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KENNEDALE CITY COUNCIL AGENDA
REGULAR MEETING
February 27, 2017
CITY HALL COUNCIL CHAMBERS, 405 MUNICIPAL DRIVE

WORK SESSION at 5:30 PM
REGULAR SESSION at 7:00 PM

I. CALL TO ORDER
NOTE: Pursuant to Section 551.071, Texas Government Code, the City Council reserves the right to adjourn into Executive Session at any time during the Work Session or the Regular Session to discuss posted Executive Session items or to seek legal advice from the City Attorney on any item posted on the agenda.

II. WORK SESSION

A. Presentation of the annual audit – Comprehensive Annual Financial Report (CAFR)

B. Discussion of items on regular agenda

III. EXECUTIVE SESSION | *Council will convene into Executive Session immediately following the Work Session.*

A. The City Council will meet in closed session pursuant to Section 551.074 of the Texas Government Code to deliberate the appointment, employment, and duties of the City Manager.

1. Interview candidates for City Manager position

B. The City Council may meet in closed session at any time during the Work Session or the Regular Session, pursuant to Section 551.071 of the Texas Government Code for consultation with the City Attorney pertaining to any matter in which the duty of the City Attorney under the Texas Disciplinary Rules of Professional Conduct may conflict with the Open Meetings Act, including discussion on any item posted on the agenda and legal issues regarding litigation, settlement offers, and/or claims regarding the following matters:

1. Keith Kidwill vs. The City of Kennedale, Texas

C. The City Council will meet in closed session pursuant to Section 551.072 of the Texas Government Code to deliberate the purchase, exchange, lease, or value of real property for the following:

1. 108 New Hope Road
2. 6727 Hudson Village Creek (Kennedale Speedway Park)
3. 6820 Oak Crest West

IV. RECONVENE INTO OPEN SESSION, AND TAKE ACTION NECESSARY PURSUANT TO EXECUTIVE SESSION, IF NEEDED

V. REGULAR SESSION

VI. ROLL CALL

VII. INVOCATION

VIII. UNITED STATES PLEDGE AND TEXAS PLEDGE

“Honor the Texas Flag; I Pledge Allegiance to Thee, Texas, One State under God; One and Indivisible."

IX. VISITOR/CITIZEN'S FORUM

At this time, any person with business before the City Council not scheduled on the Agenda may speak to Council, provided that an official ‘Visitor/Citizen's Forum – Request to Speak’ form has been completed and submitted to the City Secretary prior to the start of the meeting. All comments must be directed towards the Mayor and Council as a whole, rather than individual Council members or staff. All speakers must limit their comments to the subject matter as listed on the ‘Request to Speak’ form. No formal action or discussion can be taken on these items.

X. REPORTS/ANNOUNCEMENTS

In addition to specific matters listed below, the City Council may receive reports on items of community interest, including but not limited to recognition of individual officials, citizens, or departments; information regarding holiday schedules; and recent or upcoming events.

A. Updates from the City Council

B. Updates from the Mayor

C. Updates from the Interim City Manager

XI. MONITORING INFORMATION

A. Monthly Financials – January 2017

B. Executive Limitations

C. Ends Review – Balanced Scorecard

XII. INCIDENTAL ITEMS

A. Discuss and approve the budget calendar for FY2017

XIII. REQUIRED APPROVAL ITEMS (CONSENT)

All matters listed under Required Approval Items (Consent) have been previously discussed, require little or no deliberation, or are considered to be routine by the City Council. If discussion is desired, then an item will be removed from the consent agenda and considered separately.

A. Consider approval of amended minutes from January 14, 2017 special meeting

B. Consider approval of minutes from January 23, 2017 regular meeting

C. Consider approval of minutes from February 11, 2017 special meeting

D. Consider approval of minutes from February 17, 2017 special meeting

E. Consider acceptance of the Vineyards subdivision (Phases 1 and 2)

F. Review and accept an amended racial profiling data sheet

G. Consider approval of an interlocal agreement with Tarrant County for roadway striping

XIV. DECISION ITEMS

A. **CASE # PZ 17-04** to hold a public hearing and consider approval of Ordinance 622 regarding an amendment to the Unified Development Code (UDC), as adopted by Ordinance 605, to amend Article 10 General Provisions for All Districts Section 10.17 “Walls and Fences” and Article 13 Landscaping, Screening, and Lighting Sections 13.6 “Buffering” and 13.8 “Screening.”

1. Staff presentation
2. Public hearing
3. Staff response and summary
4. Action by the City Council

B. Discuss and consider approval of independent auditor's report (Comprehensive Annual Financial Report (CAFR)) for the fiscal year ended September 30, 2016

XV. ADJOURNMENT

In compliance with the Americans with Disabilities Act, the City of Kennedale will provide for reasonable accommodations for persons attending City Council meetings. This building is wheelchair accessible, and parking spaces for disabled citizens are available. Requests for sign interpreter services must be made forty-eight (48) hours prior to the meetings. Please contact the City Secretary at 817.985.2104 or (TDD) 1.800.735.2989

CERTIFICATION

I certify that a copy of the February 27, 2017, agenda was posted on the City Hall bulletin board next to the main entrance of the City Hall building, 405 Municipal Drive, of the City of Kennedale, Texas, in a place convenient and readily accessible to the general public at all times and said agenda was posted at least 72 hours preceding the schedule time of said meeting, in accordance with Chapter 551 of the Texas Government Code.

Leslie Galloway

Leslie Galloway, City Secretary

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: WORK SESSION - A.

I. Subject:
Presentation of the annual audit – Comprehensive Annual Financial Report (CAFR)

II. Originated by:

III. Summary:
Paula Lowe, Audit Partner with Pattillo, Brown & Hill, will present the CAFR for FY 2016.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

1.	FY 2016 CAFR	City Financials 2016.pdf
2.	Required Communication with Governance	Required Commuication with Governance 2016.pdf

City of KENNEDALE Texas
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Comprehensive Annual Financial Report

CITY OF KENNEDALE, TEXAS
YEAR ENDED SEPTEMBER 30, 2016

CITY OF KENNEDALE, TEXAS
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INTRODUCTORY SECTION

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405 Municipal Drive, Kennedale TX 76060
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February 21, 2017

Honorable Mayor and City Council,
Citizens of Kennedale:

The City of Kennedale (the "City") Financial Management Policies requires that the City's Finance Department prepare a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Accordingly, the Comprehensive Annual Financial Report for the City of Kennedale, Texas for the fiscal year ended September 30, 2016, 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 that 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 Pattillo, Brown and Hill LLP, Independent Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2016, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City of Kennedale was incorporated in 1947. The City of Kennedale is a first tier suburb of Fort Worth and is located adjacent to Arlington in south Tarrant County. The City currently occupies a land area of 6.2 square miles and serves a population of 8,031. The City is empowered to levy property tax on both real and business personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically, when deemed appropriate by the city council.

The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in even-numbered years and the other terms of the three Councilmembers expiring in odd-numbered years. The City Council is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Secretary, and Municipal Judges. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the executive directors, and heads of departments, and the performance of functions within the municipal organization.

The City of Kennedale provides a full range of services including police, fire, emergency medical service, municipal court, library, parks, water distribution, wastewater collection, solid waste collection, curb-side recycling, streets, storm water drainage, community development (planning, code enforcement, and building inspection), and general administrative services.

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy. After an election in July of 1947, the Town of Kennedale was incorporated with a population of 300 people. By 1950, the population had increased to 500 residents and a petition to the State of Texas was approved which changed the Township into a recognized City.

Kennedale is becoming one of Tarrant County's fastest growing cities. Fronted by the major highways of I-20 and 287, the City provides an excellent location for major retail and professional businesses. This transportation corridor provides quick and easy access to the Dallas/Fort Worth Intercontinental Airport, downtown Fort Worth just 15 minutes to the west, and downtown Dallas just 20-25 minutes to the east. Furthermore, the City of Kennedale is within just a short drive to major entertainment venues including, but not limited to, Six Flags over Texas, Hurricane Harbor, Texas Motor Speedway, Globelife Park at Arlington, home of the Texas Rangers baseball team, and AT&T Stadium, home of the Dallas Cowboys football team.

Kennedale has experienced steady population growth in the last decade. Beautiful Village Creek slowly winds through the City and provides a tranquil feeling throughout the community. Current and future subdivisions are designed on oversized lots, which result in spacious residential areas that compliment the coveted rural setting.

Currently, the City is 6.2 square miles with much of this land undeveloped. This allows for selective locations for the incoming developments and pulls the citizen away from the crowds and traffic congestion of a major metropolitan city. As the economy continues to grow and expand into North Texas, Kennedale will be an attractive choice for businesses and families alike.

The Kennedale Economic Development Corporation (KEDC) was formed in 1996 to spearhead the economic growth of the City. The KEDC is funded by a voter approved, half cent sales tax, which is used to offer grants and other economic incentives to existing and new businesses. The KEDC is pursuing a four-pronged approach to economic development: land assembly and clearing for resell, manufacturing expansion, retail development and quality of life improvements. The redevelopment of the north entry into Kennedale (Oak Crest area) is in progress. A master plan has been adopted. Link Street to Kennedale Parkway was opened in 2015 and extension was opened in October 2016. The improved access has led to the development of a Popeye's and Burger King which opened in 2015. McDonald's opened in the Oak Crest area in October 2016. A hotel site has been secured and negotiations are underway with a hotel developer. The KEDC is also working with property owners in the area to develop their land. The Town Center

has begun work on a "spec" building and a new Dickey's Barbeque and Chicken Express building that is expected open in the spring of 2017.

Accounting System and Budgetary Control. The City's accounting records for general government operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities incurred. Accounting records for the City's utilities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The annual budget serves as the foundation for the City of Kennedale's financial planning and control. All departments of the City of Kennedale are required to submit requests for appropriation to the City Manager on or before June of each year. These requests are used to develop a proposed budget. The proposed budget is then presented to the City Council for review on or before August. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City of Kennedale's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Transfer of appropriations within a department and within funds may be made with approval from the City Manager. Transfers between funds or additional appropriation require the approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Long-Term Financial Planning.

CURRENT YEAR PROJECTS

The City of Kennedale leverages its resources by working with TxDOT and Tarrant County to enhance its transportation network. Sidewalks were installed along Kennedale Parkway. The road projects are funded by the City purchasing road material, and the Tarrant County Precinct 2 road crews building the roadways. This approach allowed the city to construct a new section of Link Street so that it connects with Kennedale Parkway.

Opening Link Street will enhance the opportunity for economic development at the north entry to Kennedale (Oak Crest area) and the extension with provide access to the new McDonald's. The reconstruction of Caylebaite Street, a portion of Municipal Drive, True Gunn Road, and Village Street were also constructed in partnership with Tarrant County. The Bloxom Industrial Park road was constructed and water and wastewater lines have been extended to encourage redevelopment of the park and open new tracts for development. The installation of a new pump station at the standpipe is underway and nearing completion. The City Council adopted a new impact fee schedule following the initial study and public review and comments.

An important element of the City's strategic plan – *Imagine Kennedale 2015* was to close the racetracks and convert the property to residential use. The City began that process with an update of the Comprehensive Land Use Plan. The City created a Tax Increment Reinvestment Zone (TIRZ) to fund off-site infrastructure improvements, namely the extension of water and sewer service, reconstruction of New Hope Road, and the addition of hike and bike trails along Kennedale Branch. TIRZ participation agreements with Tarrant County, Tarrant College District, and the Tarrant County Health District were completed in 2013. The City has a development agreement for pretrack to convert the property following the 2016 racing season. A water and sewer study to plan for the extension of the utility services is complete. One track remains open and will require City Council action. The site is identified in the park master plan as a future community park.

