal charges	681,480	-	681,480	304,739	-	304,739
Water and sewer	-	6,203,491	6,203,491	-	5,277,033	5,277,033
Storm water drainage	-	290,254	290,254	-	222,312	222,312
Total expenses	13,576,034	6,493,745	20,069,779	12,267,295	5,499,345	17,766,640
Increase (Decrease) in Net Position Before Transfers	2,427,868	(390,911)	2,036,957	1,255,073	(437,606)	817,467
Transfers	(922,344)	922,344	-	(97,525)	97,525	-
Change in Net Position	1,505,524	531,433	2,036,957	1,157,548	(340,081)	817,467
Net Position, Beginning of Year	30,648,948	16,086,593	46,735,541	29,491,400	16,426,674	45,918,074
Net Position, Ending of Year	\$ 32,154,472	\$ 16,618,026	\$ 48,772,498	\$ 30,648,948	\$ 16,086,593	\$ 46,735,541

Governmental Activities: Governmental activities increased the City's net position by \$1,505,524. Total revenue for the governmental activities increased from the previous year by \$2,481,534. General revenue had a net increase of \$2,244,479. 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 primarily due to an increase in the number of citations and building permits issued. Expenses increased by \$1,308,739 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 increased by \$531,433. Total revenue for the business-type activities increased from the previous year by \$1,041,095, primarily due to increased interest income on investments. Additionally, total expenses for business-type activities increased from the previous year by \$994,400, primarily due to the interest payments on debt issued at the end of the previous fiscal year. These factors led to an increase in net position.

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2024

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 \$26,279,353, an increase of \$11,663,690 from the prior year. The General fund had an increase of \$839,336 in fund balance, primarily due to an increase in property tax values which increased property tax revenues, as well as an increase in licenses and permits revenue and public safety fees revenue, due to an increase in building permits and citations issued. The Debt Service fund has an increase of \$249,656 in fund balance, which was due to the issuance of debt during the fiscal year. The TIRZ #1 New Hope fund had a decrease of \$26,784 in fund balance, primarily due to a transfer to the Debt Service fund to assist in the payment of debt principal. The Capital Bond fund had an increase of \$10,847,822 in fund balance, which was due to the issuance of debt during the fiscal year. The Grants fund had an increase of \$95,529 in fund balance, which was due primarily to increased interest rates, leading to an increase in investment income, as well as an increase in recognition of grant revenue, which was partially offset by the related grant expenditures.

Fund balance includes amounts restricted for Capital Projects of \$20,636,940, restricted for Debt Service of \$947,981, restricted for Parks of \$94,952, restricted for Municipal Court of \$57,662, restricted for Tourism of \$90,925, and restricted for Public Safety of \$19,006. Fund balance also includes amounts assigned for Parks of \$279,312. The net unassigned fund balance was \$4,152,575, an increase of \$856,855 from prior year.

In the General Fund, the final budget projected a \$1,468,291 decrease in fund balance this fiscal year; however, the actual change was an \$839,336 increase. Total revenues were \$1,460,099 over budget and total expenditures were under budget by \$697,245. Revenues increased from the budget primarily due to an increase in administrative charges to other funds recorded as intergovernmental revenues, an increase in public safety fees due to an increase in citations issued, and an increase in investment earnings due to higher interest rates. Expenditures came in under budget primarily due to a decreased need in engineering services, electric services, and street maintenance.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net position of the Water and Wastewater Fund at the end of the fiscal year amounted to \$2,369,654 and the Storm Water Drainage Fund reported an unrestricted net position of \$765,814.

Capital, Lease, and Subscription Assets: The City's capital, lease, and subscription assets for its governmental and business-type activities as of September 30, 2024, amount to \$49,115,258 (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 work completed on various construction projects.

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2024

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

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 4,206,187	\$ 4,206,187	\$ 632,490	\$ 632,490	\$ 4,838,677	\$ 4,838,677
Buildings	5,988,862	5,677,479	5,803,495	5,761,788	11,792,357	11,439,267
Machinery and equipment	5,319,759	4,965,646	763,547	763,547	6,083,306	5,729,193
Construction in progress	4,278,658	780,866	100,388	75,609	4,379,046	856,475
Lease assets	113,937	317,233	-	-	113,937	317,233
Subscription assets	121,258	-	-	-	121,258	-
Infrastructure/water distribution	41,068,109	40,980,588	19,168,124	19,006,957	60,236,233	59,987,545
Accumulated depreciation/amortization	(25,875,510)	(24,766,947)	(12,574,046)	(11,958,628)	(38,449,556)	(36,725,575)
Total	<u>\$ 35,221,260</u>	<u>\$ 32,161,052</u>	<u>\$ 13,893,998</u>	<u>\$ 14,281,763</u>	<u>\$ 49,115,258</u>	<u>\$ 46,442,815</u>

Long-term Debt: At the end of the current fiscal year, the City had total bonds outstanding of \$41,224,730 and \$780,000 of tax notes, all being tax supported. The City also has \$77,250 and \$79,134 in lease and subscription liabilities, respectively, and notes payable of \$557,789. During 2024, the City issued over \$13 million in general obligation bonds and combination tax and 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	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 6,260,000	\$ 4,059,675	\$ -	\$ 80,322	\$ 6,260,000	\$ 4,139,997
Certificates of obligation	19,222,641	8,247,747	15,742,089	16,104,130	34,964,730	24,351,877
Tax notes	780,000	1,160,000	-	-	780,000	1,160,000
Notes payable	-	-	557,789	684,236	557,789	684,236
Lease liability	77,250	151,169	-	-	77,250	151,169
Subscription liability	79,134	-	-	-	79,134	-
Total	<u>\$ 26,419,025</u>	<u>\$ 13,618,591</u>	<u>\$ 16,299,878</u>	<u>\$ 16,868,688</u>	<u>\$ 42,718,903</u>	<u>\$ 30,487,279</u>

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

City of Kennedale, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2024

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

For fiscal year 2025, 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. At the end of fiscal year 2024, the City passed a new Comprehensive Plan and updated the water utilities contract. Work will begin in fiscal year 2025 on updating the City's Unified Development Code.

The City issued debt towards the end of fiscal year 2024, of which majority was allocated to the capital bond fund and a portion to the debt service fund. The funds will be used for capital projects related to remodels of public safety facilities, street resurfacing, and park system improvements.

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 one new building complete and one new building in the construction phase before the end of the next 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.

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Basic Financial Statements

City of Kennedale, Texas
Statement of Net Position
September 30, 2024

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Kennedale Economic Development Corporation
Assets and Deferred Outflows of Resources				
Cash, cash equivalents, and investments	\$ 11,194,507	\$ 4,345,535	\$ 15,540,042	\$ 2,313,197
Receivables (net of allowance):				
Accounts	1,083,214	325,031	1,408,245	28,907
Taxes	599,199	-	599,199	154,676
Leases	-	-	-	596,081
Prepaid items	-	22,786	22,786	10,000
Restricted assets:				
Cash, cash equivalents, and investments	20,313,004	15,702,951	36,015,955	-
Capital, lease, and subscription assets:				
Land and construction in progress	8,484,845	732,878	9,217,723	1,025,948
Other capital, lease, and subscription assets, net of accumulated depreciation and amortization	26,736,415	13,161,120	39,897,535	2,443,418
Total assets	68,411,184	34,290,301	102,701,485	6,572,227
Deferred Outflows of Resources				
Deferred loss on refunding	45,522	-	45,522	-
Deferred outflows of resources – pension	1,472,647	-	1,472,647	-
Deferred outflows of resources – OPEB	44,482	-	44,482	-
Total deferred outflows of resources	1,562,651	-	1,562,651	-
Total assets and deferred outflows of resources	\$ 69,973,835	\$ 34,290,301	\$ 104,264,136	\$ 6,572,227

City of Kennedale, Texas
Statement of Net Position
September 30, 2024

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Kennedale Economic Development Corporation
Liabilities, Deferred Inflows of Resources and Net Position				
Accounts payable and contracts payable	\$ 4,341,525	\$ 869,751	\$ 5,211,276	\$ 19,582
Accrued liabilities	394,142	-	394,142	-
Accrued interest	144,854	130,344	275,198	10,908
Due to other governments	10,805	-	10,805	-
Deposits	625	372,302	372,927	33,899
Unearned revenue	1,775,277	-	1,775,277	48,000
Current liabilities:				
Bonds payable	1,475,000	290,000	1,765,000	90,000
Tax notes payable	385,000	-	385,000	-
Compensated absences	137,487	-	137,487	-
Notes payable	-	131,329	131,329	54,351
Lease liability	22,449	-	22,449	-
Subscription liability	38,580	-	38,580	10,721
Noncurrent Liabilities:				
Bonds payable	24,007,641	15,452,089	39,459,730	205,000
Tax notes payable	395,000	-	395,000	-
Compensated absences	549,946	-	549,946	-
Notes payable	-	426,460	426,460	59,155
Lease liability	54,801	-	54,801	-
Subscription liability	40,554	-	40,554	14,270
Total OPEB liability	219,877	-	219,877	-
Net pension liability	3,546,590	-	3,546,590	-
Total noncurrent liabilities	28,814,409	15,878,549	44,692,958	278,425
Total liabilities	37,540,153	17,672,275	55,212,428	545,886
Deferred Inflows of Resources				
Deferred gain on refunding	126,662	-	126,662	-
Deferred inflows of resources – pension	74,843	-	74,843	-
Deferred inflows of resources – OPEB	77,705	-	77,705	-
Deferred inflows of resources – leases	-	-	-	551,759
Total deferred inflows of resources	279,210	-	279,210	551,759
Net Position				
Net investment in capital assets	28,095,130	13,275,187	41,370,317	3,035,869
Restricted for:				
Capital projects	323,936	-	323,936	-
Tourism	90,925	-	90,925	-
Debt service	947,981	-	947,981	-
Economic development	-	-	-	2,438,713
Impact fees	-	207,371	207,371	-
Municipal court	322,861	-	322,861	-
Parks	94,952	-	94,952	-
Other	19,006	-	19,006	-
Unrestricted	2,259,681	3,135,468	5,395,149	-
Total net position	32,154,472	16,618,026	48,772,498	5,474,582
Total liabilities, deferred inflows of resources and net position	\$ 69,973,835	\$ 34,290,301	\$ 104,264,136	\$ 6,572,227

City of Kennedale, Texas
Statement of Activities
Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,516,232	\$ 813,119	\$ 650,302	\$ -
Public safety	7,450,881	627,506	-	-
Public works	2,324,535	164,371	-	-
Culture and recreation	602,906	87,797	-	-
Interest and fiscal charges	681,480	-	-	-
Total governmental activities	<u>13,576,034</u>	<u>1,692,793</u>	<u>650,302</u>	<u>-</u>
Business-type Activities				
Water and wastewater	6,203,491	4,808,088	-	86,309
Stormwater and drainage	290,254	274,894	-	-
Total business-type activities	<u>6,493,745</u>	<u>5,082,982</u>	<u>-</u>	<u>86,309</u>
Total primary government	<u>\$ 20,069,779</u>	<u>\$ 6,775,775</u>	<u>\$ 650,302</u>	<u>\$ 86,309</u>
Component Unit				
Kennedale Economic Development Corporation	1,327,004	324,808	-	-
Total component unit	<u>\$ 1,327,004</u>	<u>\$ 324,808</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