Council, Board, and staff activities are guided by the City's strategic plan – *Imagine Kennedale 2015* – and the recently adopted Comprehensive Land Use Plan. These plans call for the creation of residential areas on the southwest portion of Kennedale. The TIRZ, noted earlier, will guide this effort. Redevelopment of Oak Crest will be a long-term effort, and it too is underway. Restoration of Village Creek as a park and water quality feature will consume staff time and resources for many years to come. Village Creek will require the assistance of the City of Arlington, the Corps of Engineers, the Trinity River Authority (TRA), the Tarrant Regional Water District, the University of Texas at Arlington (UTA), the Environmental Protection Agency (EPA), the Texas Commission on Environmental Quality (TCEQ), and the Texas Water Development Board (TWDB). A Section 205 Flood Control study by the US Army Corps of Engineers is underway with completion expected in February 2017. Water quality and sediment testing was completed through the UTA Engineering Department with guidance from TRA. This flood control and water quality planning activity will be essential to the City's efforts to close a portion or all of the salvage yards located in the Village Creek floodplain. The city is also working with Dr. Alexander Sun, University of Texas Bureau of Economic Geography, to analyze the various studies and provide recommendations on a future course of action. This partnership is through AGU Thriving Earth Exchange program.

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

FUTURE PROJECTS

Beyond physical improvements in Kennedale, there will continue to be a focus on operational efficiencies and strategic planning. The city council adopted the Policy Governance model espoused by Dr. John Carver. The governance model is enhanced with the focus on staff development following the management philosophy of the Requisite Organization, the Competing Values Framework, and the Ethical Climate Dimensions model.

The City will pursue an access study of Kennedale Parkway through a corporative effort with TxDOT and NCTCOG. The study will be used to install a raised median in the Parkway rather than a continuous turn lane.

The unified development code was adopted in mid-2016 and will need revisions as it is implemented. The City Council will initiate an update the City's strategic plan.

RELEVANT FINANCIAL POLICIES

The City continues to budget cautiously in regards to anticipated revenues due to the economy. The City was able to budget its revenue within a small variance and maintain responsibility in its expenditures resulting in an increase in fund balance in the General Fund. The City will continue with its current plans and has continued to monitor its budget responsibly. The City did receive a bond rating upgrade from Standard & Poor's to "AA-" from "A+" following closing of the fiscal year.

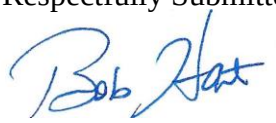
AWARDS AND ACKNOWLEDGEMENTS

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kennedale for its CAFR for the fiscal year ended September 30, 2015. This was the twelfth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

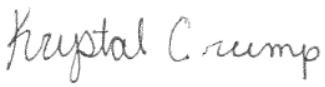
A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and our independent auditors. We would like to express our sincere appreciation to those persons who have made possible the publication of this report. We would also like to thank the mayor and the members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully Submitted,



Bob Hart
City Manager



Krystal Crump
Director of Finance & IT

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

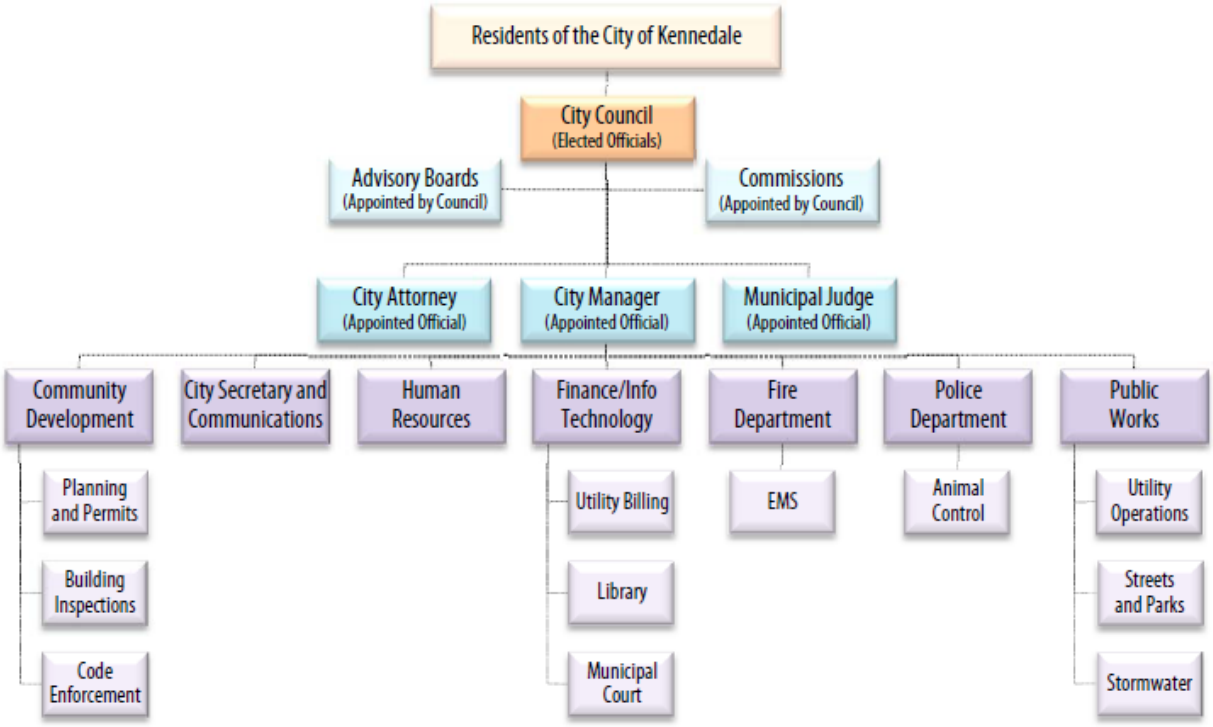
Presented to

City of Kennedale Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO



ELECTED OFFICIALS (COUNCIL)

Mayor Brian Johnson
Charles Overstreet, Place 1
Liz Carrington, Place 2
Mike Walker, Place 3
Mayor Pro Tem Kelly Turner, Place 4
Frank Fernandez, Place 5

APPOINTED OFFICIALS

Bob Hart, City Manager
Wayne Olson (TOASE), City Attorney
Honorable Bill Lane, Municipal Judge

ADVISORY BOARDS AND COMMISSIONS

Board of Adjustment (BOA)
Building Board of Appeals (BBA)
Economic Development Corporation (EDC)
Keep Kennedale Beautiful Commission (KKB)
Library Advisory Board (LAB)
Parks and Recreation Board
Planning and Zoning Commission (P&Z)
Youth Advisory Council (YAC)

MANAGEMENT TEAM

Krystal Crump, Director of Finance and Information Technology
Tommy Williams, Police Chief
Mike McMurray, Fire Chief
Larry Ledbetter, Public Works Director
Kelly Cooper, Human Resources Director
Leslie Galloway, City Secretary and Communications Coordinator
Rachel Roberts, Community Development Director and City Planner
Amanda King, Library Director

KENNEDALE CITY COUNCILMEMBER LISTING

ELECTED OFFICIALS

Mayor	Brian Johnson
Council Member Place 1	Charles Overstreet
Council Member Place 2	Liz Carrington
Council Member Place 3	Mike Walker
Council Member Place 4/Mayor Pro-Tem	Kelly Turner
Council Member Place 5	Frank Fernandez

APPOINTED & KEY OFFICIALS

City Manager	Bob Hart
City Secretary/Communications Coordinator	Leslie Galloway
City Attorney	Taylor, Olson Adkins, Sralla & Elam, LLP
Director of Finance & IT	Krystal Crump
Human Resources Director	Kelly Cooper
Police Chief	Tommy Williams
Fire Chief	Mike McMurray
Director Of Public Works	Larry Ledbetter
Director of Planning	Rachel Roberts

ECONOMIC DEVELOPMENT CORPORATION OFFICIALS

Director Place 1	Michael Johnson
Director Place 2	Pat Turner
Director Place 3	Ronald Whitley
Director Place 4 - President	Robert Mundy
Director Place 5	Adrienne Kay
Director Place 6	Jon Mark Yeary
Director Place 7	Rebecca Mowell

FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
City Council and City Manager
City of Kennedale, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Kennedale, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Kennedale's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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AICPA
Governmental Audit Quality Center

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kennedale, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and pension information on pages 4 through 12 and 49 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kennedale's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report date February 21, 2017, on our consideration of the City of Kennedale'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 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 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 City of Kennedale's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 21, 2017

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MANAGEMENT'S
DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Kennedale, Texas, we offer readers of the City of Kennedale financial statements, this narrative overview, and analysis of the financial activities of the City of Kennedale for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflow of resources for the City of Kennedale exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $38,847,345. Of this amount, $1,344,678 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Kennedale's change in net position was an increase of $4,753,586. This increase is due to an increase in capital grants and contribution, and property taxes. These changes were offset by decreased sales taxes and increased general government, public safety, public works, culture and recreation and water and wastewater expenses. $863,787 was prior period adjustment related to capital assets and inventory.
- As of the close of the current fiscal year, the City of Kennedale's governmental funds reported combined ending fund balances of $2,495,492, an increase of $745,391 in comparison with the prior year. Approximately, 47.2% of this amount, $1,178,333 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was $1,972,229 or 28.1% of total 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. City of Kennedale's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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 a private-sector business.

The statement of net position presents information on all of the City of Kennedale's assets, liabilities and deferred inflows/outflows of resources, with the difference between them 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 changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the full accrual basis of accounting.

In the Statement of Net Position and the Statement of Activities, the primary government is divided into two kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including administrative, police, fire, municipal court, community development, streets, parks, senior citizen center and library. Property taxes, sales taxes, franchise fees, license and permit fees finance most of these activities.
- **Business-type activities** – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water and wastewater system, storm drain system and solid waste system are reported here.

The government-wide financial statements include not only the City of Kennedale itself (known as the primary government), but also a legally separate economic development corporation. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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 10 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, Capital Bond Fund and TIRZ #1 New Hope Fund, which are considered to be major funds. Data from the other 6 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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.

The City of Kennedale maintains one individual Enterprise Fund to account for its water and wastewater, and solid waste. This fund is considered to be a major fund of the City.

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 nonmajor governmental funds are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of a government's financial position. In the case of the City of Kennedale, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $38,847,345 at the close of the most recent fiscal year. By far the largest portion of the City's net position ($37,102,497 or 95.5%) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF KENNEDALE'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 3,403,232	$ 3,133,137	$ 1,537,228	$ 977,711	$ 4,940,460	$ 4,110,848
Capital assets	35,338,070	33,185,015	17,228,437	15,617,955	52,566,507	48,802,970
Total assets	38,741,302	36,318,152	18,765,665	16,595,666	57,506,967	52,913,818
Total deferred outflows of resources	1,127,793	419,801	145,110	49,321	1,272,903	469,122
Long-term liabilities	12,788,822	13,675,173	1,010,846	4,727,840	13,799,668	18,403,013
Other liabilities	1,796,915	941,350	4,169,432	707,015	5,966,347	1,648,365
Total liabilities	14,585,737	14,616,523	5,180,278	5,434,855	19,766,015	20,051,378
Total deferred inflows of resources	145,247	66,743	21,263	7,841	166,510	74,584
Net Position:						
Net investment in capital asse	24,048,321	21,429,758	13,054,176	11,184,859	37,102,497	32,614,617
Restricted	400,170	409,454	-	-	400,170	409,454
Unrestricted	689,620	215,475	655,058	17,432	1,344,678	232,907
Total net position	$ 25,138,111	$ 22,054,687	$ 13,709,234	$ 11,202,291	$ 38,847,345	$ 33,256,978

An additional portion of the City of Kennedale's net position ($400,170 or 1.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($1,344,678 or 3.5%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported a positive balance in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

During the current fiscal year, the City's net position increased by $4,753,586. This increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This increase follows a prior year increase of $836,781 due to increases in capital grants and contribution, property taxes and other taxes offset by increased general government, public safety and water and wastewater expenses.