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
\$ (1,052,811)	\$ -	\$ (1,052,811)	\$ -
(6,823,375)	-	(6,823,375)	-
(2,160,164)	-	(2,160,164)	-
(515,109)	-	(515,109)	-
(681,480)	-	(681,480)	-
<u>(11,232,939)</u>	<u>-</u>	<u>(11,232,939)</u>	<u>-</u>
-	(1,309,094)	(1,309,094)	-
-	(15,360)	(15,360)	-
-	(1,324,454)	(1,324,454)	-
<u>\$ (11,232,939)</u>	<u>\$ (1,324,454)</u>	<u>\$ (12,557,393)</u>	<u>\$ -</u>
-	-	-	(1,002,196)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,002,196)</u>
8,811,356	-	8,811,356	-
2,285,133	-	2,285,133	761,402
714,945	-	714,945	-
869,197	933,543	1,802,740	103,668
219,749	-	219,749	24,744
731,152	-	731,152	-
29,275	-	29,275	280,605
(922,344)	922,344	-	-
<u>12,738,463</u>	<u>1,855,887</u>	<u>14,594,350</u>	<u>1,170,419</u>
1,505,524	531,433	2,036,957	168,223
<u>30,648,948</u>	<u>16,086,593</u>	<u>46,735,541</u>	<u>5,306,359</u>
<u>\$ 32,154,472</u>	<u>\$ 16,618,026</u>	<u>\$ 48,772,498</u>	<u>\$ 5,474,582</u>

City of Kennedale, Texas
Balance Sheet
Governmental Funds
September 30, 2024

	General	Debt Service	TIRZ 1 New Hope	Capital Bond
Assets				
Cash, cash equivalents, and investments	\$ 3,927,432	\$ 941,848	\$ 225,096	\$ 23,594,746
Receivables (net of allowance for uncollectibles):				
Accounts	403,685	-	-	23,070
Taxes	564,061	35,138	-	-
Due from other funds	621,039	-	-	-
	<u>5,516,217</u>	<u>976,986</u>	<u>225,096</u>	<u>23,617,816</u>
Total assets	<u>\$ 5,516,217</u>	<u>\$ 976,986</u>	<u>\$ 225,096</u>	<u>\$ 23,617,816</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 373,522	\$ -	\$ -	\$ 3,956,160
Accrued liabilities	394,142	-	-	-
Due to other funds	71,589	-	74,603	-
Due to other governments	10,805	-	-	-
Deposits	625	-	-	-
Unearned revenue	-	-	-	-
	<u>850,683</u>	<u>-</u>	<u>74,603</u>	<u>3,956,160</u>
Total liabilities	<u>850,683</u>	<u>-</u>	<u>74,603</u>	<u>3,956,160</u>
Deferred Inflows of Resources				
Unavailable revenue	359,192	29,005	-	-
	<u>359,192</u>	<u>29,005</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>359,192</u>	<u>29,005</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted for:				
Capital projects	-	-	150,493	19,661,656
Tourism	-	-	-	-
Debt service	-	947,981	-	-
Municipal court	57,662	-	-	-
Parks	94,952	-	-	-
Public safety	-	-	-	-
Assigned:				
Parks	-	-	-	-
Unassigned	4,153,728	-	-	-
	<u>4,306,342</u>	<u>947,981</u>	<u>150,493</u>	<u>19,661,656</u>
Total fund balances	<u>4,306,342</u>	<u>947,981</u>	<u>150,493</u>	<u>19,661,656</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,516,217</u>	<u>\$ 976,986</u>	<u>\$ 225,096</u>	<u>\$ 23,617,816</u>

Grants	Other Governmental Funds	Total Governmental Funds
\$ 1,929,209	\$ 889,180	\$ 31,507,511
634,207	22,252	1,083,214
-	-	599,199
-	147,972	769,011
<u>\$ 2,563,416</u>	<u>\$ 1,059,404</u>	<u>\$ 33,958,935</u>
\$ 1,543	\$ 10,300	\$ 4,341,525
-	-	394,142
621,039	1,780	769,011
-	-	10,805
-	-	625
<u>1,775,277</u>	<u>-</u>	<u>1,775,277</u>
<u>2,397,859</u>	<u>12,080</u>	<u>7,291,385</u>
-	-	388,197
-	-	388,197
165,557	659,234	20,636,940
-	90,925	90,925
-	-	947,981
-	-	57,662
-	-	94,952
-	19,006	19,006
-	279,312	279,312
-	(1,153)	4,152,575
<u>165,557</u>	<u>1,047,324</u>	<u>26,279,353</u>
<u>\$ 2,563,416</u>	<u>\$ 1,059,404</u>	<u>\$ 33,958,935</u>

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City of Kennedale, Texas
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2024

Total fund balances – governmental funds		\$ 26,279,353
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.		35,221,260
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.		(144,854)
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.		388,197
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	\$ (126,662)	
Deferred loss on refunding	45,522	
Deferred outflows of resources – Pension	1,472,647	
Deferred outflows of resources – OPEB	44,482	
Deferred inflows of resources – Pension	(74,843)	
Deferred inflows of resources – OPEB	<u>(77,705)</u>	1,283,441
Long-term liabilities, including bonds payable, notes payable, compensated absences, net pension liability, total OPEB liability, lease liability, and subscription liability are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.		
Bonds payable	(24,450,000)	
Tax notes payable	(780,000)	
Issuance premium	(1,032,641)	
Lease liability	(77,250)	
Subscription liability	(79,134)	
Compensated absences	(687,433)	
Net pension liability	(3,546,590)	
Total OPEB liability	<u>(219,877)</u>	<u>(30,872,925)</u>
Total net position of governmental activities		<u>\$ 32,154,472</u>

City of Kennedale, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2024

	General	Debt Service	TIRZ 1 New Hope	Capital Bond
Revenues				
Property taxes	\$ 6,114,010	\$ 2,358,941	\$ 273,698	\$ -
General sales tax	2,285,133	-	-	-
Occupancy taxes	-	-	-	-
Franchise fees	714,945	-	-	-
Licenses and permits	426,933	-	-	-
Public safety fees	375,099	-	-	-
Intergovernmental	633,290	141,260	-	-
Charges for services	83,046	-	-	-
Fines and forfeitures	349,640	-	-	-
Investment income	255,668	44,734	11,832	426,689
Miscellaneous	169,486	-	-	-
Total revenues	<u>11,407,250</u>	<u>2,544,935</u>	<u>285,530</u>	<u>426,689</u>
Expenditures				
Current:				
General government	1,895,452	-	-	-
Public safety	6,950,181	-	-	-
Public works	1,020,755	-	94,085	55,235
Culture and recreation	477,478	-	-	-
Capital outlay	252,334	-	-	3,523,631
Debt service:				
Principal retirement	116,043	1,559,675	-	-
Interest and fiscal charges	6,204	325,799	-	-
Issuance costs	-	290,088	-	-
Total expenditures	<u>10,718,447</u>	<u>2,175,562</u>	<u>94,085</u>	<u>3,578,866</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>688,803</u>	<u>369,373</u>	<u>191,445</u>	<u>(3,152,177)</u>
Other Financing Sources (Uses)				
Issuance of debt	-	368,818	-	13,421,182
Issuance of subscriptions	121,258	-	-	-
Premiums on bonds issued	-	-	-	578,817
Proceeds from sale of assets	29,275	-	-	-
Transfers in	-	336,284	10,000	-
Transfers out	-	(824,819)	(228,229)	-
Total other financing sources (uses)	<u>150,533</u>	<u>(119,717)</u>	<u>(218,229)</u>	<u>13,999,999</u>
Net Change in Fund Balances	839,336	249,656	(26,784)	10,847,822
Fund Balances, Beginning of Year	<u>3,467,006</u>	<u>698,325</u>	<u>177,277</u>	<u>8,813,834</u>
Fund Balances, End of Year	<u>\$ 4,306,342</u>	<u>\$ 947,981</u>	<u>\$ 150,493</u>	<u>\$ 19,661,656</u>

Grants	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 8,746,649
-	-	2,285,133
-	26,133	26,133
-	-	714,945
-	158,723	585,656
-	-	375,099
731,152	3,696	1,509,398
-	138,914	221,960
-	483	350,123
84,792	45,482	869,197
-	24,130	193,616
<u>815,944</u>	<u>397,561</u>	<u>15,877,909</u>
1,711	-	1,897,163
164,106	2,440	7,116,727
-	192,723	1,362,798
7,877	17,304	502,659
546,721	311,383	4,634,069
-	-	1,675,718
-	-	332,003
-	-	290,088
<u>720,415</u>	<u>523,850</u>	<u>17,811,225</u>
<u>95,529</u>	<u>(126,289)</u>	<u>(1,933,316)</u>
-	-	13,790,000
-	-	121,258
-	-	578,817
-	-	29,275
-	-	346,284
-	(215,580)	(1,268,628)
-	(215,580)	13,597,006
95,529	(341,869)	11,663,690
<u>70,028</u>	<u>1,389,193</u>	<u>14,615,663</u>
<u>\$ 165,557</u>	<u>\$ 1,047,324</u>	<u>\$ 26,279,353</u>

City of Kennedale, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2024

Net change in fund balances – total governmental funds \$ 11,663,690

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		4,634,069
Capital asset additions transferred to business-type activities		(41,707)
Depreciation/amortization		(1,532,154)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 96,718

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	\$ 1,179,675	
Payments on tax notes	380,000	
Payments on leases	73,919	
Payments on subscriptions	42,124	
	1,675,718	1,675,718

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	(13,790,000)	
Leases issued	(121,258)	
Premium on bonds issued	(578,817)	
Amortization of bond premiums	13,923	
Amortization of deferred loss on refunding bonds	(22,761)	
Amortization of deferred gain on refunding bonds	45,742	
	(14,453,171)	(14,453,171)

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. (326,058)

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. 3,648

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. (118,936)

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. (96,293)

Change in net position of governmental activities \$ 1,505,524

City of Kennedale, Texas
Statement of Net Position
Proprietary Funds
September 30, 2024

	Water and Wastewater	Non-major Storm Water Drainage	Total Proprietary Funds
Assets			
Current assets			
Cash, cash equivalents, and investments	\$ 3,580,187	\$ 765,348	\$ 4,345,535
Receivables (net of allowance for uncollectibles):			
Accounts	323,270	1,761	325,031
Prepaid items	22,786	-	22,786
Restricted cash, cash equivalents, and investments:			
Impact fees	207,371	-	207,371
Customer deposits	372,302	-	372,302
Capital projects	15,123,278	-	15,123,278
Total current assets	<u>19,629,194</u>	<u>767,109</u>	<u>20,396,303</u>
Noncurrent assets			
Capital assets:			
Land and improvements	409,801	222,689	632,490
Buildings	5,803,495	-	5,803,495
Water/Wastewater distribution	18,120,750	1,047,374	19,168,124
Equipment and furniture	763,547	-	763,547
Construction in progress	62,332	38,056	100,388
Accumulated depreciation	(12,380,081)	(193,965)	(12,574,046)
Total noncurrent assets	<u>12,779,844</u>	<u>1,114,154</u>	<u>13,893,998</u>
Total assets	<u>32,409,038</u>	<u>1,881,263</u>	<u>34,290,301</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 868,456	\$ 1,295	\$ 869,751
Accrued interest	130,344	-	130,344
Deposits	372,302	-	372,302
Bonds payable	290,000	-	290,000
Notes payable	131,329	-	131,329
Total current liabilities	<u>1,792,431</u>	<u>1,295</u>	<u>1,793,726</u>
Noncurrent liabilities			
Bonds payable	14,850,000	-	14,850,000
Notes payable	426,460	-	426,460
Premiums on bond debt	602,089	-	602,089
Total noncurrent liabilities	<u>15,878,549</u>	<u>-</u>	<u>15,878,549</u>
Total liabilities	<u>17,670,980</u>	<u>1,295</u>	<u>17,672,275</u>
Net Position			
Net invested in capital assets	12,161,033	1,114,154	13,275,187
Restricted for:			
Impact fees	207,371	-	207,371
Unrestricted	2,369,654	765,814	3,135,468
Total net position	<u>\$ 14,738,058</u>	<u>\$ 1,879,968</u>	<u>\$ 16,618,026</u>

City of Kennedale, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2024

	Water and Wastewater	Non-major Storm Water Drainage	Total Proprietary Funds
Operating Revenues			
Charges for services:			
Water	\$ 2,972,679	\$ -	\$ 2,972,679
Wastewater	1,835,245	-	1,835,245
Storm water drainage	-	274,894	274,894
Other	164	-	164
	<u>4,808,088</u>	<u>274,894</u>	<u>5,082,982</u>
Total operating revenues			
Operating Expenses			
General and administration	562,498	269,954	832,452
Cost of sales and services	4,348,480	-	4,348,480
Depreciation	595,118	20,300	615,418
	<u>5,506,096</u>	<u>290,254</u>	<u>5,796,350</u>
Total operating expenses			
Operating Loss	<u>(698,008)</u>	<u>(15,360)</u>	<u>(713,368)</u>
Nonoperating Revenues (Expenses)			
Interest and investment revenue	899,339	34,204	933,543
Interest and fiscal charges	(697,395)	-	(697,395)
	<u>201,944</u>	<u>34,204</u>	<u>236,148</u>
Total nonoperating revenues			
Income (Loss) Before Transfers and Capital Contributions	(496,064)	18,844	(477,220)
Transfers in	922,344	-	922,344
Capital contributions	86,309	-	86,309
	<u>1,008,653</u>	<u>-</u>	<u>1,008,653</u>
Total transfers and capital contributions			
Change in Net Position	512,589	18,844	531,433
Net Position, Beginning of Year	14,225,469	1,861,124	16,086,593
Net Position, End of Year	<u>\$ 14,738,058</u>	<u>\$ 1,879,968</u>	<u>\$ 16,618,026</u>

City of Kennedale, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2024

	Water and Wastewater	Non-major Storm Water Drainage	Total Proprietary Funds
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 4,620,983	\$ 275,516	\$ 4,896,499
Payments to employees	(562,498)	-	(562,498)
Payments to suppliers	(3,790,450)	(268,659)	(4,059,109)
Net cash provided by operating activities	<u>268,035</u>	<u>6,857</u>	<u>274,892</u>
Cash Flows From Noncapital and Related Financing Activities			
Transfers in	<u>922,344</u>	-	<u>922,344</u>
Net cash provided by noncapital and related financing activities	<u>922,344</u>	-	<u>922,344</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(185,946)	-	(185,946)
Principal payments on debt	(442,363)	-	(442,363)
Interest payments on debt	(704,135)	-	(704,135)
Payments on notes payable	(126,447)	-	(126,447)
Capital contributions - impact fees	44,602	-	44,602
Net cash used in capital and related financing activities	<u>(1,414,289)</u>	-	<u>(1,414,289)</u>
Cash Flows From Investing Activities			
Interest on investments	<u>899,339</u>	<u>34,204</u>	<u>933,543</u>
Net cash provided by investing activities	<u>899,339</u>	<u>34,204</u>	<u>933,543</u>
Increase in Cash and Cash Equivalents	675,429	41,061	716,490
Cash and Cash Equivalents, Beginning of Year	18,607,709	724,287	19,331,996
Cash and Cash Equivalents, End of Year	<u>\$ 19,283,138</u>	<u>\$ 765,348</u>	<u>\$ 20,048,486</u>
Noncash Investing, Capital and Financing Activities			
Contributions of capital assets	41,707	-	41,707
Reconciliation to Statement of Net Position			
Cash, cash equivalents, and investments	\$ 3,580,187	\$ 765,348	\$ 4,345,535
Restricted cash, cash equivalents, and investments	15,702,951	-	15,702,951
	<u>\$ 19,283,138</u>	<u>\$ 765,348</u>	<u>\$ 20,048,486</u>
Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities			
Operating loss	\$ (698,008)	\$ (15,360)	\$ (713,368)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation	595,118	20,300	615,418
Changes in assets and liabilities			
Accounts receivable	(199,279)	622	(198,657)
Accounts payable	558,030	1,295	559,325
Accrued liabilities	12,174	-	12,174
Net cash provided by operating activities	<u>\$ 268,035</u>	<u>\$ 6,857</u>	<u>\$ 274,892</u>

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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 by the City of Arlington.

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.

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.

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 taxes and other revenue to be available if they are collected within 60 days of the end of the current fiscal period, while grants are revenue to be available if collected within one year. 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 and subscription 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 or subscription assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases and subscriptions 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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2024

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 is used to account for the acquisition and construction of various capital improvements and is funded by general obligation bonds.

The Grants Fund is used to account for proceeds received from federal, local, and state grants and their related expenditures. This fund was renamed to the Grants Fund from the Disaster Recovery Fund in fiscal year 2024 to better align with future pursuits of grants.

The City reports the following major proprietary fund:

The Water and Wastewater Fund is used to account for the activities necessary for the provision of water and wastewater services.

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

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

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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2024

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 in the fund financial statements.

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, 2024, the City had a tax rate of \$0.706190 per \$100 of which \$0.509273 was allocated for general government and \$0.196917 was allocated for payment of principal and interest on general long-term debt.

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, Lease and Subscription Assets

Capital, lease and subscription assets, which include property, plant, equipment, right to use leased equipment, infrastructure (e.g., roads, bridges, sidewalks, and similar items), and subscription based information technology arrangements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital, lease and subscription assets as assets with an initial, individual cost of more than \$5,000 for assets and \$15,000 for lease and subscription 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 or amortized using the straight-line method over the following useful lives or the lease or subscription term, whichever is shorter.

Buildings	20 years
Machinery and equipment	4 - 10 years
Infrastructure (streets and drainage)	35 - 50 years
Other structures	50 years

The City evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of an asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the historical cost of the asset and related accumulated depreciation or amortization are decreased proportionately such that the net decrease equals the impairment loss. No asset impairment was recognized during the current fiscal year.

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 assets 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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2024

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 assets that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has the following items that qualify for reporting in this category.

- Unavailable revenue – This amount represents uncollected property taxes, municipal court fees, and ambulance fees and notes receivables. This amount is deferred and recognized once payments are made in the following fiscal year. This item is only presented in the Balance Sheet – Governmental Funds.
- Leases – This is reported under both the full accrual and modified accrual basis of accounting. This is measured at the value of the lease receivable plus any payment received at or before the commencement of the lease term that relate to future periods. The KEDC will recognize an inflow of resources from the deferred inflows of resources in a systematic and rational manner over the term of the lease.
- Deferred gain on refunding – A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and recognized over the shorter of the life of the refunded or refunding debt.
- Differences between expected and actual experience – OPEB plan – These amounts represent the differences with regard to economic and demographic factors. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Changes in actuarial assumptions related to OPEB and pension plans – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

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 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, 2024

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.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and any extensions that are deemed reasonable certain to be exercised. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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.

Lease assets are reported with capital, lease, and subscription assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Subscription Liability

The City contracts for noncancellable subscriptions of information technology software. The City recognizes a subscription liability and an intangible subscription asset (subscription asset) in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$15,000 or more.

At the commencement of a subscription, the City measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life or subscription term, whichever is shorter.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2024

Key estimates and judgments related to subscriptions include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate charged by the subscription-based information technology arrangement (SBITA) vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription and any extensions that are deemed certain to be exercised. Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

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

Subscription assets are reported with capital, lease, and subscription assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

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 and amortization, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Fund Balance

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

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2024

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.

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.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2024

Adoption of New Accounting Standards

During fiscal year 2024, the City adopted the following GASB standards:

GASB Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62 - This statement improves the clarity and requirements for accounting changes and error corrections. The adoption had no effect on the City.

Future Adoption of Accounting Principles

The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2024. The City will evaluate the potential impact on the City's net position.

Statement No.	Title	Adoption Required
101	<i>Compensated Absences</i>	September 30, 2025
102	<i>Certain Risk Disclosures</i>	September 30, 2025
103	<i>Financial Reporting Model Improvements</i>	September 30, 2026
104	<i>Disclosure of Certain Capital Assets</i>	September 30, 2026

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, 2024, 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 \$280,937 (with a book value of \$(285,378)). The negative carrying amount is offset by the City's cash equivalents included in the investments below.
- **Credit Risk:** It is the City's policy to invest in obligations of the United States of America, its agencies, and instrumentalities, in obligations of the State of Texas and related agencies, in obligations of states, agencies, counties, cities and other political subdivisions of any state rated "A" or above by a nationally recognized investment rating firm. It is the City's policy to limit investments to investment pools 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 in TexPool and TexSTAR 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 three years 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, 2024

As of September 30, 2024, the City held the following investments:

	<u>Carrying Value</u>
Primary Government	
Investment Pools:	
TexPool	\$ 18,371,266
TexStar	368,253
Money market investments	<u>1,199,537</u>
Total investment pools	<u>19,939,056</u>
Investments:	
U.S. Treasury Securities	19,452,464
U.S. Agency Securities	<u>12,164,477</u>
Total investments	<u>31,616,941</u>
Total primary government	<u>51,555,997</u>
Component Unit	
Investment Pools:	
TexPool	819,738
TexStar	16,432
Money market investments	<u>66,258</u>
Total investment pools	<u>902,428</u>
Investments:	
U.S. Treasury Securities	867,982
U.S. Agency Securities	<u>542,787</u>
Total investments	<u>1,410,769</u>
Total component units	<u>2,313,197</u>
Total investments	<u>\$ 53,869,194</u>

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2024

The maturities of investments subject to interest rate risk are as follows:

Investment Type	Less Than 1 Year	1 - 2 Years	2 - 3 Years	More Than 3 Years	Total Fair Value	Weighted Average Maturity
U.S. Treasury Securities	\$ 18,317,322	\$ 2,003,124	\$ -	\$ -	\$ 20,320,446	0.66
U.S. Agency Securities	6,405,682	3,300,979	1,000,183	2,000,420	12,707,264	1.42
Total Interest Rate Risk Debt Securities	<u>\$ 24,723,004</u>	<u>\$ 5,304,103</u>	<u>\$ 1,000,183</u>	<u>\$ 2,000,420</u>	<u>\$ 33,027,710</u>	<u>2.08</u>

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. The City's investments in TexStar are reported at net asset value, while the investments in TexPool are reported at amortized cost. Money market accounts are marketable securities in active markets that have observable inputs and prices, and are reported at net asset value. 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, 2024

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, 2024:

	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				
U.S. Treasury Securities	\$ 20,320,446	\$ 20,320,446	\$ -	\$ -
U.S. Agency Securities	12,707,264	5,706,396	7,000,868	-
Total investment by fair value level	<u>33,027,710</u>	<u>\$ 26,026,842</u>	<u>\$ 7,000,868</u>	<u>\$ -</u>
Investments Measured at Net Asset Value				
Money market securities	1,265,795			
TexStar	384,685			
Investments Measured at Amortized Cost				
TexPool	<u>19,191,004</u>			
Total investments	<u>\$ 53,869,194</u>			

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2024

Note 4. Receivables

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

	General	Debt Service	Capital Bond	Grants	Non-major Governmental	Water and Wastewater	Non-major Storm Water Drainage	Kennedale Economic Development Corporation	Total
Receivables									
Taxes	\$ 651,632	\$ 65,488	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 154,676	\$ 871,796
Accounts	46,750	-	23,070	634,207	22,252	1,126,934	31,327	28,704	1,913,244
Leases	-	-	-	-	-	-	-	596,284	596,284
Court fines	1,462,066	-	-	-	-	-	-	-	1,462,066
Ambulance	3,008,090	-	-	-	-	-	-	-	3,008,090
Gross receivables	5,168,538	65,488	23,070	634,207	22,252	1,126,934	31,327	779,664	7,851,480
Less: allowance for uncollectibles	(4,200,792)	(30,350)	-	-	-	(803,664)	(29,566)	-	(5,064,372)
Net total receivables	<u>\$ 967,746</u>	<u>\$ 35,138</u>	<u>\$ 23,070</u>	<u>\$ 634,207</u>	<u>\$ 22,252</u>	<u>\$ 323,270</u>	<u>\$ 1,761</u>	<u>\$ 779,664</u>	<u>\$ 2,787,108</u>

The City records unearned revenue, revenue received but not yet earned, in its governmental funds. At September 30, 2024, the City's unearned revenue related primarily to grant funding received prior to meeting all eligibility requirements totaled \$1,775,277. The discretely presented component unit, at September 30, 2024, had unearned revenue related to funding received for services that had not yet been performed of \$48,000.