CITY OF KENNEDALE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	$ 1,372,552	$ 979,905	$ 4,782,055	$ 3,683,542	$ 6,154,607	$ 4,663,447
Operating grants and contributions	126,520	139,677	-	-	126,520	139,677
Capital grants and contributions	2,595,371	490,975	1,479,937	-	4,075,308	490,975
General revenues:						
Property taxes	4,521,765	4,274,752	-	-	4,521,765	4,274,752
Other taxes	1,798,531	2,043,755	-	-	1,798,531	2,043,755
Other revenues	312,165	691,659	521	281	312,686	691,940
Total revenues	10,726,904	8,620,723	6,262,513	3,683,823	16,989,417	12,304,546
Expenses:						
General government	1,340,991	1,348,921	-	-	1,340,991	1,348,921
Public safety	4,658,016	4,521,511	-	-	4,658,016	4,521,511
Public works	1,838,124	1,638,428	-	-	1,838,124	1,638,428
Culture and recreation	370,519	339,328	-	-	370,519	339,328
Interest on long-term debt	521,675	478,440	-	-	521,675	478,440
Water and wastewater	-	-	3,506,506	3,428,253	3,506,506	3,428,253
Total expenses	8,729,325	8,326,628	3,506,506	3,428,253	12,235,831	11,754,881
Change in net position before transfers	1,997,579	294,095	2,756,007	255,570	4,753,586	549,665
Transfers	953,377	733,535	(953,377)	(733,535)	-	-
Change in net position	2,950,956	1,027,630	1,802,630	(477,965)	4,753,586	549,665
Net position beginning	22,054,687	22,218,515	11,202,291	11,894,149	33,256,978	34,112,664
Prior period adjustment	132,468	(1,191,458)	704,313	(213,893)	836,781	(1,405,351)
Net position, ending	$ 25,138,111	$ 22,054,687	$ 13,709,234	$ 11,202,291	$ 38,847,345	$ 33,256,978

Governmental activities. Governmental activities net position increased by $2,950,956. The increase is more than the prior year increase of $1,027,630 due primarily to an increase in capital grants and contributions, property taxes and other taxes. These changes were offset by decreased charges for services as well as increased general government, public safety, public works and water and wastewater expenses.

Business-type activities. Business-type activities net position increased by $1,802,630. Charges for water and sewer services were $4,782,055 and capital contributions were $1,479,937 for the fiscal year 2016, which is $2,578,690 more than the 2014-2015 fiscal year revenue, $3,683,823. This increase is a result of a change in donation of capital assets from developers and water and sewer rates were increased mid-year. Direct operating expenses, excluding depreciation, were $2,555,598 for the fiscal year. Direct operating expenses are $176,433 less than 2014-2015 fiscal year direct operating expenses, $2,732,031, due to decreased costs of administration.

FINANCIAL ANALYSIS OF THE GOVERNMENT'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 balances may serve as a useful measure of a government's net resources at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $2,495,492. $64,615 of this total is nonspendable to indicate the amount cannot be spent and $412,031 is restricted to indicate constraints placed on the use of the resources either externally imposed by creditors, by laws or regulations of other governments imposed or imposed by law through constitutional provisions or enabling legislation. The remaining balance of $1,178,333 constitutes unassigned fund balance. Assigned fund balance of $367,218 for capital lease.

Of the $2,495,492 ending fund balance, $697,230 is accounted for in non-major governmental funds. The General Fund balance is $2,580,297 at year end – an increase of $847,856. This increase was created primarily by a combination of increased property taxes, intergovernmental and other revenue, as well as decreased public works expenditures. These are offset by increases in general government, public safety, culture and recreation and capital outlay expenditures.

In the General Fund, the City budgeted for a decrease of fund balance in the amount of $233,951. The fund balance in the General Fund increased by $847,856, or 48.9% during the current fiscal year. Significant revenue and expenditure increases and decreases were in the following areas:

- Sales taxes
- Licenses and permits
- Intergovernmental revenues
- Charges for services
- Public safety
- Public works
- Capital outlay

The Debt Service Fund balance increased $1,486 to $11,861 at year end. This increase is primarily the result of increased property tax revenue. The Capital Projects Fund balance didn't change in the current year and fund balance is zero. The capital outlay expenditures related to projects including grant projects equaled revenue and a transfer from the General Fund. The TIRZ #1 New Hope Fund had a deficit fund balance of $793,896. This deficit was a result of the capital improvement expenditures within the TIRZ. It is anticipated that the deficit will be funded by future restricted incremental property tax revenue.

Proprietary funds – The City of Kennedale's proprietary funds provide the same type of information found in government-wide financial statements, but in more detail.

Year-end net position in the water and wastewater fund amounted to $13,709,234. This includes a current year increase of $1,802,630. See the business-type activity discussion above for more information.

General Fund budgetary highlights. The actual expenditures for the year were $7,020,665, which was $484,432 under budget.

For FY 2015-2016, the actual revenues were $6,555,146 as compared to the budgeted amount of $6,452,423. Contributing to the variance was higher than anticipated sales tax ($48,691 more than the budget), and franchise fees ($21,140 more than the budget).

With revenues exceeding expectation and expenditures below appropriations, the fund balance in the General Fund increased by $847,856, which was $1,081,807 higher than the final budgeted decrease.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The investment in capital assets for its governmental and business type activities as of September 30, 2016, amounts to $52,566,507 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, infrastructure, construction work in progress, and water and sewer systems. Approximately 67.2% of the capital assets are governmental and 32.8% are business type activities.

CITY OF KENNEDALE'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	$ 3,963,754	$ 3,963,754	$ 409,801	$ 409,801	$ 4,373,555	$ 4,373,555
Buildings and improvements	4,994,902	4,994,902	5,386,339	5,253,412	10,381,241	10,248,314
Machinery and equipment	3,020,872	3,125,866	1,018,752	958,437	4,039,624	4,084,303
Infrastructure/water and wastewater distribution	38,098,753	35,465,422	17,998,277	15,844,746	56,097,030	51,310,168
Construction in progress	1,548,384	795,736	810,179	736,604	2,358,563	1,532,340
Less accumulated depreciation	(16,288,595)	(15,160,665)	(8,394,911)	(7,585,045)	(24,683,506)	(22,745,710)
Total capital assets, net	$ 35,338,070	$ 33,185,015	$ 17,228,437	$ 15,617,955	$ 52,566,507	$ 48,802,970

Major capital asset events during the current fiscal year included the following:

Governmental activities building improvements	$ 26,001
Governmental activities construction in progress	717,817
Governmental activities completed infrastructure additions	428,631
Governmental activities equipment purchases	167,005
Business-type activities equipment purchases	151,077
Business-type activities completed improvements	2,161,910
Business-type activities construction in progress	532,902

Additional information on the capital assets can be found in Note 3 on pages 36 – 37 of this report.

Long-term debt. At year-end, the City had total bonded debt and capital lease payable obligations of $15,495,321. Of this amount, $13,625,000 represents bonded debt backed by the full faith and credit of the City. The City's capitalized lease obligation of $1,870,321 pertains to the purchase of a fire truck, street equipment, utility vehicles and equipment and new water lines and meters.

OUTSTANDING DEBT AT YEAR-END
BONDS AND CAPITAL LEASE OBLIGATIONS

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	$ 5,081,587	$ 1,534,487	$ 843,413	$ 950,512	$ 5,925,000	$ 2,484,999
Certificates of obligation	5,815,000	9,970,000	1,885,000	2,015,000	7,700,000	11,985,000
Capital leases	424,473	99,701	1,445,848	1,539,242	1,870,321	1,638,943
Total	$ 11,321,060	$ 11,604,188	$ 4,174,261	$ 4,504,754	$ 15,495,321	$ 16,108,942

The City's certificates of obligation bonds continue to carry A2 from Moody's Investor Services and AA- from Standard and Poor's.

Additional information on the long-term debt can be found in Note 3 on pages 39 – 41 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City Council retained the tax rate of $0.767500 per $100 assessed valuation for the new fiscal year. The budget was conservatively prepared in anticipation of a continued economic downturn. The fund balance for the General Fund is expected to increase slightly in fiscal year 2015-2016.

The Budget approach is based on six components:

1. Improve transparency for residents.

   Financial data and other pertinent documents have been added to the website. The city is working towards getting a star for transparency from the Texas State Comptroller's Office.

2. Governance.

   The City Council and staff will continue a focus on governance policies, and the involvement of Advisory Boards. A board handbook was completed. The City Council interviewed advisory board applicants against each Board's responsibilities and charge. The advisory board's discussions and exploration of issues are much improved. Board direction and feedback will continue in the future. The City Council created a Utility and Infrastructure Board in October 2016.

3. Encourage economic development.

   The City and the Kennedale Economic Development Corporation (KEDC) are working together on the redevelopment of the Oak Crest area. This development will improve north entry to the community and will be complimentary of the planned development of Village Creek Park. The County constructed Link Street in order to open the area for access and development. The KEDC sold two lots for fast food restaurants: a Popeye's and Burger King. The KEDC is also negotiating with a potential hotel developer to locate in the Oak Crest Area. Phase I of the Kennedale TownCenter is complete. Phase II is underway with one "spec" building and a new building to house Chicken Express and a new Dickey's Barbeque.

4. Residential development.

   The city is working with developers for the establishment of four subdivisions. These include The Vineyard (117 homes), Hilltop (34 homes), Glenn at Village Creek (35 homes) and Falcon Crest (8 homes). The Vineyards and Falcon Crest are under construction. The City created a Tax Increment Reinvestment Zone (TIRZ) with support from Tarrant County, Tarrant County College District, and the Tarrant County Health District. The TIRZ will provide for an orderly closing of the race tracks and conversion of the property to residential development. The anticipated initial phase will have 183 home sites. The 144-unit senior housing development is under construction on New Hope Road.

5. Planning.

   The City prepared an Asset Management Plan and completed a water and sewer master plan and when coupled with the Comprehensive Land Use Plan will provide system improvements and data for the Capital Improvements Plan (CIP). The city installed an Automatic Metering Infrastructure (AMI) system with a customer support component with the objective for the AMI system to provide the backbone of the city's water conservation program. Village Creek Park is moving into the initial phase with a Section 205 Flood Control Study by the US Army Corps of Engineers (authorized in the FY 15 federal budget). The Flood Control Study is to be complete in early 2017.

6. Organizational development.

   The quality delivery of services is of foremost importance. The City will continue staff development following the Requisite Organization principles, the Competing Values Framework, and the Ethical Climate Dimensions.