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, 2024, 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, 2024, the City had a tax rate of \$0.706190 per \$100 assessed valuation, of which \$0.509273 was allocated for general government and \$0.196917 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.

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

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2024

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, 2024, is as follows:

	<u>Payable Fund</u>	<u>Receivable Fund</u>
General	\$ 71,589	\$ 621,039
Grants	621,039	-
Library building – nonmajor	1,780	-
Roadway impact – nonmajor	-	147,972
TIRZ #1 New Hope	74,603	-
	<u>\$ 769,011</u>	<u>\$ 769,011</u>
Total		

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. These interfund transactions are also a result of the General fund transferring money to the Grants fund to cover negative cash balances.

Interfund Transfers

Interfund activity for the year ended September 30, 2024, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Debt service	\$ 336,284	\$ 824,819
TIRZ #1 New Hope	10,000	228,229
Water and wastewater	922,344	-
Non-major governmental	-	215,580
	<u>\$ 1,268,628</u>	<u>\$ 1,268,628</u>
Total		

Transfers out of the Non-major governmental funds and TIRZ#1 New Hope fund to the Debt Service fund were for debt payments. Transfers out of the Non-major governmental funds to the Water and Wastewater fund were for impact fees. Transfers out of the Non-major governmental funds to the TIRZ #1 New Hope fund were for incremental property tax payments. Transfers out of the Debt Service fund to the Water and Wastewater fund were for debt payments. These transfers were in accordance with budgetary authorizations.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2024

Note 7. Capital, Lease, and Subscription Assets

Governmental Activities

Capital, lease, and subscription 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	780,866	3,497,792	-	-	4,278,658
	<u>4,987,053</u>	<u>3,497,792</u>	<u>-</u>	<u>-</u>	<u>8,484,845</u>
Total capital assets not being depreciated					
Capital, lease and subscription assets being depreciated/amortized					
Buildings	5,677,479	353,090	-	(41,707)	5,988,862
Leased equipment	317,233	-	203,296	-	113,937
Infrastructure	40,980,588	87,521	-	-	41,068,109
Machinery and equipment	4,965,646	574,408	220,295	-	5,319,759
Subscription assets	-	121,258	-	-	121,258
	<u>51,940,946</u>	<u>1,136,277</u>	<u>423,591</u>	<u>(41,707)</u>	<u>52,611,925</u>
Total capital, lease, and subscription assets being depreciated/amortized					
Less accumulated depreciation/amortization for:					
Buildings	3,602,301	220,141	-	-	3,822,442
Leased equipment	170,253	72,920	203,296	-	39,877
Infrastructure	17,562,967	894,732	-	-	18,457,699
Machinery and equipment	3,431,426	334,256	220,295	-	3,545,387
Subscription assets	-	10,105	-	-	10,105
	<u>24,766,947</u>	<u>1,532,154</u>	<u>423,591</u>	<u>-</u>	<u>25,875,510</u>
Total accumulated depreciation/amortization					
Total capital, lease, and subscription assets being depreciated/amortized, net	<u>27,173,999</u>	<u>(395,877)</u>	<u>-</u>	<u>(41,707)</u>	<u>26,736,415</u>
Governmental activities capital, lease, and subscription assets, net	<u>\$ 32,161,052</u>	<u>\$ 3,101,915</u>	<u>\$ -</u>	<u>\$ (41,707)</u>	<u>\$ 35,221,260</u>

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2024

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

General government	\$ 177,723
Public safety	334,154
Public works	920,030
Culture and recreation	<u>100,247</u>
 Total depreciation/amortization expense – governmental activities	 <u><u>\$ 1,532,154</u></u>

Business-type Activities

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 632,490	\$ -	\$ -	\$ -	\$ 632,490
Construction in progress	<u>75,609</u>	<u>24,779</u>	<u>-</u>	<u>-</u>	<u>100,388</u>
 Total capital assets not being depreciated	 <u>708,099</u>	 <u>24,779</u>	 <u>-</u>	 <u>-</u>	 <u>732,878</u>
Capital assets being depreciated					
Buildings	5,761,788	-	-	41,707	5,803,495
Infrastructure	19,006,957	161,167	-	-	19,168,124
Machinery and equipment	<u>763,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>763,547</u>
 Total capital assets being depreciated/amortized	 <u>25,532,292</u>	 <u>161,167</u>	 <u>-</u>	 <u>41,707</u>	 <u>25,735,166</u>
Less accumulated depreciation/amortization for:					
Buildings	3,250,727	120,682	-	-	3,371,409
Infrastructure	7,948,547	490,540	-	-	8,439,087
Machinery and equipment	<u>759,354</u>	<u>4,196</u>	<u>-</u>	<u>-</u>	<u>763,550</u>
 Total accumulated depreciation/amortization	 <u>11,958,628</u>	 <u>615,418</u>	 <u>-</u>	 <u>-</u>	 <u>12,574,046</u>
 Total capital assets being depreciated, net	 <u>13,573,664</u>	 <u>(454,251)</u>	 <u>-</u>	 <u>41,707</u>	 <u>13,161,120</u>
 Business-type activities capital assets, net	 <u><u>\$ 14,281,763</u></u>	 <u><u>\$ (429,472)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 41,707</u></u>	 <u><u>\$ 13,893,998</u></u>

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

Water and wastewater	\$ 595,118
Storm water drainage	<u>20,300</u>
Total depreciation expense	
– business-type activities	<u><u>\$ 615,418</u></u>

Discretely Presented Component Unit

Capital and subscription 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	<u>\$ 845,292</u>	<u>\$ 187,449</u>	<u>\$ 6,793</u>	<u>\$ -</u>	<u>\$ 1,025,948</u>
Total capital assets not being depreciated	<u>845,292</u>	<u>187,449</u>	<u>6,793</u>	<u>-</u>	<u>1,025,948</u>
Capital and subscription assets being depreciated/amortized					
Buildings	4,917,189	-	-	-	4,917,189
Improvements	1,137,588	-	-	-	1,137,588
Infrastructure	209,707	-	-	-	209,707
Machinery and equipment	-	33,554	-	-	33,554
Subscription assets	-	34,846	-	-	34,846
Total capital and subscription assets being depreciated/amortized	<u>6,264,484</u>	<u>68,400</u>	<u>-</u>	<u>-</u>	<u>6,332,884</u>
Less accumulated depreciation/amortization for:					
Buildings	2,876,157	245,859	-	-	3,122,016
Improvements	656,844	59,549	-	-	716,393
Infrastructure	37,248	4,194	-	-	41,442
Machinery and equipment	-	6,711	-	-	6,711
Subscription assets	-	2,904	-	-	2,904
Total accumulated depreciation/amortization	<u>3,570,249</u>	<u>319,217</u>	<u>-</u>	<u>-</u>	<u>3,889,466</u>
Total capital and subscription assets being depreciated/amortized, net	<u>2,694,235</u>	<u>(250,817)</u>	<u>-</u>	<u>-</u>	<u>2,443,418</u>
Capital and subscription assets, net	<u><u>\$ 3,539,527</u></u>	<u><u>\$ (63,368)</u></u>	<u><u>\$ 6,793</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,469,366</u></u>

City of Kennedale, Texas
Notes to Basic Financial Statements
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Note 8. Long-term Liabilities

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended September 30, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 4,059,675	\$ 2,980,000	\$ 779,675	\$ 6,260,000	\$ 760,000
Certificates of obligation	7,780,000	10,810,000	400,000	18,190,000	715,000
Tax notes	1,160,000	-	380,000	780,000	385,000
Lease liability	151,169	-	73,919	77,250	22,449
Subscription liability	-	121,258	42,124	79,134	38,580
Premiums on bonds	467,747	578,817	13,923	1,032,641	-
Compensated absences	568,497	199,768	80,832	687,433	137,487
	<u>\$ 14,187,088</u>	<u>\$ 14,689,843</u>	<u>\$ 1,770,473</u>	<u>\$ 27,106,458</u>	<u>\$ 2,058,516</u>
Business-type Activities					
General obligation bonds	\$ 80,322	\$ -	\$ 80,322	\$ -	\$ -
Certificates of obligation	15,495,000	-	355,000	15,140,000	290,000
Notes payable	684,236	-	126,447	557,789	131,329
Premium on bonds	609,130	-	7,041	602,089	-
	<u>\$ 16,868,688</u>	<u>\$ -</u>	<u>\$ 568,810</u>	<u>\$ 16,299,878</u>	<u>\$ 421,329</u>
Discretely Presented Component Unit					
Revenue bonds	\$ 380,000	\$ -	\$ 85,000	\$ 295,000	\$ 90,000
Texas leverage fund loan	163,443	-	49,937	113,506	54,351
Subscription liability	-	34,846	9,855	24,991	10,721
	<u>\$ 543,443</u>	<u>\$ 34,846</u>	<u>\$ 144,792</u>	<u>\$ 433,497</u>	<u>\$ 155,072</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.

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Late in fiscal year 2024, the City issued \$10,810,000 of the City of Kennedale, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2024, at a premium of \$438,346 for the purpose of acquiring, constructing, or equipping street, sidewalk and related drainage improvements, as well as acquiring, constructing, renovating, 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%. The City also issued \$2,980,000 of the City of Kennedale, Texas, General Obligation Bonds, Series 2024, at a premium of \$140,471 for the purpose of designing, acquiring, constructing, renovating, equipping, and improving the City park, recreation facilities, and open spaces, as well as acquiring lands and right-of-way necessary to assist in the projects, as well as paying the costs associated with the issuance of the Bonds. The bonds mature over a 20-year period and have interest rates ranging from 4.00% to 5.00%.

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>			
\$1,260,000, 2020 General Obligation Refunding Bonds, due in annual installments through February 15, 2030, 1.93%	\$ 780,000	\$ -	\$ 780,000
\$3,720,000, 2016 General Obligation Refunding Bonds, due in annual installments through February 15, 2028, 1.79%	1,400,000	-	1,400,000
\$1,540,000, 2020A General Obligation Refunding Bonds, due in annual installments through February 15, 2031, 1.22%	1,100,000	-	1,100,000
\$2,980,000, 2024 General Obligation Refunding Bonds, due in annual installments through February 15, 2044, 4.00% to 5.00%	<u>2,980,000</u>	<u>-</u>	<u>2,980,000</u>
	<u>\$ 6,260,000</u>	<u>\$ -</u>	<u>\$ 6,260,000</u>

City of Kennedale, Texas
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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
<u>Certificates of Obligation</u>			
\$2,900,000, 2007 Certificate of Obligation Bonds, due in annual installments through February 15, 2027, 4.10%	\$	-	\$ 600,000
\$5,735,000 2021 Certificate of Obligation Bonds, due in annual installments through February 15, 2041, 1.50% to 4.00%	5,025,000	-	5,025,000
\$17,065,000 2023 Certificate of Obligation Bonds, due in annual installments through February 15, 2043, 4.00% to 5.00%	2,355,000	14,540,000	16,895,000
\$10,810,000 2024 Certificate of Obligation Bonds, due in annual installments through February 15, 2044, 4.00% to 5.00%	<u>10,810,000</u>	<u>-</u>	<u>10,810,000</u>
	<u>\$ 18,190,000</u>	<u>\$ 15,140,000</u>	<u>\$ 33,330,000</u>

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

	<u>Governmental Activities</u>	<u>Total Primary Government</u>
<u>Tax Notes</u>		
\$2,000,000, 2019 Tax Notes due in annual installments through February 1, 2026, 1.90%	\$ 780,000	\$ 780,000
	<u>\$ 780,000</u>	<u>\$ 780,000</u>

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

Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 1,475,000	\$ 866,644	\$ 2,341,644	\$ 290,000	\$ 668,774	\$ 958,774
2026	1,515,000	816,219	2,331,219	450,000	652,029	1,102,029
2027	1,425,000	766,427	2,191,427	560,000	628,624	1,188,624
2028	1,475,000	716,849	2,191,849	595,000	600,693	1,195,693
2029	1,200,000	668,517	1,868,517	625,000	573,319	1,198,319
2030-2034	5,510,000	2,682,940	8,192,940	3,610,000	2,371,093	5,981,093
2035-2039	5,960,000	1,660,838	7,620,838	4,590,000	1,390,219	5,980,219
2040-2044	5,890,000	546,750	6,436,750	4,420,000	368,391	4,788,391
Total	<u>\$ 24,450,000</u>	<u>\$ 8,725,184</u>	<u>\$ 33,175,184</u>	<u>\$ 15,140,000</u>	<u>\$ 7,253,142</u>	<u>\$ 22,393,142</u>

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

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

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

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

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2025	\$ 385,000	\$ 11,163	\$ 396,163
2026	395,000	3,752	398,752
Total	<u>\$ 780,000</u>	<u>\$ 14,915</u>	<u>\$ 794,915</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%.

City of Kennedale, Texas
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The maturity of the City's liability related to the previous agreement is as follows:

Fiscal Year	Business-Type Activities		
	Principal	Interest	Total
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>\$ 557,789</u>	<u>\$ 54,727</u>	<u>\$ 612,516</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, 2024, the City recognized rental expense of approximately \$5,700 for the year ended September 30, 2024, for variable payments related to management fees, not previously included in the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of September 30, 2024:

Year Ending September 30,	Principal	Interest	Total
2025	\$ 22,449	\$ 3,353	\$ 25,802
2026	23,598	2,204	25,802
2027	24,805	997	25,802
2028	6,398	54	6,452
	<u>\$ 77,250</u>	<u>\$ 6,608</u>	<u>\$ 83,858</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
2025	\$ 144,351	\$ 28,155	\$ 172,506
2026	159,155	17,007	176,162
2027	105,000	7,298	112,298
Total	<u>\$ 408,506</u>	<u>\$ 52,460</u>	<u>\$ 460,966</u>

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The following is a summary of pledged revenues for KEDC for the year ended September 30, 2024:

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	\$ 761,402	\$ 174,128	22.87%	\$ 460,966	Until 2027

Subscription Liabilities

During fiscal year 2024, the City and the KEDC entered into subscription IT arrangements to assist in conducting operations, the terms of which expire in 2027. The measurement of the subscription liabilities is based on the present value of subscription payments expected to be paid during the subscription term, such as fixed payments, variable payments, that depend on an index or index rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any subscription incentives payable.

At September 30, 2024, the value of the subscription liabilities was \$79,134 and \$24,991 for the City and KEDC, respectively. An incremental borrowing rate of 5 percent was used to measure subscription liabilities. The value of the right-to-use subscription assets as of September 30, 2024, was \$121,258 and \$34,846, and had accumulated amortization of \$(10,105) and \$(2,904), for the City and the KEDC, respectively.

During the fiscal year ended September 30, 2024, the City and KEDC recognized no variable payments within its subscription arrangements.

The maturity of the City's liability related to the subscription IT arrangements as of September 30, 2024 is as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2025	\$ 38,580	\$ 4,049	\$ 42,629
2026	40,554	2,075	42,629
Total	\$ 79,134	\$ 6,124	\$ 85,258

The maturity of the KEDC's liability related to the subscription IT arrangements as of September 30, 2024 is as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2025	\$ 10,721	\$ 1,279	\$ 12,000
2026	14,270	730	15,000
Total	\$ 24,991	\$ 2,009	\$ 27,000

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 G , Title 8, Texas Government Code (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 is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tMrs.com.

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

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

Deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
	20 years at any age, 5 years
Service retirement eligibility	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, 2023, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	73
Inactive employees entitled to but not yet receiving benefits	134
Active employees	71
	278
	278

City of Kennedale, Texas
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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 14.37% and 15.72% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$861,691, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.25% 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 vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 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 MP-2021 to account for future mortality improvements subject to the 3% floor.

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Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023, 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized by the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Public and Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
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.

City of Kennedale, Texas
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Changes in the Net Pension Liability

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability(a) - (b)
Balances as of October 1, 2023	\$ 23,634,022	\$ 19,585,177	\$ 4,048,845
Changes for the year			
Service cost	918,672	-	918,672
Interest on total pension liability	1,598,626	-	1,598,626
Effect of difference in expected and actual experience	476,470	-	476,470
Effect of assumptions changes or inputs	(138,271)	-	(138,271)
Benefit payments	(820,027)	(820,027)	-
Administrative expenses	-	(14,421)	14,421
Member contributions	-	360,668	(360,668)
Net investment income	-	2,271,207	(2,271,207)
Employer contributions	-	740,399	(740,399)
Other	-	(101)	101
Net changes	<u>2,035,470</u>	<u>2,537,725</u>	<u>(502,255)</u>
Balances as of September 30, 2024	<u>\$ 25,669,492</u>	<u>\$ 22,122,902</u>	<u>\$ 3,546,590</u>

The net pension liability is recorded only in governmental activities, as business-type activities have no personnel. The net pension liability will be liquidated primarily by the General Fund.

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

The following presents the net pension liability 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	\$ 7,714,718	\$ 3,546,590	\$ 214,854

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.

City of Kennedale, Texas
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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2024, the primary government recognized pension expense of \$1,187,749. At September 30, 2024, the primary government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 299,687	\$ -
Changes in assumptions	-	74,843
Net difference between projected and actual investment earnings	528,650	-
Contributions subsequent to the measurement date	644,310	-
	<u>\$ 1,472,647</u>	<u>\$ 74,843</u>

\$644,310 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, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amortization of Net Deferred Outflows (Inflows) of Resources</u>
2025	\$ 339,981
2026	199,517
2027	403,835
2028	(189,839)
	<u>\$ 753,494</u>

Deferred Compensation Plan

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

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

Note 10 Other Postemployment Benefits

Supplemental Death Benefit Fund

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).

The following employees were covered by the benefit terms at December 31, 2023, (measurement date):

Inactive employees or beneficiaries currently receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	16
Active employees	71
 Total employees	 125

Total OPEB Liability

The City’s total OPEB liability of \$219,877 was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2024

Actuarial Assumptions

The City's total OPEB liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>December 31, 2023</u>
Discount Rate	3.77% as of December 31, 2023 (4.05% as of December 31, 2022)
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
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 addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Discount Rate

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees, and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.77% based on the 20-Year Municipal GO AA Index published by bondbuyer.com is used as of the measurement date of December 31, 2023.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances as of October 1, 2023	\$ 207,728
Changes for the year	
Service cost	9,274
Interest on total OPEB liability	8,444
Difference between expected and actual experience	(9,036)
Effect of assumption changes (discount rate change)	11,196
Benefit payments, age adjusted premiums, net of retiree contributions	<u>(7,729)</u>
Balances as of September 30, 2024	<u>\$ 219,877</u>

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

City of Kennedale, Texas
Notes to Basic Financial Statements
September 30, 2024

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

The total OPEB liability of the City has been calculated using a discount rate of 3.77%. The following presents the total OPEB liability using a discount rate one percent higher and one percent lower than the current discount rate.

	1% Decrease 2.77%	Current Discount Rate 3.77%	1% Increase 4.77%
Total OPEB Liability	\$ 263,028	\$ 219,877	\$ 186,146

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$5,140. At September 30, 2024, 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	\$ 29,623	\$ 66,482
Differences between expected and actual experience	2,153	11,223
Benefit payments subsequent to the measurement date	12,706	-
	<u>\$ 44,482</u>	<u>\$ 77,705</u>

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, 2025.

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
2025	\$ (9,517)
2026	(15,741)
2027	(19,735)
2028	(936)
	<u>\$ (45,929)</u>

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, 2024, 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, 2024, 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.

Required Supplementary Information

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

	Measurement Year			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 589,507	\$ 648,581	\$ 675,284	\$ 697,041
Interest (on the Total Pension Liability)	794,485	865,430	912,020	989,009
Differences between expected and actual experience	(102,280)	(168,052)	(109,980)	(52,740)
Changes in assumptions	-	113,774	-	-
Benefit payments, including refunds of employee contributions	(274,797)	(320,705)	(329,210)	(366,034)
Net change in total pension liability	1,006,915	1,139,028	1,148,114	1,267,276
Total pension liability – Beginning	11,192,430	12,199,345	13,338,373	14,486,487
Total pension liability – Ending (a)	<u>\$ 12,199,345</u>	<u>\$ 13,338,373</u>	<u>\$ 14,486,487</u>	<u>\$ 15,753,763</u>
Plan Fiduciary Net Position				
Contributions – employer	\$ 397,779	\$ 525,561	\$ 540,075	\$ 565,061
Contributions – employee	239,832	254,774	265,860	276,603
Net investment income	548,705	15,487	740,899	1,687,364
Benefit payments, including refunds of employee contributions	(274,797)	(320,705)	(329,210)	(366,034)
Administrative expense	(5,727)	(9,432)	(8,365)	(8,740)
Other	(471)	(466)	(451)	(443)
Net change in plan fiduciary net position	905,321	465,219	1,208,808	2,153,811
Plan fiduciary net position – Beginning	9,589,325	10,494,646	10,959,865	12,168,673
Plan fiduciary net position – Ending (b)	<u>\$ 10,494,646</u>	<u>\$ 10,959,865</u>	<u>\$ 12,168,673</u>	<u>\$ 14,322,484</u>
City's net pension liability – Ending (a) – (b)	<u>\$ 1,704,699</u>	<u>\$ 2,378,508</u>	<u>\$ 2,317,814</u>	<u>\$ 1,431,279</u>
Plan fiduciary net position as a percentage of the total pension liability	86.03%	82.17%	84.00%	90.91%
Covered payroll	\$ 3,426,174	\$ 3,639,622	\$ 3,797,997	\$ 3,951,478
City's net pension liability as a percentage of covered payroll	49.76%	65.35%	61.03%	36.22%

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.

Measurement Year					
2018	2019	2020	2021	2022	2023
\$ 712,721	\$ 734,380	\$ 769,790	\$ 880,878	\$ 800,930	\$ 918,672
1,071,891	1,144,812	1,231,286	1,353,316	1,475,741	1,598,626
(205,171)	(90,293)	369,096	457,263	376,038	476,470
-	15,333	-	-	-	(138,271)
<u>(460,511)</u>	<u>(559,415)</u>	<u>(522,263)</u>	<u>(713,470)</u>	<u>(962,093)</u>	<u>(820,027)</u>
1,118,930	1,244,817	1,847,909	1,977,987	1,690,616	2,035,470
<u>15,753,763</u>	<u>16,872,693</u>	<u>18,117,510</u>	<u>19,965,419</u>	<u>21,943,406</u>	<u>23,634,022</u>
<u>\$ 16,872,693</u>	<u>\$ 18,117,510</u>	<u>\$ 19,965,419</u>	<u>\$ 21,943,406</u>	<u>\$ 23,634,022</u>	<u>\$ 25,669,492</u>
\$ 558,900	\$ 580,085	\$ 591,844	\$ 666,382	\$ 649,686	\$ 740,399
279,969	295,491	305,299	348,370	329,037	360,668
(429,406)	2,207,757	1,274,858	2,404,252	(1,543,508)	2,271,207
(460,511)	(559,415)	(522,263)	(713,470)	(962,093)	(820,027)
(8,292)	(12,459)	(8,239)	(11,108)	(13,334)	(14,421)
(432)	(375)	(321)	77	15,912	(101)
(59,772)	2,511,084	1,641,178	2,694,503	(1,524,300)	2,537,725
<u>14,322,484</u>	<u>14,262,712</u>	<u>16,773,796</u>	<u>18,414,974</u>	<u>21,109,477</u>	<u>19,585,177</u>
<u>\$ 14,262,712</u>	<u>\$ 16,773,796</u>	<u>\$ 18,414,974</u>	<u>\$ 21,109,477</u>	<u>\$ 19,585,177</u>	<u>\$ 22,122,902</u>
<u>\$ 2,609,981</u>	<u>\$ 1,343,714</u>	<u>\$ 1,550,445</u>	<u>\$ 833,929</u>	<u>\$ 4,048,845</u>	<u>\$ 3,546,590</u>
84.53%	92.58%	92.23%	96.20%	82.87%	86.18%
\$ 3,999,556	\$ 4,177,363	\$ 4,361,416	\$ 4,976,712	\$ 4,553,327	\$ 5,152,395
65.26%	32.17%	35.55%	16.76%	88.92%	68.83%

**City of Kennedale, Texas
Schedule of Contributions
Texas Municipal Retirement System (Unaudited)**

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

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes: There were no benefit changes during the year.