REQUESTS FOR INFORMATION

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

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BASIC
FINANCIAL STATEMENTS

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CITY OF KENNEDALE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
ASSETS				
Cash and investments	$ 2,369,735	$ 407,830	$ 2,777,565	$ 205,067
Receivables (net of allowances for uncollectibles)				
Taxes	289,236	-	289,236	68,301
Accounts	1,000,247	651,416	1,651,663	6,085
Inventories	-	157,381	157,381	-
Prepaid items	64,615	-	64,615	-
Internal balances	(320,601)	320,601	-	-
Capital assets:				
Land	3,963,754	409,801	4,373,555	1,085,147
Buildings and improvements	4,994,902	5,386,339	10,381,241	5,945,769
Machinery and equipment	3,020,872	1,018,752	4,039,624	-
Infrastructure/water and wastewater distribution	38,098,753	17,998,277	56,097,030	-
Construction in progress	1,548,384	810,179	2,358,563	-
Less: accumulated depreciation	(16,288,595)	(8,394,911)	(24,683,506)	(1,459,427)
Total capital assets	35,338,070	17,228,437	52,566,507	5,571,489
Total assets	38,741,302	18,765,665	57,506,967	5,850,942
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	136,567	-	136,567	-
Deferred outflows related to pensions	991,226	145,110	1,136,336	-
Total deferred outflows of resources	1,127,793	145,110	1,272,903	-
LIABILITIES				
Accounts payable	368,295	316,915	685,210	41,034
Accrued liabilities	178,680	15,700	194,380	-
Accrued interest	79,516	60,333	139,849	24,257
Unearned revenue	721	-	721	-
Customer deposits	-	257,745	257,745	14,899
Noncurrent liabilities:				
Due within one year	1,169,703	360,153	1,529,856	94,200
Due in more than one year	12,788,822	4,169,432	16,958,254	1,215,680
Total liabilities	14,585,737	5,180,278	19,766,015	1,390,070
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	145,247	21,263	166,510	-
Total deferred inflows of resources	145,247	21,263	166,510	-
NET POSITION				
Net investment in capital assets	24,048,321	13,054,176	37,102,497	4,261,609
Restricted for:				
Capital improvements	400,170	-	400,170	-
Economic development	-	-	-	199,263
Unrestricted	689,620	655,058	1,344,678	-
Total net position	$ 25,138,111	$ 13,709,234	$ 38,847,345	$ 4,460,872

The notes to the financial statements are an integral part of this statement.

CITY OF KENNEDALE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 1,340,991	$ 540,893	$ -	$ -
Public safety	4,658,016	515,906	124,056	-
Public works	1,838,124	150,936	-	2,443,452
Culture and recreation	370,519	164,817	2,464	-
Interest on long-term debt	521,675	-	-	151,919
Total governmental activities	8,729,325	1,372,552	126,520	2,595,371
Business-type activities:				
Water/Wastewater	3,506,506	4,782,055	-	1,479,937
Total business-type activities	3,506,506	4,782,055	-	1,479,937
Total primary government	$ 12,235,831	$ 6,154,607	$ 126,520	$ 4,075,308
Component Unit:				
Kennedale Economic Development Corporation	$ 761,884	$ 100,606	$ -	$ -
General revenues:				
Taxes:				
Property - general purposes				
Property - debt service				
Sales				
Franchise				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Prior period adjustment				
Net position, ending				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Corporation
$(800,098)	$ -	$(800,098)	$ -
(4,018,054)	-	(4,018,054)	-
756,264	-	756,264	-
(203,238)	-	(203,238)	-
(369,756)	-	(369,756)	-
(4,634,882)	-	(4,634,882)	-
-	2,755,486	2,755,486	-
-	2,755,486	2,755,486	-
(4,634,882)	2,755,486	(1,879,396)	-
-	-	-	(661,278)
3,394,072	-	3,394,072	-
1,127,693	-	1,127,693	-
1,253,391	-	1,253,391	410,880
545,140	-	545,140	-
3,986	521	4,507	333
308,179	-	308,179	59,999
953,377	(953,377)	-	-
7,585,838	(952,856)	6,632,982	471,212
2,950,956	1,802,630	4,753,586	(190,066)
22,054,687	11,202,291	33,256,978	5,061,055
132,468	704,313	836,781	(410,117)
$ 25,138,111	$ 13,709,234	$ 38,847,345	$ 4,460,872

CITY OF KENNEDALE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	General	Debt Service	Capital Bond	TIRZ #1 New Hope
ASSETS				
Cash and investments	$ 1,843,633	$ 13,247	$ -	$ 118,068
Receivables (net of allowance for uncollectibles):				
Taxes	272,829	16,407	-	-
Accounts	396,115	-	596,692	-
Due from other funds	596,692	-	-	-
Prepaid items	64,615	-	-	-
Advance to other funds	176,235	-	-	-
Total assets	3,350,119	29,654	596,692	118,068
LIABILITIES				
Accounts payable	248,170	-	-	118,068
Accrued liabilities	178,680	-	-	-
Due to other funds	-	-	596,692	-
Unearned revenue	540	181	-	-
Advance from other funds	-	-	-	793,896
Total liabilities	427,390	181	596,692	911,964
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - court fines	231,399	-	-	-
Unavailable revenue - property taxes	51,628	17,612	-	-
Unavailable revenue - ambulance	59,405	-	-	-
Total deferred inflows of resources	342,432	17,612	-	-
FUND BALANCES				
Nonspendable:				
Prepaid items	64,615	-	-	-
Advance	176,235	-	-	-
Restricted for:				
Debt service	-	11,861	-	-
Capital projects	-	-	-	-
Assignment for capital lease	367,218	-	-	-
Unassigned	1,972,229	-	-	(793,896)
Total fund balances	2,580,297	11,861	-	(793,896)
Total liabilities, deferred inflows of resources and fund balances	$ 3,350,119	$ 29,654	$ 596,692	$ 118,068

The notes to the financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
$ 394,787	$ 2,369,735
-	289,236
7,440	1,000,247
-	596,692
-	64,615
297,060	473,295
699,287	4,793,820
2,057	368,295
-	178,680
-	596,692
-	721
-	793,896
2,057	1,938,284
-	231,399
-	69,240
-	59,405
-	360,044
-	64,615
297,060	473,295
-	11,861
400,170	400,170
-	367,218
-	1,178,333
697,230	2,495,492
$ 699,287	$ 4,793,820

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CITY OF KENNEDALE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCES SHEET TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

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

Total fund balance governmental funds	$	2,495,492
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		35,338,070
Uncollected revenues are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.		
Property taxes		69,240
Ambulance fees		59,405
Court fines		231,399
Long-term liabilities, including bonds payable, notes payable, compensated absences, net other post employment obligation and net pension liability are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.		
Bonds payable	(	10,896,587)
Deferred amount on refunding		136,567
Issuance premium	(	105,256)
Capital lease obligation	(	424,473)
Compensated absences	(	457,436)
Net other post employment obligation		
Net pension liability and related deferred resources	(	1,228,794)
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.	(	79,516)
Net position of governmental activities	$	25,138,111

The notes to the financial statements are an integral part of this statement.

CITY OF KENNEDALE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General	Debt Service	Capital Bond	TIRZ #1 New Hope
REVENUES				
Taxes:				
Property	$ 3,399,662	$ 1,132,384	$ -	$ -
Sales	1,253,391	-	-	-
Franchise fees	545,140	-	-	-
Licenses and permits	412,627	-	-	-
Fines and forfeitures	231,443	-	-	-
Public safety fees	237,104	-	-	-
Intergovernmental	181,549	151,919	452,197	-
Charges for services	73,840	-	-	-
Investment earnings	3,031	189	-	2
Contributions	-	-	-	-
Other	217,359	-	-	-
Total revenues	6,555,146	1,284,492	452,197	2
EXPENDITURES				
Current:				
General government	1,247,881	-	-	-
Public safety	4,333,644	-	-	-
Public works	675,748	-	-	6,000
Culture and recreation	299,979	-	-	-
Capital outlay	463,413	-	459,417	416,441
Debt service:				
Principal	-	895,346	-	-
Interest and other	-	536,710	-	-
Total expenditures	7,020,665	1,432,056	459,417	422,441
EXCESS OF REVENUES OVER EXPENDITURES	(465,519)	(147,564)	(7,220)	(422,439)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	367,218	3,720,000	-	-
Transfers in	953,377	76,001	7,220	-
Transfers out	(7,220)	-	-	-
Payment to bond escrow agent	-	(3,646,951)	-	-
Total other financing sources and (uses)	1,313,375	149,050	7,220	-
NET CHANGE IN FUND BALANCES	847,856	1,486	-	(422,439)
FUND BALANCES, BEGINNING	1,732,441	10,375	-	-
PRIOR PERIOD ADJUSTMENT	-	-	-	(371,457)
FUND BALANCES, ENDING	$ 2,580,297	$ 11,861	$ -	$(793,896)

The notes to the financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
$ -	$ 4,532,046
-	1,253,391
-	545,140
314,536	727,163
1,217	232,660
-	237,104
1,767	787,432
-	73,840
764	3,986
1,527	1,527
89,293	306,652
409,104	8,700,941
-	1,247,881
13,183	4,346,827
-	681,748
1,432	301,411
-	1,339,271
-	895,346
-	536,710
14,615	9,349,194
394,489	(648,253)
-	4,087,218
-	1,036,598
(76,001)	(83,221)
-	(3,646,951)
(76,001)	1,393,644
318,488	745,391
378,742	2,121,558
-	(371,457)
$ 697,230	$ 2,495,492

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CITY OF KENNEDALE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

Net change in fund balance - total governmental funds	745,391
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay in the current period exceeded depreciation expense.	1,820,115
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of these differences are as follows:	
Property taxes	(10,281)
Ambulance fees	(15,425)
Court fines	60,414
Governmental funds report all payments to pension benefits as expenditures. However, in the government-wide statement of activities the pension expense is actuarially determined. This amount is the change in the following items:	
Net pension liability	(549,296)
Deferred outflow related to pensions	571,425
Deferred inflow related to pensions	(78,504)
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. This amount reflects the change in the accrued liability for compensated absences.	
Compensated absences	(62,997)
Accrued interest	4,606
Amortization of premium on bond issuance	10,429
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while repayment of the principal 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, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Payments on bonds	852,900
Payments on capital leases	42,446
Issuance of capital lease	(367,218)
Issuance of bonds	(3,720,000)
Payment to escrow agent	3,646,951
Change in net position of governmental activities	$ 2,950,956

The notes to the financial statements are an integral part of this statement.

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CITY OF KENNEDALE, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2016

	Business-type Activities- Enterprise Fund Water and Wastewater
ASSETS	
Current assets:	
Cash and investments	$ 407,830
Accounts receivable - net of allowances for uncollectibles	651,416
Advance to other funds	320,601
Inventories	157,381
Total current assets	1,537,228
Noncurrent assets:	
Capital assets:	
Land	409,801
Buildings and improvements	5,386,339
Equipment	1,018,752
Water and wastewater distribution	17,998,277
Construction in progress	810,179
Less: accumulated depreciation	(8,394,911)
Total noncurrent assets	17,228,437
Total assets	18,765,665
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	145,110
Total deferred outflows of resources	145,110
LIABILITIES	
Current liabilities:	
Accounts payable	316,915
Accrued liabilities	15,700
Accrued interest	60,333
Customer deposits	257,745
Compensated absences	10,318
Capital leases payable	96,997
Bonds payable	252,838
Total current liabilities	1,010,846
Long-term liabilities:	
Compensated absences	41,271
Net pension liability	303,735
Capital leases payable	1,348,851
Bonds payable	2,475,575
Total long-term liabilities	4,169,432
Total liabilities	5,180,278
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	21,263
Total deferred inflows of resources	21,263
NET POSITION	
Net investment in capital assets	13,054,176
Unrestricted	655,058
Total net position	$ 13,709,234

The notes to the financial statements are an integral part of this statement.