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 586,411	\$ 640,350	\$ 686,761	\$ 624,339	\$ 718,649	\$ 861,691
<u>586,411</u>	<u>640,350</u>	<u>686,761</u>	<u>624,339</u>	<u>718,649</u>	<u>861,691</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,232,531	\$ 4,636,444	\$ 4,885,183	\$ 4,468,337	\$ 4,952,043	\$ 5,611,406
13.85%	13.81%	14.06%	13.97%	14.51%	15.36%

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	2023
Total OPEB Liability							
Service cost	\$ 16,201	\$ 17,998	\$ 14,203	\$ 19,626	\$ 21,400	\$ 15,937	\$ 9,274
Interest cost	5,260	5,765	6,271	6,105	5,483	5,668	8,444
Difference between expected and actual experience of the total OPEB liability	-	(13,157)	(6,021)	(7,744)	4,520	(1,495)	(9,036)
Changes of assumptions	13,846	(12,621)	37,090	36,148	9,963	(109,936)	11,196
Benefit payments	(1,185)	(1,200)	(1,253)	(1,308)	(4,479)	(5,009)	(7,729)
Net change in total OPEB liability	34,122	(3,215)	50,290	52,827	36,887	(94,835)	12,149
Total OPEB Liability (Beginning)	<u>131,652</u>	<u>165,774</u>	<u>162,559</u>	<u>212,849</u>	<u>265,676</u>	<u>302,563</u>	<u>207,728</u>
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>	<u>\$ 219,877</u>
Covered-employee payroll	\$ 3,951,478	\$ 3,999,556	\$ 4,177,363	\$ 4,361,416	\$ 4,976,712	\$ 4,553,327	\$ 5,152,395
Total OPEB liability as a percentage of covered-employee payroll	4.20%	4.06%	5.10%	6.09%	6.08%	4.56%	4.27%

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%
2023	3.77%

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, 2024

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	\$ 5,980,866	\$ 5,980,866	\$ 6,114,010	\$ 133,144
Sales	1,991,717	1,991,717	2,285,133	293,416
Franchise fees	700,000	700,000	714,945	14,945
Licenses and permits	449,883	449,883	426,933	(22,950)
Fines and forfeitures	221,800	221,800	349,640	127,840
Public safety fees	-	-	375,099	375,099
Intergovernmental	165,000	165,000	633,290	468,290
Charges for service	225,000	225,000	83,046	(141,954)
Investment earnings	18,185	18,185	255,668	237,483
Other	194,700	194,700	169,486	(25,214)
Total revenues	9,947,151	9,947,151	11,407,250	1,460,099
Expenditures				
Current:				
General government	2,381,872	2,381,872	1,895,452	486,420
Public safety	6,595,005	6,595,005	6,950,181	(355,176)
Public works	1,858,317	1,858,317	1,020,755	837,562
Culture and recreation	580,498	580,498	477,478	103,020
Capital outlay	-	-	252,334	(252,334)
Debt service:				
Principal	-	-	116,043	(116,043)
Interest and other	-	-	6,204	(6,204)
Total expenditures	11,415,692	11,415,692	10,718,447	697,245
Excess (deficiency) of revenues over (under) expenditures	(1,468,541)	(1,468,541)	688,803	2,157,344
Other Financing Sources				
Subscription proceeds	-	-	121,258	121,258
Proceeds from sale of assets	250	250	29,275	29,025
Total other financing sources	250	250	150,533	150,283
Net Change in Fund Balances	(1,468,291)	(1,468,291)	839,336	2,307,627
Fund Balances, Beginning of Year	3,467,006	3,467,006	3,467,006	-
Fund Balances, End of Year	\$ 1,998,715	\$ 1,998,715	\$ 4,306,342	\$ 2,307,627

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 not been amended from the original budget by the City Council.

**Combining and Individual Fund
Statements and Schedules**

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Special Revenue Funds

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

Law Enforcement Officer Standards and Education (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
Governmental Funds - Nonmajor
September 30, 2024**

	<u>Special Revenue Funds</u>			<u>Capital Projects</u>
	<u>LEOSE</u>	<u>Police Seizure</u>	<u>Hotel Motel</u>	<u>Park Dedication</u>
Assets				
Cash, cash equivalents, and investments	\$ 2,228	\$ 16,778	\$ 82,694	\$ 289,612
Receivables (net of allowance for uncollectibles)	-	-	8,231	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 2,228</u>	<u>\$ 16,778</u>	<u>\$ 90,925</u>	<u>\$ 289,612</u>
Liabilities and Fund Balances (Deficit)				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 10,300
Due to other funds	-	-	-	-
Total liabilities	-	-	-	10,300
Fund Balances (Deficit)				
Restricted for:				
Capital projects	-	-	-	-
Tourism	-	-	90,925	-
Assigned:				
Public safety	2,228	16,778	-	-
Parks	-	-	-	279,312
Unassigned (deficit)	-	-	-	-
Total fund balances (deficit)	<u>2,228</u>	<u>16,778</u>	<u>90,925</u>	<u>279,312</u>
Total liabilities and fund balances (deficit)	<u>\$ 2,228</u>	<u>\$ 16,778</u>	<u>\$ 90,925</u>	<u>\$ 289,612</u>

Capital Projects				Total Nonmajor Governmental Fund
Capital Projects	Roadway Impact Fee	Library Building		
\$ 215,570	\$ 281,671	\$ 627	\$	889,180
14,021	-	-		22,252
-	147,972	-		147,972
<u>\$ 229,591</u>	<u>\$ 429,643</u>	<u>\$ 627</u>	<u>\$</u>	<u>1,059,404</u>
\$ -	\$ -	\$ -	\$	10,300
-	-	1,780		1,780
-	-	1,780		12,080
229,591	429,643	-		659,234
-	-	-		90,925
-	-	-		19,006
-	-	-		279,312
-	-	(1,153)		(1,153)
<u>229,591</u>	<u>429,643</u>	<u>(1,153)</u>		<u>1,047,324</u>
<u>\$ 229,591</u>	<u>\$ 429,643</u>	<u>\$ 627</u>	<u>\$</u>	<u>1,059,404</u>

City of Kennedale, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - Nonmajor
Year Ended September 30, 2024

	<u>Special Revenue Funds</u>			<u>Capital</u>
	<u>LEOSE</u>	<u>Police Seizure</u>	<u>Hotel Motel</u>	<u>Projects Funds</u>
				<u>Park</u>
				<u>Dedication</u>
Revenues				
Occupancy taxes	\$ -	\$ -	\$ 26,133	\$ -
Licenses and permits	-	-	-	13,657
Intergovernmental	3,696	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	122	247	3,302	18,315
Miscellaneous	-	12,755	11,375	-
Total revenues	3,818	13,002	40,810	31,972
Expenditures				
Current:				
Public safety	2,440	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	17,304	-
Capital outlay	-	-	-	311,383
Total expenditures	2,440	-	17,304	311,383
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	1,378	13,002	23,506	(279,411)
Other Financing Uses				
Transfers out	-	-	-	-
Total other financing uses	-	-	-	-
Net Change in Fund Balances	1,378	13,002	23,506	(279,411)
Fund Balances (Deficit), Beginning of Year	850	3,776	67,419	558,723
Fund Balances (Deficit), End of Year	\$ 2,228	\$ 16,778	\$ 90,925	\$ 279,312

Capital Projects Funds

Capital Projects	Roadway Impact Fee	Library Building	Total Nonmajor Governmental Fund
\$ -	\$ -	\$ -	\$ 26,133
-	145,066	-	158,723
-	-	-	3,696
138,914	-	-	138,914
-	-	483	483
8,409	15,071	16	45,482
-	-	-	24,130
<u>147,323</u>	<u>160,137</u>	<u>499</u>	<u>397,561</u>
-	-	-	2,440
-	192,723	-	192,723
-	-	-	17,304
-	-	-	311,383
<u>-</u>	<u>192,723</u>	<u>-</u>	<u>523,850</u>
<u>147,323</u>	<u>(32,586)</u>	<u>499</u>	<u>(126,289)</u>
<u>(108,055)</u>	<u>(107,525)</u>	<u>-</u>	<u>(215,580)</u>
<u>(108,055)</u>	<u>(107,525)</u>	<u>-</u>	<u>(215,580)</u>
39,268	(140,111)	499	(341,869)
<u>190,323</u>	<u>569,754</u>	<u>(1,652)</u>	<u>1,389,193</u>
<u>\$ 229,591</u>	<u>\$ 429,643</u>	<u>\$ (1,153)</u>	<u>\$ 1,047,324</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, 2024

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes - property	\$ 2,324,984	\$ 2,324,984	\$ 2,358,941	\$ 33,957
Intergovernmental	-	-	141,260	141,260
Investment earnings	22,000	22,000	44,734	22,734
Total revenues	<u>2,346,984</u>	<u>2,346,984</u>	<u>2,544,935</u>	<u>197,951</u>
Expenditures				
Debt service:				
Principal	1,599,675	1,599,675	1,559,675	40,000
Interest and other fiscal charges	964,649	964,649	325,799	638,850
Issuance costs	-	-	290,088	(290,088)
Total expenditures	<u>2,564,324</u>	<u>2,564,324</u>	<u>2,175,562</u>	<u>388,762</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(217,340)</u>	<u>(217,340)</u>	<u>369,373</u>	<u>586,713</u>
Other Financing Sources (Uses)				
Issuance of Debt	-	-	368,818	368,818
Transfers in	336,284	336,284	336,284	-
Transfers out	-	-	(824,819)	(824,819)
Total other financing sources (uses)	<u>336,284</u>	<u>336,284</u>	<u>(119,717)</u>	<u>(456,001)</u>
Net Change in Fund Balances	118,944	118,944	249,656	130,712
Fund Balances, Beginning of Year	<u>698,325</u>	<u>698,325</u>	<u>698,325</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 817,269</u>	<u>\$ 817,269</u>	<u>\$ 947,981</u>	<u>\$ 130,712</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 – K

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

L – M

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

N – P

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)

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

2019	2020	2021	2022	2023	2024
\$ 27,195,004	\$ 25,002,224	\$ 25,697,075	\$ 26,469,802	\$ 26,548,461	\$ 28,095,130
998,047	3,447,408	3,770,054	1,817,752	2,518,064	1,799,661
<u>(2,450,204)</u>	<u>(1,546,077)</u>	<u>(722,995)</u>	<u>1,198,194</u>	<u>1,582,423</u>	<u>2,259,681</u>
<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>	<u>\$ 32,154,472</u>
\$ 13,397,767	\$ 13,173,241	\$ 12,898,376	\$ 13,041,116	\$ 13,159,202	\$ 13,275,187
92,694	-	218,327	294,597	242,734	207,371
<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>	<u>3,135,468</u>
<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>	<u>\$ 16,618,026</u>
\$ 40,592,771	\$ 38,175,465	\$ 38,595,451	\$ 39,510,918	\$ 39,707,663	\$ 41,370,317
1,090,741	3,447,408	3,988,381	2,112,349	2,760,798	2,007,032
<u>219,876</u>	<u>1,687,182</u>	<u>3,352,197</u>	<u>4,289,155</u>	<u>4,267,080</u>	<u>5,395,149</u>
<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>	<u>\$ 48,772,498</u>