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CITY OF KENNEDALE, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities- Enterprise Fund Water and Wastewater
OPERATING REVENUES	
Water sales	$ 2,395,416
Wastewater charges	1,682,721
Tap and collection fees	370,702
Other service charges	309,113
Miscellaneous income	24,103
Total operating revenues	4,782,055
OPERATING EXPENSES	
Cost of sales and services	1,641,618
Administration	913,980
Depreciation	779,966
Total operating expenses	3,335,564
OPERATING INCOME	1,446,491
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	521
Interest and fiscal charges on debt	(170,942)
Total nonoperating revenues (expenses)	(170,421)
Income before capital contributions and transfers	1,276,070
Capital contributions	1,479,937
Transfers out	(953,377)
CHANGE IN NET POSITION	1,802,630
TOTAL NET POSITION, BEGINNING	11,202,291
PRIOR PERIOD ADJUSTMENT	704,313
TOTAL NET POSITION, ENDING	$ 13,709,234

The notes to the financial statements are an integral part of this statement.

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CITY OF KENNEDALE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities- Enterprise Fund Water and Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 4,702,486
Cash payments to employees for services	(668,112)
Cash payments to suppliers for goods and services	(1,981,700)
Cash provided by operating activities	2,052,674
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash paid to other funds	(320,601)
Transfers to other funds	(953,377)
Cash provided by for noncapital financing activities	(1,273,978)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal repayments on debt	(330,493)
Interest and other charges on debt	(174,980)
Acquisition and construction of capital assets	(206,198)
Cash used for capital and related financing activities	(711,671)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	521
Cash provided by investing activities	521
NET INCREASE IN CASH AND CASH EQUIVALENTS	67,546
CASH AND CASH EQUIVALENTS, BEGINNING	340,284
CASH AND CASH EQUIVALENTS, ENDING	$ 407,830
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 1,446,491
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	779,966
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(103,582)
Decrease (increase) in inventories	(67,788)
Decrease (increase) in deferred outflows related to pensions	(95,789)
Increase (decrease) in accounts payable	(64,807)
Increase (decrease) in accrued liabilities	(11,490)
Increase (decrease) in customer deposits	24,013
Increase (decrease) in compensated absences	7,725
Increase (decrease) in deferred inflows related to pensions	13,422
Increase (decrease) in net pension liability	124,513
Total adjustments	606,183
Net cash provided by operating activities	$ 2,052,674

The notes to the financial statements are an integral part of this statement.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Kennedale, Texas (the "City") was incorporated in 1947. The City operates as a home-rule City under a council-manager form of government and provides the following services as authorized by its charter: police, fire, planning, zoning and code enforcement, public works, streets, parks and recreation, public library, ambulance, water and sewer utilities and general administrative services. Sanitation collection services are provided through a private contractor.

The 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:

A. Reporting Entity

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. KEDC is presented as a governmental fund type.

A separately issued 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 regards to administration, management, and operation of the TIRZ. The TIRZ is reported as a governmental fund and separate financial reports are available from the City's finance department.

B. Government-wide and Fund 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 interfund 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.*

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.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Debt Service Fund*** is used to account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The ***Capital Bond Fund*** is a capital projects fund. It is used to account for the acquisition and construction of various capital improvements and is funded by general obligation bonds.

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 reports the following major proprietary fund:

The ***Water and Wastewater Fund*** accounts for the activities necessary for the provision of water and wastewater services.

As a general rule, the effect of interfund 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 *nonoperating* 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 nonoperating revenue and expenses.

D. Assets, Deferred Outflows and Inflows of Resources, Liabilities and Net Position/Fund Balance

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 for the City are reported at fair value, except for the position in investment pools. The City's investment in pools are 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

For purpose of presenting the proprietary fund cash flow statement, cash and cash equivalents includes 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 interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund 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 activities are reported 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 revenue.

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, 2016, the City had a tax rate of $0.7675 per $100 of which $0.575204 was allocated for general government and $0.192296 was allocated for payment of principal and interest on general long-term debt.

Inventories and Prepaid Items

All inventories are valued using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Certain proceeds of the Enterprise Fund bonds and certain resources set aside for their repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

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

Compensated Absences

Vacation is earned in varying amounts up to a maximum of 160 hours per year for 40-hour week personnel with 6 or more years of service. Vacation leave does not accumulate from one year to the next for amounts over 160 hours.

40-hour per week personnel accrues one-half working day (4 hours) of sick leave for each full month of employment in the calendar year. Upon separation from employment, a permanent employee who has completed six months of employment is entitled to be paid the amount of salary for the employee's accumulated sick leave but not to exceed 60 hours for 40-hour per week employees.

All unused vested vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the period of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

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

Net Position

Net Position represents the difference between assets, deferred inflows/outflows of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. 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.

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. Nonspendable 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 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.

Deferred Outflows/Inflows of Resources

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

- Deferred losses on bond 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 amortized over the shorter of the life of the refunded or refunding debt.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

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

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category. The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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 and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Prior Period Adjustments

The City determined that capital assets were understated by $265,070 and $332,940 in the business-type activities and governmental activities, respectively. Additionally, governmental activities court revenue was understated in the amount of $170,985, and inventory was understated by $67,786 in the business-type activities in a previous period. Advance to and from were understated by $371,457, in the Water and Sewer Fund (business-type activities) and TIRZ #1 New Hope Fund (governmental activities), respectively. As a result beginning net position and fund balance were restated as appropriate.

The net position of Kennedale Economic Development Corporation was restated at the beginning of the year to reflect the disposal of land in a prior period.

Deficit Fund Balance

At year-end the TIRZ #1 New Hope Fund had a deficit fund balance of $793,896. It is anticipated that this deficit fund balance will be funded with incremental property tax revenue within the TIRZ area in subsequent years.

2. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

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 Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

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

a. ***Custodial Credit Risk:*** Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2016, 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.

b. ***Credit Risk:*** It is the City's policy to limit investments to investment types with an investment quality rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The City's investments were rated AAAm by Standard and Poor's Investors Services.

c. ***Interest Rate Risk:*** In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 90 days or less, dependent on market conditions.

d. ***Concentration of Credit Risk:*** The government's investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

At September 30, 2016, the primary government's investments consisted of:

	Carrying Value
TexStar	$ 328,032
Texas Term	31,494
TexPool	577,893
	$ 937,419

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 and consist of TexPool with a carrying value of $205,067.

The City utilizes the following local government investment pools for its short-term liquidity investments needs: Texas Short-term Asset Reserve Program (TexStar), Texas Local Government Investment Pool (TexPool) and Texas Term.

The City invests in The Texas Local Government Investment Pool (TexPool). The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAm by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the Office of the Comptroller of Public Accounts for review. The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an Advisory Board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

The City also invests in Texas Short-term Asset Reserve Program (TexSTAR). TexSTAR is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and authorize eligible governmental entities to invest their public funds and funds under their control through the investment pools. TexSTAR is currently rated AAAm by Standard & Poor's. JP Morgan Fleming Asset Management, Inc. and First Southwest Asset Management, Inc. serve as co-administrators under an agreement with the TexStar board of directors to provide investment and participant services for this pool. JP Morgan Chase Bank or its subsidiary, JP Morgan Investor Services Co. provides the custodial, transfer agency, fund accounting, and depository services for this pool.

The City also invests in TexasTERM. TexasTERM is a local government investment portfolio established to allow counties, municipalities, school districts, municipal authorities and other governmental entities in Texas to pool their funds for investment under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, the PTIA and other cooperative statutes and under the statutes governing investment of funds by those local governments. TexasTERM is rated AAAm by Standard and Poor's. The Texas Term program has an Advisory Board made up of representatives of several participating local governments. PFM Asset Management, LLC provides administrative and investment services to the Advisory Board. U. S. Bank provides the custodial, transfer agency, fund accounting, and depository services for this pool.

Receivables

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

	General	Debt Service	Capital Bond	Water and Wastewater	Nonmajor Governmental	Total
Receivables:						
Taxes	$ 407,400	$ 47,581	$ -	$ -	$ -	$ 454,981
Accounts	78,568	-	-	767,983	7,440	853,991
Intergovernmental	-	-	596,692	-	-	596,692
Court fines	1,574,803	-	-	-	-	1,574,803
Ambulance	2,433,600	-	-	-	-	2,433,600
Gross receivables	4,494,371	47,581	596,692	767,983	7,440	5,914,067
Less: allowance for uncollectibles	(3,825,427)	(31,174)	-	(116,567)	-	(3,973,168)
Net total receivables	$ 668,944	$ 16,407	$ 596,692	$ 651,416	$ 7,440	$ 1,940,899

Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases/ Adjustment	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	$ 3,963,754	$ -	$ -	3,963,754
Construction work in progress	795,736	701,792	(50,856)	1,548,384
Total capital assets not being depreciated	4,759,490	701,792	(50,856)	5,512,138
Capital assets, being depreciated:				
Buildings	4,994,902	-	-	4,994,902
Machinery and equipment	3,125,866	84,230	189,224	3,020,872
Infrastructure	35,465,422	2,298,799	(334,532)	38,098,753
Total capital assets being depreciated	43,586,190	2,383,029	(145,308)	46,114,527
Less accumulated depreciation:				
Buildings	2,301,635	166,172	-	2,467,807
Machinery and equipment	2,434,658	232,853	183,611	2,483,900
Infrastructure	10,424,372	865,681	(46,835)	11,336,888
Total accumulated depreciation	15,160,665	1,264,706	136,776	16,288,595
Total capital assets, being depreciated, net	28,425,525	1,118,323	(282,084)	29,825,932
Governmental activities capital assets, net	$ 33,185,015	$ 1,820,115	$(332,940)	$ 35,338,070

	Beginning Balance	Increases	Decreases/ Adjustment	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 409,801	$ -	$ -	$ 409,801
Construction work in progress	736,604	94,162	20,587	810,179
Total capital assets not being depreciated	1,146,405	94,162	20,587	1,219,980
Capital assets, being depreciated:				
Buildings	5,253,412	132,927	-	5,386,339
Machinery and equipment	958,437	54,806	(5,509)	1,018,752
Improvements other than buildings	15,844,746	1,847,728	(305,803)	17,998,277
Total capital assets being depreciated	22,056,595	2,035,461	(311,312)	24,403,368
Less accumulated depreciation:				
Buildings	2,298,739	112,938	-	2,411,677
Machinery and equipment	733,553	78,502	(10,819)	822,874
Improvements other than buildings	4,552,753	588,526	(19,081)	5,160,360
Total accumulated depreciation	7,585,045	779,966	(29,900)	8,394,911
Total capital assets, being depreciated, ne	14,471,550	1,255,495	(281,412)	16,008,457
Business-type activities capital assets, ne	$ 15,617,955	$ 1,349,657	$(260,825)	$ 17,228,437

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 68,974
Public safety	229,239
Public works	902,027
Culture and recreation	64,466
Total depreciation expense - governmental activities	$ 1,264,706
Business-type activities:	
Water and wastewater	$ 779,966
Total depreciation expense - business-type activities	$ 779,966

Discretely presented component units

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,457,391	$ 93,716	$ 465,960	$ 1,085,147
Totals, capital assets, not being depreciated	1,457,391	93,716	465,960	1,085,147
Capital assets, being depreciated:				
Buildings	4,680,139	38,230	-	4,718,369
Improvements	1,017,693	25,028	-	1,042,721
Infrastructure	184,679	-	-	184,679
Totals, capital assets being depreciated	5,882,511	63,258	-	5,945,769
Less accumulated depreciation for:				
Buildings	936,936	235,918	-	1,172,854
Improvements	227,800	50,885	-	278,685
Infrastructure	3,694	4,194	-	7,888
Total accumulated depreciation	1,168,430	290,997	-	1,459,427
Total capital assets, being depreciated, net	4,714,081	(227,739)	-	4,486,342
Capital assets, net	$ 6,171,472	$(134,023)	$ 465,960	$ 5,571,489

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2016 is as follows:

Due to and from:

Receivable Fund	Payable Fund	Amount
General	Capital Bond	$ 596,692
Total		$ 596,692

This balance resulted from the General Fund temporarily loaning cash to the Capital Bond Fund for expenditures that will be reimbursed by a granting agency.

Advances to and from:

Advance From	Advance To	Amount
General	TIRZ #1 New Hope	$ 176,235
Nonmajor governmental	TIRZ #1 New Hope	297,060
Water and Wastewater	TIRZ #1 New Hope	320,601
Total		$ 793,896

These balances resulted from the General Fund, Roadway Impact Fee Fund and Water and Sewer Fund loaning cash to the TIRZ #1 New Hope Fund for capital projects that will be repaid with incremental property tax collections within the TIRZ area.

Interfund activity for the year ended September 30, 2016 is as follows:

Transfers In	Transfers Out	
General Fund	Water and Wastewater	$ 953,377
Capital Bond Fund	General Fund	7,220
Debt Service Fund	Nonmajor governmental	76,001
Total		$ 1,036,598

The transfers between the General Fund and Water and Wastewater Funds were for an administrative charge in the amount of $449,793 and a payment in lieu of tax for the use of right of way in the amount of $494,772. These transfers were in accordance with budgetary authorizations.

Capital Leases

The City has acquired certain capital assets for governmental and business-type activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities	Total
Assets:			
Buildings and Improvements	$ 221,887	$ -	$ 221,887
Infrastructure	-	1,650,000	1,650,000
Less: Accumulated depreciation	(77,660)	(330,000)	(407,660)
Total	$ 144,227	$ 1,320,000	$ 1,464,227

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016, were as follows:

Year Ending September 30,	Governmental Activities	Business-Type Activities
2017	$ 118,687	$ 152,813
2018	118,687	152,813
2019	118,687	152,813
2020	98,273	152,813
2021	-	152,813
2022-2026	-	764,063
2027-2031	-	305,625
Total minimum lease payments	454,334	1,833,753
Less: amount representing interest	29,861	387,905
Present value of minimum lease payments	$ 424,473	$ 1,445,848

Long-term Debt

General Obligation Bonds

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. These bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenue. The original amount of general obligation bonds and certificates of obligation issued in prior years was $20,550,000.

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:

Purpose	Interest Rates	Amount
Governmental activities	3.65 - 4.65	$ 5,815,000
Governmental activities - refunding	3.97	1,361,587
Governmental activities - refunding	1.79	3,720,000
Business-type activities	4.10	1,885,000
Business-type activities - refunding	3.97	843,413
		$ 13,625,000

Advance Refunding

The City issued $3,720,000 in general obligation refunding bonds with an interest rate of 1.79%. These bonds refunded the Certificates of Obligation, Series 2005, and a portion of Certificates of Obligation, Series 2008, which had interest rates ranging from 3.9% to 4.65%. The net proceeds of $3,646,951 were deposited in an irrevocable trust with an escrow agent to provide funds in the future debt service payments on the refunded bonds. As a result, the liability for the refunded principle portion of the Certificates of Obligation, Series 2005, and Certificates of Obligation, Series 2008, have been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by $136,567. This amount is deferred and amortized over the remaining life of the refunding debt. The City advance refunded the Certificates of Obligation, Series 2005, and Certificates of Obligation, Series 2008, to reduce its total debt service payments over 13 years by $405,809 and a present value gain of $363,438.

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

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2017	$ 967,163	$ 318,234	$ 252,838	$ 105,659
2018	993,337	453,209	261,662	95,261
2019	917,600	409,887	272,400	84,468
2020	948,775	245,715	281,225	73,280
2021	963,037	216,521	296,962	61,594
2022-2026	4,091,675	659,888	1,153,326	154,547
2027-2031	2,015,000	166,895	210,000	4,305
Total	$ 10,896,587	$ 2,470,349	$ 2,728,413	$ 579,114

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.

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government activities					
General obligation bonds	$ 1,534,487	$ 3,720,000	$ 172,900	$ 5,081,587	$ 277,163
Certificates of obligation	9,970,000	-	4,155,000	5,815,000	690,000
Premium on bonds	151,069	-	45,813	105,256	-
Capital leases	99,701	367,218	42,446	424,473	111,053
Compensated absences	394,439	62,997	-	457,436	91,487
Net pension liability	1,525,477	1,002,721	453,425	2,074,773	-
Governmental activity Long-term liabilities	$ 13,675,173	$ 5,152,936	$ 4,869,584	$ 13,958,525	$ 1,169,703

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
General obligation bonds	$ 950,512	$ -	$ 107,099	$ 843,413	$ 112,838
Certificates of obligation	2,015,000	-	130,000	1,885,000	140,000
Capital leases	1,539,242	-	93,394	1,445,848	96,997
Compensated absences	43,864	7,725	-	51,589	10,318
Net pension liability	179,222	190,892	66,379	303,735	-
Business-type activity Long-term liabilities	$ 4,727,840	$ 198,617	$ 396,872	$ 4,529,585	$ 360,153

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

Discretely Presented Long-Term Debt

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 895,000	$ -	$ 50,000	$ 845,000	$ 55,000
Texas leverage fund loan	503,589	-	38,709	464,880	39,200
Long-term liabilities	$ 1,398,589	$ -	$ 88,709	$ 1,309,880	$ 94,200

Other Information

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, 2016, the City paid premiums to TML for provisions of various liability, property and casualty insurance. The City has various deductible amounts ranging from $500 to $5,000 on various policies. At year-end, the City did not have any significant claims.

The City also provides workers' compensation insurance on its employees through TML. Workers' compensation is subject to change when audited by TML. At year-end, September 30, 2016, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

Contingent Liabilities

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

The City is periodically the defendant in lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and, accordingly, no provision for losses has been recorded.

Defined Benefit Pension Policies

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.org*.

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

Benefits Provided

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

Beginning in 2006, the City granted an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2006, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating
Annuity increase to retirees	70% of CPI Repeating

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	94
Active employees	67
	192

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.44% and 14.22% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were $555,231, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 target allocation and best estimates of arithmetic real rates return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

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 and employer contributions will be made at the rates specified in statue. 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 period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (a) - (b)
Balance at 12/31/2014	$ 12,199,345	$ 10,494,646	$ 1,704,699
Changes for the year:			
Service cost	648,581	-	648,581
Interest	865,430	-	865,430
Difference between expected and actual experience	(168,052)	-	(168,052)
Changes of assumptions	113,774	-	113,774
Contributions - employer	-	525,561	(525,561)
Contributions - employee	-	254,774	(254,774)
Net investment income	-	15,487	(15,487)
Benefit payments, including refunds of employee contributions	(320,705)	(320,705)	-
Administrative expense	-	(9,432)	9,432
Other changes	-	(466)	466
Net changes	1,139,028	465,219	673,809
Balance at 12/31/2015	$ 13,338,373	$ 10,959,865	$ 2,378,508

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%) of 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 4,842,773	$ 2,378,508	$ 443,413

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at *www.tmrs.org.*

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

For the year ended September 30, 2016, the City recognized pension expense of $659,510. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 166,510
Changes in actuarial assumptions	80,986	-
Difference between projected and actual investment earnings	648,839	-
Contributions subsequent to the measurement date	406,511	-
Total	$ 1,136,336	$ 166,510

$406,511 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ending September 30,	
2017	$ 124,999
2018	133,503
2019	160,985
2020	143,828

Other Postemployment Benefits

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) 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.

Contributions

The City's contributions to the TMRS SDBF for the years ended 2016, 2015 and 2014 were $6,292, $5,524 and $4,659, respectively, which equaled the required contributions each year.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF KENNEDALE, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Property	$ 3,518,035	$ 3,405,000	$ 3,399,662	$(5,338)
Sales	1,184,430	1,204,700	1,253,391	48,691
Franchise fees	507,000	524,000	545,140	21,140
Licenses and permits	217,540	394,747	412,627	17,880
Fines and forfeitures	179,764	217,647	231,443	13,796
Public safety fees	236,092	227,224	237,104	9,880
Intergovernmental	196,196	185,090	181,549	(3,541)
Charges for service	74,702	74,702	73,840	(862)
Investment earnings	315	2,095	3,031	936
Other	214,500	217,218	217,359	141
Total revenues	6,328,574	6,452,423	6,555,146	102,723
EXPENDITURES				
Current:				
General government	1,268,615	1,278,421	1,247,881	30,540
Public safety	4,600,064	4,531,416	4,333,644	197,772
Public works	665,838	718,384	675,748	42,636
Culture and recreation	293,157	308,201	299,979	8,222
Capital outlay	591,080	668,675	463,413	205,262
Total expenditures	7,418,754	7,505,097	7,020,665	484,432
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,090,180)	(1,052,674)	(465,519)	587,155
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	-	367,218	367,218
Transfers in	924,309	885,886	953,377	67,491
Transfers out	-	(67,163)	(7,220)	59,943
Total other financing sources (uses)	924,309	818,723	1,313,375	494,652
NET CHANGE IN FUND BALANCE	(165,871)	(233,951)	847,856	1,081,807
FUND BALANCE, BEGINNING	1,732,441	1,732,441	1,732,441	-
FUND BALANCE, ENDING	$ 1,566,570	$ 1,498,490	$ 2,580,297	$ 1,081,807

CITY OF KENNEDALE, TEXAS

NOTES TO BUDGETARY SCHEDULE
SEPTEMBER 30, 2016

BUDGETARY INFORMATION - The City follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules:

1. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.

3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.

4. The City Manager has the authority to transfer appropriation balances from one expenditure account to another such as from salaries to maintenance within a single fund as well as transfer appropriations between departments. The City Council, however, must approve any transfer of unencumbered appropriation balances or portions thereof from one fund to another as well as any increases in fund appropriations. At the end of the fiscal year, all appropriations lapse.

5. Annual budgets are only adopted for the General and Debt Service Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

6. The budgetary data presented has been amended from the original budget by the City Council. All significant supplemental appropriations were offset either by increased revenue or decreased expenditures in other accounts. Expenditures did not exceed appropriations in the General Fund or the Debt Service Fund.