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

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

Fiscal Year				
2020	2021	2022	2023	2024
\$ 2,105,441	\$ 1,852,414	\$ 2,156,521	\$ 2,377,029	\$ 2,516,232
4,950,888	6,244,588	5,916,631	6,733,488	7,450,881
1,815,849	1,938,720	1,870,100	2,306,021	2,324,535
420,777	393,212	411,125	546,019	602,906
265,057	331,754	404,756	304,739	681,480
<u>9,558,012</u>	<u>10,760,688</u>	<u>10,759,133</u>	<u>12,267,296</u>	<u>13,576,034</u>
<u>4,263,029</u>	<u>4,321,340</u>	<u>5,782,249</u>	<u>5,499,345</u>	<u>6,493,745</u>
<u>4,263,029</u>	<u>4,321,340</u>	<u>5,782,249</u>	<u>5,499,345</u>	<u>6,493,745</u>
<u>\$ 13,821,041</u>	<u>\$ 15,082,028</u>	<u>\$ 16,541,382</u>	<u>\$ 17,766,641</u>	<u>\$ 20,069,779</u>
\$ 748,228	\$ 1,330,239	\$ 831,242	\$ 726,997	\$ 813,119
577,428	1,026,555	641,493	561,043	627,506
151,253	268,906	168,035	146,962	164,371
80,792	143,636	89,755	78,498	87,797
344,278	482,486	140,941	592,540	650,302
-	-	-	-	-
<u>\$ 1,901,979</u>	<u>\$ 3,251,822</u>	<u>\$ 1,871,466</u>	<u>\$ 2,106,040</u>	<u>\$ 2,343,095</u>

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

	Fiscal Year				
	2015	2016	2017	2018	2019
Business-type Activities					
Charges for services					
Water, wastewater, and storm water drainage	\$ 3,683,542	\$ 4,782,055	\$ 5,086,486	\$ 4,832,378	\$ 4,467,770
Capital grants and contributions	-	1,479,937	374,296	325,676	51,247
Total business-type activities program revenues	<u>3,683,542</u>	<u>6,261,992</u>	<u>5,460,782</u>	<u>5,158,054</u>	<u>4,519,017</u>
Total primary government program revenues	<u>\$ 5,619,983</u>	<u>\$ 10,356,435</u>	<u>\$ 6,713,807</u>	<u>\$ 6,787,932</u>	<u>\$ 5,987,428</u>
Net (Expenses) Revenues					
Governmental activities	\$ (6,390,187)	\$ (4,634,882)	\$ (7,191,702)	\$ (7,031,688)	\$ (8,183,451)
Business-type activities	<u>(429,068)</u>	<u>2,755,486</u>	<u>2,188,866</u>	<u>599,115</u>	<u>429,380</u>
Total primary government net expenses	<u>\$ (6,819,255)</u>	<u>\$ (1,879,396)</u>	<u>\$ (5,002,836)</u>	<u>\$ (6,432,573)</u>	<u>\$ (7,754,071)</u>
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property	\$ 4,274,752	\$ 4,521,765	\$ 4,703,870	\$ 5,140,105	\$ 5,321,225
Sales	1,491,342	1,253,391	1,208,557	1,459,743	1,774,698
Franchise	910,886	545,140	537,454	777,768	764,887
Investment earnings	887	3,986	13,272	53,986	112,609
Miscellaneous	690,772	308,179	143,633	141,834	219,942
Grants not restricted to a specific purpose	-	-	-	-	-
Gain on sale of land	-	-	-	-	-
Transfers	49,178	953,377	748,617	-	-
Total governmental activities	<u>7,417,817</u>	<u>7,585,838</u>	<u>7,355,403</u>	<u>7,573,436</u>	<u>8,193,361</u>
Business-type activities					
Investment earnings	281	521	3,919	17,591	43,329
Transfers	<u>(49,178)</u>	<u>(953,377)</u>	<u>(748,617)</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>(48,897)</u>	<u>(952,856)</u>	<u>(744,698)</u>	<u>17,591</u>	<u>43,329</u>
Total primary government	<u>7,368,920</u>	<u>6,632,982</u>	<u>6,610,705</u>	<u>7,591,027</u>	<u>8,236,690</u>
Change in Net Position					
Governmental activities	1,027,630	2,950,956	163,701	541,748	9,910
Business-type activities	<u>(477,965)</u>	<u>1,802,630</u>	<u>1,444,168</u>	<u>616,706</u>	<u>472,709</u>
Total primary government	<u>\$ 549,665</u>	<u>\$ 4,753,586</u>	<u>\$ 1,607,869</u>	<u>\$ 1,158,454</u>	<u>\$ 482,619</u>

Fiscal Year				
2020	2021	2022	2023	2024
\$ 4,482,591	\$ 4,350,305	\$ 4,721,496	\$ 4,655,420	\$ 5,082,982
10,099	265,392	134,266	29,035	86,309
4,492,690	4,615,697	4,855,762	4,684,455	5,169,291
<u>\$ 6,394,669</u>	<u>\$ 7,867,519</u>	<u>\$ 6,727,228</u>	<u>\$ 6,790,495</u>	<u>\$ 7,512,386</u>
\$ (7,656,033)	\$ (7,647,047)	\$ (8,887,667)	\$ (10,161,255)	\$ (11,232,939)
229,661	596,654	(926,487)	(814,890)	(1,324,454)
<u>\$ (7,426,372)</u>	<u>\$ (7,050,393)</u>	<u>\$ (9,814,154)</u>	<u>\$ (10,976,145)</u>	<u>\$ (12,557,393)</u>
\$ 6,144,664	\$ 6,820,007	\$ 6,959,571	\$ 7,420,296	\$ 8,811,356
1,765,996	1,958,164	1,859,721	2,218,382	2,285,133
806,115	809,838	887,603	798,218	714,945
59,584	3,490	107,759	576,953	869,197
40,382	83,651	150,819	211,495	219,749
-	-	139,053	190,984	731,152
-	-	-	-	29,275
-	(187,524)	(127,525)	(97,525)	(922,344)
8,816,741	9,487,626	9,977,001	11,318,803	12,738,463
16,298	1,217	33,741	377,284	933,543
-	187,524	127,525	97,525	922,344
16,298	188,741	161,266	474,809	1,855,887
8,833,039	9,676,367	10,138,267	11,793,612	14,594,350
1,160,708	1,978,785	1,089,334	1,157,548	1,505,524
245,959	785,395	(765,221)	(340,081)	531,433
<u>\$ 1,406,667</u>	<u>\$ 2,764,180</u>	<u>\$ 324,113</u>	<u>\$ 817,467</u>	<u>\$ 2,036,957</u>

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Fund					
Nonspendable	\$ 15,786	\$ 240,850	\$ 206,755	\$ 86,778	\$ 54,346
Restricted	-	-	-	106,347	106,347
Assigned	-	367,218	-	915,608	915,608
Unassigned	<u>1,716,655</u>	<u>1,972,229</u>	<u>2,264,414</u>	<u>1,746,714</u>	<u>1,597,593</u>
Total general fund	<u>\$ 1,732,441</u>	<u>\$ 2,580,297</u>	<u>\$ 2,471,169</u>	<u>\$ 2,855,447</u>	<u>\$ 2,673,894</u>
All Other Governmental Funds					
Restricted for					
Debt service	\$ 10,375	\$ 11,861	\$ -	\$ 194,135	\$ 315,015
Tourism	-	-	-	-	-
Public safety	5,286	-	155	-	1,895
Economic development	-	-	-	-	-
Other	-	-	-	1,747	-
Capital projects	373,456	400,170	425,432	565,525	3,164,782
Assigned					
Parks	-	-	-	158,092	84,108
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(788,591)</u>	<u>(594,328)</u>
Total all other governmental funds	<u>\$ 389,117</u>	<u>\$ 412,031</u>	<u>\$ 425,587</u>	<u>\$ 130,908</u>	<u>\$ 2,971,472</u>

Source: Annual Comprehensive Financial Report

2020	2021	2022	2023	2024
\$ 66,280	\$ 74,707	\$ -	\$ 259	\$ -
113,983	118,515	127,536	129,938	152,614
501,973	296,074	28,081	39,437	-
<u>2,453,218</u>	<u>2,653,244</u>	<u>2,313,960</u>	<u>3,297,372</u>	<u>4,153,728</u>
<u>\$ 3,135,454</u>	<u>\$ 3,142,540</u>	<u>\$ 2,469,577</u>	<u>\$ 3,467,006</u>	<u>\$ 4,306,342</u>
\$ 489,285	\$ 687,654	\$ 838,141	\$ 698,325	\$ 947,981
-	-	41,928	67,419	90,925
4,320	2,549	4,652	4,626	19,006
-	-	-	-	-
-	-	-	-	-
2,839,820	2,961,336	8,863,433	9,821,216	20,636,940
101,611	648,018	699,737	558,723	279,312
<u>(422,643)</u>	<u>(233,953)</u>	<u>(22,889)</u>	<u>(1,652)</u>	<u>(1,153)</u>
<u>\$ 3,012,393</u>	<u>\$ 4,065,604</u>	<u>\$ 10,425,002</u>	<u>\$ 11,148,657</u>	<u>\$ 21,973,011</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				
	2015	2016	2017	2018	2019
Revenues					
Taxes	\$ 6,696,668	\$ 6,330,577	\$ 6,399,207	\$ 6,703,224	\$ 7,169,500
Licenses, fees, and permits	346,011	727,163	465,917	462,291	182,210
Franchise fees	-	-	-	777,768	764,887
Fines and penalties	228,482	232,660	196,564	189,315	144,181
Public safety fees	247,907	237,104	264,317	184,260	194,930
Charges for services	459,651	73,840	76,682	81,142	82,754
Intergovernmental	630,669	787,432	339,415	712,870	864,336
Investment earnings	887	3,986	13,272	53,986	112,609
Contributions	2,153	1,527	4,399	-	-
Miscellaneous	713,443	306,652	184,530	141,834	219,942
Total revenues	9,325,871	8,700,941	7,944,303	9,306,690	9,735,349
Expenditures					
Current					
General government	1,228,989	1,247,881	1,321,110	1,473,009	1,611,757
Public safety	4,247,507	4,346,827	4,271,460	4,390,751	4,966,865
Public works	850,933	681,748	728,228	718,519	788,130
Culture and recreation	272,964	301,411	322,353	373,593	328,507
Capital outlay	896,467	1,339,271	972,098	207,510	725,256
Debt service					
Principal	844,371	895,356	1,122,944	1,205,033	1,428,543
Interest and fiscal charges	493,943	536,710	349,041	384,963	296,008
Bond issuance costs	-	-	-	-	66,550
Total expenditures	8,835,174	9,349,204	9,087,234	8,753,378	10,211,616
Excess (deficiency) of revenues over (under) expenditures	490,697	(648,263)	(1,142,931)	553,312	(476,267)
Other Financing Sources (Uses)					
Issuance of debt	-	-	-	-	2,760,000
Issuance of lease	-	4,087,218	331,865	-	375,378
Issuance of subscription	-	-	-	-	-
Premiums on bonds issued	-	-	-	-	-
Payment to escrow agent	(1,214,150)	-	-	-	-
Refunding bonds/lease issued	-	(3,646,951)	-	-	-
Proceeds from sale of asset	-	-	-	-	-
Transfers in	258,832	1,036,598	1,006,384	277,217	230,437
Transfers out	(258,832)	(83,221)	(257,767)	(277,217)	(230,437)
Total other financing sources (uses)	(1,214,150)	1,393,644	1,080,482	-	3,135,378
Net Change in Fund Balances	\$ (723,453)	\$ 745,381	\$ (62,449)	\$ 553,312	\$ 2,659,111
Debt service as a percentage of noncapital expenditures	16.9%	17.9%	18.1%	18.6%	18.2%