CITY OF KENNEDALE, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Plan Year	2014	2015
A. Total pension liability		
Service Cost	$ 589,507	$ 648,581
Interest (on the Total Pension Liability)	794,485	865,430
Difference between expected and actual experience	(102,280)	(168,052)
Changes of assumptions	-	113,774
Benefit payments, including refunds of employee contributions	(274,797)	(320,705)
Net change in total pension liability	1,006,915	1,139,028
Total pension liability - beginning	11,192,430	12,199,345
Total pension liability - ending (a)	12,199,345	13,338,373
B. Plan fiduciary net position		
Contributions - employer	397,779	525,561
Contributions - employee	239,832	254,774
Net investment income	548,705	15,487
Benefit payments, including refunds of employee contributions	(274,797)	(320,705)
Administrative expenses	(5,727)	(9,432)
Other	(471)	(466)
Net change in plan fiduciary net position	905,321	465,219
Plan fiduciary net position - beginning	9,589,325	10,494,646
Plan fiduciary net position - ending (b)	10,494,646	10,959,865
C. Net pension liability - ending (a) - (b)	$ 1,704,699	$ 2,378,508
D. Plan fiduciary net position as a percentage of total pension liability	86.03%	82.17%
E. Covered employee payroll	$ 3,426,174	$ 3,639,622
F. Net position liability as a percentage of covered employee payroll	49.76%	65.35%

Note: 10 years of information is required to be provided in this schedule, but information prior to 2014 is not available.

CITY OF KENNEDALE, TEXAS

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Fiscal Year	2014	2015	2016
Actuarial determined contribution	$ 391,136	$ 483,133	$ 555,231
Contributions in relation to the actuarially determined contribution	391,136	483,133	555,231
Contribution deficiency (excess)	-	-	-
Covered employee payroll	3,396,046	3,575,054	3,932,717
Contributions as a percentage of covered employee payroll	11.52%	13.51%	14.12%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

Other Information There were no benefit changes during the year.

Note: 10 years of information is required to be provided in this schedule, but information prior to 2014 is not available.

COMBINING FUND
STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenue that is legally restricted to expenditures for particular purposes.

> ***Police Seizure*** – to account for the receipt and expenditures of revenues derived from crime seizures that are for police purposes.
>
> ***LEOSE*** – to account for grant revenue that is legally restricted to expenditures for LEOSE program.

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

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	Special Revenue Funds	
	Police Seizure	LEOSE
ASSETS		
Cash and investments	$ 2,036	$ -
Receivables (net of allowance for uncollectibles):		
Other	-	-
Advance to other funds	-	-
Total assets	2,036	-
LIABILITIES		
Accounts payable	2,036	-
Total liabilities	2,036	-
FUND BALANCES		
Nonspendable - advance	-	-
Restricted for capital projects	-	-
Total fund balances	-	-
Total liabilities and fund balances	$ 2,036	$ -

Capital Projects Funds				
Park Dedication	Capital Projects	Roadway Impact Fee	Library Building	Total Nonmajor Governmental Funds
$ 195,280	$ 30,818	$ 154,995	$ 11,658	$ 394,787
-	7,440	-	-	7,440
-	-	297,060	-	297,060
195,280	38,258	452,055	11,658	699,287
-	-	-	21	2,057
-	-	-	21	2,057
-	-	297,060	-	297,060
195,280	38,258	154,995	11,637	400,170
195,280	38,258	452,055	11,637	697,230
$ 195,280	$ 38,258	$ 452,055	$ 11,658	$ 699,287

CITY OF KENNEDALE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds	
	Police Seizure	LEOSE
REVENUES		
Intergovernmental	$ -	$ 1,767
Fines and forfeitures	-	-
Licenses and permits	-	-
Investment earnings	8	-
Contributions	-	-
Other	6,122	-
Total revenues	6,130	1,767
EXPENDITURES		
Current:		
Public safety	11,416	1,767
Public works	-	-
Culture recreation	-	-
Capital outlay	-	-
Total expenditures	11,416	1,767
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,286)	-
OTHER FINANCING SOURCES(USES)		
Transfers out	-	-
Total other financing sources(uses)	-	-
NET CHANGE IN FUND BALANCES	(5,286)	-
FUND BALANCES, BEGINNING	5,286	-
FUND BALANCES, ENDING	$ -	$ -

Capital Projects Funds					
Park Dedication	Capital Projects	Roadway Impact Fee	Library Building	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ 1,767
-	-	-	1,217	1,217
163,600	-	150,936	-	314,536
218	86	436	16	764
-	-	-	1,527	1,527
339	82,832	-	-	89,293
164,157	82,918	151,372	2,760	409,104
-	-	-	-	13,183
-	-	-	-	-
162	-	-	1,270	1,432
-	-	-	-	-
162	-	-	1,270	14,615
163,995	82,918	151,372	1,490	394,489
-	(76,001)	-	-	(76,001)
-	(76,001)	-	-	(76,001)
163,995	6,917	151,372	1,490	318,488
31,285	31,341	300,683	10,147	378,742
$ 195,280	$ 38,258	$ 452,055	$ 11,637	$ 697,230

CITY OF KENNEDALE, TEXAS

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes - property	$ 1,173,568	$ 1,209,636	$ 1,132,384	$(77,252)
Intergovernmental	153,519	153,519	151,919	(1,600)
Investment earnings	24	24	189	165
Total revenues	1,327,111	1,363,179	1,284,492	(78,687)
EXPENDITURES				
Debt service:				
Principal	895,324	895,324	895,346	(22)
Interest and fiscal charges	468,543	468,543	536,710	(68,167)
Total debt service	1,363,867	1,363,867	1,432,056	(68,189)
Total expenditures	1,363,867	1,363,867	1,432,056	(68,189)
EXCESS OF REVENUES OVER EXPENDITURES	(36,756)	(688)	(147,564)	(146,876)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	-	3,720,000	3,720,000
Transfers in	76,001	70,732	76,001	5,269
Payment to bond escrow agent	-	-	(3,646,951)	(3,646,951)
Total other financing sources (uses)	76,001	70,732	149,050	78,318
NET CHANGE IN FUND BALANCE	39,245	70,044	1,486	(68,558)
FUND BALANCE, BEGINNING	10,375	10,375	10,375	-
FUND BALANCE, ENDING	$ 49,620	$ 80,419	$ 11,861	$(68,558)

STATISTICAL SECTION

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CITY OF KENNEDALE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016
STATISTICAL SECTION INDEX
(Unaudited)

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

Contents	Tables
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1 – 4
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	5 – 8
Debt Capacity 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.	9 – 13
Economic and Demographic Indicators These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	14 – 15
Operating Information 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.	16 – 18

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF KENNEDALE, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities:				
Net investment in capital assets	$ 12,344,055	$ 12,612,099	$ 12,781,452	$ 11,814,703
Restricted	78,464	48,766	12,623	38,754
Unrestricted	3,921,649	3,766,881	3,842,214	4,168,387
Total governmental activities net position	$ 16,344,168	$ 16,427,746	$ 16,636,289	$ 16,021,844
Business-type activities:				
Net investment in capital assets	$ 6,903,231	$ 7,664,665	$ 8,245,479	$ 9,643,354
Restricted	924,985	-	-	-
Unrestricted	3,563,454	3,885,235	3,396,673	1,858,510
Total business-type activities net position	$ 11,391,670	$ 11,549,900	$ 11,642,152	$ 11,501,864
Primary government:				
Net investment in capital assets	$ 19,247,286	$ 20,276,764	$ 21,026,931	$ 21,458,057
Restricted	1,003,449	48,766	12,623	38,754
Unrestricted	7,485,103	7,652,116	7,238,887	6,026,897
Total primary government net position	$ 27,735,838	$ 27,977,646	$ 28,278,441	$ 27,523,708

TABLE 1

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 16,014,362	$ 20,730,909	$ 21,100,450	$ 20,904,287	$ 21,429,758	$ 24,048,321
1,936,156	288,215	227,181	380,622	409,454	400,170
1,023,286	782,589	615,406	933,606	215,475	689,620
$ 18,973,804	$ 21,801,713	$ 21,943,037	$ 22,218,515	$ 22,054,687	$ 25,138,111
$ 10,134,416	$ 10,304,477	$ 10,217,885	$ 10,443,338	$ 11,184,859	$ 13,054,176
-	-	-	-	-	-
1,668,685	1,524,225	1,348,391	1,450,811	17,432	655,058
$ 11,803,101	$ 11,828,702	$ 11,566,276	$ 11,894,149	$ 11,202,291	$ 13,709,234
$ 26,148,778	$ 31,035,386	$ 31,318,335	$ 31,347,625	$ 32,614,617	$ 37,102,497
1,936,156	288,215	227,181	380,622	409,454	400,170
2,691,971	2,306,814	1,963,797	2,384,417	232,907	1,344,678
$ 30,776,905	$ 33,630,415	$ 33,509,313	$ 34,112,664	$ 33,256,978	$ 38,847,345

CITY OF KENNEDALE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2007	2008	2009	2010
EXPENSES				
Governmental activities:				
General government	$ 1,051,485	$ 1,614,745	$ 1,281,430	$ 1,687,785
Public Safety	3,895,186	3,843,086	3,915,078	4,135,114
Public works	1,227,223	1,162,378	1,279,797	956,657
Culture and recreation	251,217	273,145	324,858	346,896
Economic development	-	-	-	2,006,635
Interest on long-term debt	184,457	297,360	438,799	490,601
Total governmental activities expenses	6,609,568	7,190,714	7,239,962	9,623,688
Business-type activities:				
Water and wastewater	2,377,911	2,542,766	2,722,295	3,002,002
Total business-type activities expenses	2,377,911	2,542,766	2,722,295	3,002,002
Total primary government program expenses	$ 8,987,479	$ 9,733,480	$ 9,962,257	$ 12,625,690
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	$ 489,421	$ 578,314	$ 476,934	$ 487,416
Public safety	648,597	607,201	485,605	435,195
Public works	57,840	37,377	26,018	25,174
Culture and recreation	66,291	2,424	2,180	1,674
Operating grants and contributions	191,039	143,139	74,554	67,924
Capital grants and contributions	-	402,146	1,215	1,424,036
Total governmental activities program revenues	1,453,188	1,770,601	1,066,506	2,441,419
Business-type activities:				
Charges for services:				
Water/Wastewater	2,552,255	2,585,218	2,833,378	2,856,494
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	2,552,255	2,585,218	2,833,378	2,856,494
Total primary government program revenues	$ 4,005,443	$ 4,355,819	$ 3,899,884	$ 5,297,913
NET (EXPENSE) REVENUES				
Governmental activities	$(5,156,380)	$(5,420,113)	$(6,173,456)	$(7,182,269)
Business-type activities	174,344	42,452	111,083	(145,508)
Total primary government net expense	(4,982,036)	(5,377,661)	(6,062,373)	(7,327,777)