Source: Annual Comprehensive Financial Report

		Fiscal Year							
		2020	2021	2022	2023	2024			
\$	7,896,341	\$	8,736,857	\$	8,831,392	\$	9,644,422	\$	11,057,915
	244,188		1,646,852		481,548		330,375		585,656
	806,115		809,838		887,603		798,218		714,945
	90,778		85,918		151,404		205,857		350,123
	193,734		337,044		312,188		265,096		375,099
	308,599		245,453		206,069		252,015		221,960
	1,064,680		937,032		1,000,251		1,166,624		1,509,398
	59,584		3,490		107,759		576,953		869,197
	-		-		-		-		-
	40,382		83,648		150,819		211,495		193,616
	<u>10,704,401</u>		<u>12,886,132</u>		<u>12,129,033</u>		<u>13,451,055</u>		<u>15,877,909</u>
	1,982,013		1,873,559		1,815,767		1,546,170		1,897,163
	4,709,552		6,071,051		6,009,309		6,435,275		7,116,727
	878,155		1,005,271		954,724		1,384,535		1,362,798
	376,479		348,914		372,340		477,597		502,659
	595,069		516,446		896,568		2,392,709		4,634,069
	1,435,439		1,554,474		1,623,959		1,659,777		1,675,718
	276,866		263,296		418,173		255,972		332,003
	-		-		-		52,702		290,088
	<u>10,253,573</u>		<u>11,633,011</u>		<u>12,090,840</u>		<u>14,204,737</u>		<u>17,811,225</u>
	450,828		1,253,121		38,193		(753,682)		(1,933,316)
	-		-		5,735,000		2,355,000		13,790,000
	-		-		-		113,937		-
	-		-		-		-		121,258
	-		-		408,296		97,702		578,817
	(1,214,150)		(1,545,300)		-		-		-
	1,265,803		1,540,000		-		-		-
	-		-		-		-		29,275
	251,926		195,560		116,501		114,800		346,284
	(251,926)		(383,084)		(244,026)		(212,325)		(1,268,628)
	<u>51,653</u>		<u>(192,824)</u>		<u>6,015,771</u>		<u>2,469,114</u>		<u>13,597,006</u>
\$	<u>502,481</u>	\$	<u>1,060,297</u>	\$	<u>6,053,964</u>	\$	<u>1,715,432</u>	\$	<u>11,663,690</u>
	17.7%		16.4%		18.2%		16.2%		15.2%

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
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%
2024	977,391,410	382,435,682	66,063,155	80,391,663	1,345,498,584	0.70619	1,345,498,584	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
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
2024	0.509273	0.196917	0.70619	1.137500	0.194500	0.112170	0.194500

Source: Tarrant Appraisals District (2023 Tax Rates).

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

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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	
2015	\$ 4,231,865	\$ 4,174,320	98.64%	\$ 42	\$ 4,174,362	99%	
2016	4,501,716	4,464,778	99.18%	6	4,464,784	99%	
2017	4,644,955	4,589,538	98.81%	4	4,589,542	99%	
2018	5,086,080	5,045,734	99.21%	5	5,045,739	99%	
2019	5,219,526	5,169,354	99.04%	-	5,169,354	99%	
2020	5,949,183	5,798,463	97.47%	-	5,798,463	97%	
2021	6,521,122	6,063,561	92.98%	(14)	6,063,547	93%	
2022	7,123,299	6,824,573	95.81%	(274)	6,824,299	96%	
2023	8,464,672	8,194,905	96.81%	7,743	8,202,648	97%	
2024	8,756,567	8,655,195	98.84%	-	8,655,195	99%	

* Excludes levy for TIRZ #1.

Source: Tarrant County Tax Office, Summary Part C (As Of September 30, 2024).

City of Kennedale, Texas
Table H - Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Governmental Activities				
	General Obligation/ Certificates of Obligation	Premium on Bonds	Leases Obligations	Subscription Obligations	Tax Notes
2015	\$ 11,655,557	\$ -	\$ 99,701	\$ -	-
2016	11,001,843	-	424,473	-	-
2017	10,026,300	-	600,557	-	-
2018	9,024,582	-	554,114	-	-
2019	8,099,682	-	722,846	-	2,575,000
2020	7,178,035	-	451,985	-	2,275,000
2021	6,186,673	-	559,180	-	1,805,000
2022	10,666,262	386,226	145,422	-	1,530,000
2023	11,839,675	467,747	151,169	-	1,160,000
2024	24,450,000	1,032,641	77,250	79,134	780,000

Source: Notes to the financial statements and Table L

Business-type Activities

	General Obligation/ Certificates of Obligation	Premium on Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita	Population
\$	2,965,512	\$ -	\$ 1,539,241	\$ 16,260,011	0.45%	2,035	7,992
	2,728,413	-	1,445,849	15,600,578	0.47%	1,943	8,031
	2,475,575	-	1,350,209	14,452,641	0.50%	1,738	8,315
	2,213,912	-	1,254,570	13,047,178	0.56%	1,565	8,338
	1,941,512	-	1,149,939	14,488,979	0.52%	1,696	8,543
	1,660,288	-	1,035,195	12,600,503	0.64%	1,526	8,255
	1,363,322	-	923,206	10,837,381	0.73%	1,272	8,517
	1,118,734	-	805,984	14,652,628	0.70%	1,756	8,342
	15,575,322	609,130	684,236	30,487,279	0.37%	3,268	9,329
	15,140,000	602,089	557,789	42,718,903	0.28%	4,250	10,052

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

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds/Certificates of Obligation	Premium on Bonds	Total		
2015	\$ 14,621,069	\$ -	\$ 14,621,069	2.76%	\$ 1,829
2016	13,730,256	-	13,730,256	2.50%	1,710
2017	12,501,875	-	12,501,875	2.20%	1,504
2018	11,238,494	-	11,238,494	1.78%	1,348
2019	10,041,194	-	10,041,194	1.45%	1,175
2020	8,838,323	-	8,838,323	1.33%	1,071
2021	7,549,995	-	7,549,995	1.09%	886
2022	11,784,996	386,226	12,171,222	1.46%	1,459
2023	27,414,997	1,076,877	28,491,874	2.46%	3,054
2024	39,590,000	1,634,730	41,224,730	3.06%	4,101

Source: Table E, I, and L

City of Kennedale, Texas
Table J - Direct and Overlapping Governmental Activities Debt (Unaudited)
September 30, 2024

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes:	\$ 1,160,400,000	0.02%	\$ 232,080
Arlington ISD	1,663,595,000	0.09%	1,497,236
Fort Worth ISD	57,050,025	42.47%	24,229,146
Kennedale ISD	938,890,000	0.18%	1,690,002
Mansfield ISD	345,130,000	0.37%	1,276,981
Tarrant County	569,915,000	0.37%	2,108,686
Tarrant County College District	440,020,000	0.37%	1,628,074
Tarrant County Hospital District			
Subtotal overlapping debt			<u>32,662,204</u>
Total direct - City of Kennedale	\$ 39,590,000	100.00%	<u>39,590,000</u>
Direct and Overlapping Debt			<u><u>\$ 72,252,204</u></u>
Total Direct and Overlapping Debt % of A.V:		5.77%	
Total Direct and Overlapping Debt per Capita		\$ 7,265	

The percentage of overlapping debt applicable is estimated using taxable assessed property values.

Source: Municipal Advisory Council of Texas

City of Kennedale, Texas
Table K - 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 2024 was established at \$0.706190 per \$100 assessed valuation based on 100% of net taxable value.

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

Year	Estimated Population	Median Household Income	Per Capita Median Household Income	Unemployment Rate
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
2024	10,052	117,853	47,452	3.5

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, 2024 American Community Survey, Federal Reserve Bank of St. Louis

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

Employer	2024 Employees	2015 Employees
Sabre Industries/Fort Worth Tower	450-500	450-500
Kennedale Independent School District	400-450	400-450
Speed Fab Crete	100-150	100-150
ARK Contracting Services	50-100	50-100
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
Quick Roofing	25-50	25-50

Source: Survey responses from employers conducted by the City of Kennedale

Note: Employees listed by employers are estimates.

City of Kennedale, Texas

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

Function/Program	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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	3.0	2.5	2.5	3.0	3.0	3.7	3.5	3.8	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	3.0	2.0	2.0	2.0	1.5	1.0	1.0	2.0	2.0	2.0
Police										
Officers	19.0	20.0	20.0	21.0	21.0	21.0	21.0	21.0	22.0	22.0
Civilians	2.5	2.5	2.1	2.5	2.5	2.5	2.7	3.0	3.0	4.0
Fire										
Firefighters and officers	16.0	16.0	16.0	16.0	20.0	17.0	19.0	19.0	20.0	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	11.0	10.8	10.4	8.0	9.7
Library	3.5	3.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0
Water/Wastewater	11.5	11.5	11.5	11.5	11.5	-	-	-	-	-
Total	75.0	75.5	75.1	76.5	80.5	68.5	71.2	71.9	71.8	75.5

Sources: FY2023-24 Adopted Budget.

Note: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080. These figures also include regular, part-time and seasonal employees.

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

Function/Program	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Government										
Building permits issued	406	504	292	593	41	40	664	694	638	652
Building inspections conducted	355	1,185	1,752	1,165	399	114	1,232	1,320	1,057	1,269
Police										
Physical arrests	203	203	374	109	111	163	154	241	211	205
Parking violations	1,675	24	6	7	8	6	16	56	163	53
Traffic violations	3,778	2,828	4,296	1,692	1,725	2,249	1,263	3,822	5,775	7,962
Fire										
Emergency responses	1,131	867	1,166	693	706	740	1,508	1,559	1,650	1,578
Fires extinguished	199	200	200	58	155	29	80	100	61	55
Inspections	198	178	218	66	87	56	45	104	205	115
Library										
Volumes in collection	14,752	16,292	16,831	16,322	16,322	16,671	14,896	18,990	15,986	15,139
Total volumes borrowed	16,162	20,288	21,579	18,007	18,007	17,863	16,291	20,035	24,494	25,739
Water and Wastewater										
New connections	73	39	59	65	81	111	79	63	4	13
Average daily consumption	892,014	898,918	980,413	909,919	1,003,523	772,156	921,301	1,163,573	1,129,573	2,241,830
Peak daily consumption	2,471,500	2,021,800	1,884,040	2,449,850	2,015,488	-	2,190,436	1,994,745	9,827,980	7,055,683

Source: Various City departments

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

Function/Program	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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	17	17	8	8	8	8	9	9	11	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	49
Streetlights	332	332	346	346	346	346	376	376	376	380
Parks and recreation										
Acreage	28	28	27	27	27	27	27	28	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	64	64
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	3,325	3,300	2,820	2,825	2,825
Elevated	1,250	1,250	1,250	1,250	1,250	1,145	1,250	1,720	1,720	1,000
Ground	2,100	2,100	2,100	2,100	2,100	2,180	2,150	1,100	1,100	1,825
Sanitary sewers (miles)	48	48	50	50	50	47	48	48	48	51
Storm sewers (miles)	4	4	4	4	4	5	6	6	6	6

Source: Various City departments

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the aggregate 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 21, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as item 2024-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

Purpose of This Report

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

Forvis Mazars, LLP

**Dallas, Texas
April 21, 2025**

City of Kennedale, Texas
Schedule of Findings and Responses
Year Ended September 30, 2024

Reference Number	Finding
2024-001	<p data-bbox="440 359 1024 388">Finding: Significant Deficiency in Year-End Close</p> <ul data-bbox="440 394 1443 888" style="list-style-type: none"><li data-bbox="440 394 1443 457">• Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting.<li data-bbox="440 457 1443 552">• Condition: The City’s year-end closing procedures were not performed accurately which resulted in initial errors in the trial balances and reconciliations and required numerous adjustments (by City and auditor).<li data-bbox="440 552 1443 615">• Cause: Internal controls and review processes were not in place to ensure all year end close related activity was completed timely.<li data-bbox="440 615 1443 678">• Effect: Adjustments to various accounts were necessary in order to correct the financial statements.<li data-bbox="440 678 1443 804">• Recommendation: The City develop an accounting policies and procedures manual that indicates all items to be completed during the year-end close and the individuals responsible for each item. Year-end procedures need to be developed and implemented to ensure account balances are reconciled timely and accurate.<li data-bbox="440 804 1443 888">• Views of responsible officials and planned corrective actions: We understand the importance of the financial reporting process and the City plans to implement controls and processes to improve accuracy of financial information.