TABLE 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 1,346,455	$ 1,400,946	$ 1,338,046	$ 1,242,021	$ 1,348,921	$ 1,340,991
4,149,812	4,334,370	4,216,559	4,274,108	4,521,511	4,658,016
1,386,156	1,209,842	1,338,143	1,476,670	1,638,428	1,838,124
335,884	344,900	358,251	358,226	339,328	370,519
-	-	-	-	-	-
536,449	578,936	558,639	510,355	478,440	521,675
7,754,756	7,868,994	7,809,638	7,861,380	8,326,628	8,729,325
3,334,413	3,240,582	3,401,162	3,640,588	4,112,610	3,506,506
3,334,413	3,240,582	3,401,162	3,640,588	4,112,610	3,506,506
$ 11,089,169	$ 11,109,576	$ 11,210,800	$ 11,501,968	$ 12,439,238	$ 12,235,831
$ 514,732	$ 668,345	$ 554,664	$ 975,684	$ 720,308	$ 540,893
460,983	459,955	556,655	567,835	500,044	515,906
44,910	58,007	52,299	115,110	84,250	150,936
2,023	1,554	34,591	1,470	1,187	164,817
64,217	83,005	135,520	47,119	139,677	126,520
2,793,402	2,872,517	453,020	115,058	490,975	2,595,371
3,880,267	4,143,383	1,786,749	1,822,276	1,936,441	4,094,443
3,633,725	3,264,892	3,138,201	3,775,546	3,683,542	4,782,055
-	-	-	-	-	1,479,937
3,633,725	3,264,892	3,138,201	3,775,546	3,683,542	6,261,992
$ 7,513,992	$ 7,408,275	$ 4,924,950	$ 5,597,822	$ 5,619,983	$ 10,356,435
$(3,874,489)	$(3,725,611)	$(6,022,889)	$(6,039,104)	$(6,390,187)	$(4,634,882)
299,312	24,310	(262,961)	134,958	(429,068)	2,755,486
(3,575,177)	(3,701,301)	(6,285,850)	(5,904,146)	(6,819,255)	(1,879,396)

CITY OF KENNEDALE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2007	2008	2009	2010
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	2,891,614	3,194,210	3,555,215	3,945,627
Franchise	693,093	704,743	799,291	755,273
Sales	973,244	993,288	1,065,875	1,488,953
Investment earnings	242,876	190,424	86,660	14,263
Miscellaneous	193,773	401,026	815,390	363,708
Transfers	-	20,000	55,772	-
Total governmental activities	4,994,600	5,503,691	6,378,203	6,567,824
Business-type activities:				
Investment earnings	214,352	135,778	30,642	5,220
Miscellaneous	8,255	-	-	-
Transfers	-	(20,000)	(55,772)	-
Total business-type activities	222,607	115,778	(25,130)	5,220
Total primary government	5,217,207	5,619,469	6,353,073	6,573,044
CHANGE IN NET POSITION				
Governmental activities	(161,780)	83,578	204,747	(614,445)
Business-type activities	396,951	158,230	85,953	(140,288)
Total primary government	$ 235,171	$ 241,808	$ 290,700	$(754,733)

TABLE 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
3,811,589	4,010,855	3,951,116	4,143,977	4,274,752	4,521,765
808,918	856,096	817,733	871,351	910,886	545,140
1,222,642	1,298,044	1,008,875	1,093,946	1,491,342	1,253,391
6,401	2,885	724	389	887	3,986
976,899	385,640	426,068	509,287	690,772	308,179
-	-	-	-	49,178	953,377
6,826,449	6,553,520	6,204,516	6,618,950	7,417,817	7,585,838
1,925	1,291	535	218	281	521
-	-	-	-	-	-
-	-	-	-	(49,178)	(953,377)
1,925	1,291	535	218	(48,897)	(952,856)
6,828,374	6,554,811	6,205,051	6,619,168	7,368,920	6,632,982
2,951,960	2,827,909	181,627	579,846	1,027,630	2,950,956
301,237	25,601	(262,426)	135,176	(477,965)	1,802,630
$ 3,253,197	$ 2,853,510	$(80,799)	$ 715,022	$ 549,665	$ 4,753,586

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TABLE 3

CITY OF KENNEDALE, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	2,162,064	1,433,468	1,572,628	1,508,586	-	-	-	-	-	-
Nonspendable	-	-	-	-	31,348	5,751	46,486	40,633	15,786	240,850
Assignment	-	-	-	-	-	-	-	-	-	367,218
Unassigned	-	-	-	-	1,332,648	1,108,068	937,508	1,193,553	1,716,655	1,972,229
Total general fund	$ 2,162,064	$ 1,433,468	$ 1,572,628	$ 1,508,586	$ 1,363,996	$ 1,113,819	$ 983,994	$ 1,234,186	$ 1,732,441	$ 2,580,297
All other governmental funds										
Reserved	$ 78,464	$ 48,766	$ 12,623	$ 38,754	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	9,076	11,525	5,409	6,995	-	-	-	-	-	-
Capital projects funds	1,701,253	9,233,185	7,171,604	2,863,606	-	-	-	-	-	-
Nonspendable	-	-	-	-	800	800	-	-	-	-
Restricted for:										
Debt service funds	-	-	-	-	50,965	90,920	23,829	2,849	10,375	11,861
Public safety	-	-	-	-	10,948	10,056	3	10,164	5,286	-
Economic development	-	-	-	-	-	-	-	1,112	-	-
Capital projects funds	-	-	-	-	1,874,243	187,239	185,514	341,663	373,456	400,170
Total all other governmental funds	$ 1,788,793	$ 9,293,476	$ 7,189,636	$ 2,909,355	$ 1,936,956	$ 289,015	$ 209,346	$ 355,788	$ 389,117	$ 412,031

Source: The City implemented GASB Statement No. 54 in fiscal year 2011.

TABLE 4

CITY OF KENNEDALE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES										
Taxes	$ 4,501,130	$ 4,937,787	$ 5,559,101	$ 6,175,282	$ 5,862,988	$ 6,136,869	$ 5,799,322	$ 6,086,574	$ 6,696,668	$ 6,330,577
Licenses, fees and permits	533,138	328,638	183,454	191,016	209,047	311,921	261,451	477,447	346,011	727,163
Fines and penalties	409,850	348,630	276,347	234,065	259,073	246,438	298,964	274,413	228,482	232,660
Public safety fees	237,691	257,942	209,253	200,904	201,483	210,676	257,998	243,002	247,907	237,104
Charges for services	81,470	292,252	321,683	323,474	353,045	418,826	379,796	614,145	459,651	73,840
Intergovernmental	141,039	43,139	74,554	1,487,099	2,278,514	2,955,522	588,540	48,231	630,669	787,432
Investment earnings	242,876	190,424	86,660	14,263	6,401	2,885	724	389	887	3,986
Contributions	-	-	1,215	4,861	579,105	-	-	2,314	2,153	1,527
Other revenues	243,773	901,026	815,390	363,708	976,899	385,640	426,068	620,919	713,443	306,652
Total revenues	6,390,967	7,299,838	7,527,657	8,994,672	10,726,555	10,668,777	8,012,863	8,367,434	9,325,871	8,700,941
EXPENDITURES										
General government	1,030,068	1,594,288	1,347,642	1,777,568	1,263,666	1,276,738	1,238,641	1,126,632	1,228,989	1,247,881
Public Safety	3,822,372	3,878,725	3,899,043	3,952,316	3,992,135	4,149,870	3,964,561	4,052,316	4,247,507	4,346,827
Public works	793,397	685,053	874,612	613,759	974,083	840,656	684,840	1,051,794	850,933	681,748
Culture and recreation	186,708	204,956	227,835	241,508	260,193	257,103	270,204	272,102	272,964	301,411
Economic development	-	-	-	2,006,635	-	-	-	-	-	-
Capital outlay	717,577	623,084	2,311,107	5,958,166	7,527,192	4,826,076	664,329	100,478	896,467	1,339,271
Debt service										
Principal	171,139	450,944	453,480	488,495	660,969	751,913	806,600	841,178	844,371	895,346
Interest and fiscal charges	175,078	248,077	434,390	452,946	494,039	589,539	552,879	526,300	493,943	536,710
Bond issuance costs	-	156,195	-	87,409	114,480	-	-	-	-	-
Total expenditures	6,896,339	7,841,322	9,548,109	15,578,802	15,286,757	12,691,895	8,182,054	7,970,800	8,835,174	9,349,194

TABLE 4

CITY OF KENNEDALE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$(505,372)	$(541,484)	$(2,020,452)	$(6,584,130)	$(4,560,202)	$(2,023,118)	$(169,191)	$ 396,634	$ 490,697	$(648,253)
OTHER FINANCING SOURCES (USES)										
Debt issuance	2,995,388	7,235,000	-	2,000,000	3,260,000	-	-	-	-	-
Issuance of capital lease	-	-	-	154,388	119,597	125,000	-	-	-	4,087,218
Cost to issue debt	-	62,571	-	-	-	-	-	-	-	-
Premium on debt issuance	-	-	-	85,419	63,616	-	-	-	-	-
Refunding bonds/lease issued	89,877	-	-	-	-	-	-	-	-	(3,646,951)
Paymt to refinance lease	(2,710,000)	-	-	-	-	-	-	-	-	-
Transfers in	57,545	599,646	397,667	158,850	949,476	92,038	295,373	161,832	258,231	1,036,598
Transfers out	(57,545)	(579,646)	(341,895)	(158,850)	(949,476)	(92,038)	(295,373)	(161,832)	(209,053)	(83,221)
Total other financing sources (uses)	375,265	7,317,571	55,772	2,239,807	3,443,213	125,000	-	-	49,178	1,393,644
NET CHANGE IN FUND BALANCES	$(130,107)	$ 6,776,087	$(1,964,680)	$(4,344,323)	$(1,116,989)	$(1,898,118)	$(169,191)	$ 396,634	$ 539,875	$ 745,391
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	5.6%	12.1%	12.9%	10.1%	15.3%	17.7%	18.1%	18.3%	16.9%	22.9%

CITY OF KENNEDALE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2007	$ 270,260,979	$ 100,479,893	$ 63,873,173	$ 24,256,548	$ 410,357,497	$ 0.722500	$ 387,653,132
2008	312,684,160	134,767,896	63,410,764	67,863,127	442,999,693	0.722500	435,040,102
2009	350,723,577	149,299,553	63,260,388	65,266,179	498,017,339	0.722500	465,458,096
2010	393,021,180	155,428,659	73,950,746	80,779,880	541,620,705	0.722500	510,872,435
2011	381,137,736	151,493,926	52,806,301	63,490,789	521,947,174	0.722500	515,013,256
2012	367,644,619	130,187,379	54,138,047	63,654,327	488,315,718	0.722500	546,171,493
2013	363,808,684	121,802,411	60,407,246	70,604,766	475,413,575	0.722500	539,484,058
2014	369,809,150	122,562,814	62,617,391	74,529,874	480,459,481	0.747500	531,917,562
2015	418,964,219	135,862,868	43,604,299	69,044,161	529,387,225	0.747500	566,137,723
2016	423,074,019	133,607,106	42,937,171	50,198,154	549,420,142	0.767500	596,488,106

Source: Tarrant Appraisal District Totals Report (September).

CITY OF KENNEDALE, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

	City Direct Rates				Overlapping Rates			
Fiscal Year	City Rate	General Obligation Debt Service	Property Tax Relief	Total Direct Rate	Kennedale School District	Tarrant County	Tarrant County College District	Tarrant County Hospital District
2007	$ 0.628186	$ 0.094314	$ -	$ 0.722500	$ 1.720362	$ 0.271500	$ 0.139380	$ 0.235397
2008	0.572665	0.149835	-	0.722500	1.358610	0.266500	0.139380	0.230397
2009	0.569197	0.153303	-	0.722500	1.488610	0.264000	0.137960	0.227897
2010	0.572729	0.149771	-	0.722500	1.488610	0.264000	0.137670	0.227897
2011	0.571103	0.151397	-	0.722500	1.544821	0.264000	0.137640	0.227897
2012	0.516013	0.206487	-	0.722500	1.512068	0.264000	0.148970	0.227897
2013	0.549582	0.172918	-	0.722500	1.512068	0.264000	0.148970	0.227897
2014	0.560454	0.187046	-	0.747500	1.492068	0.264000	0.149500	0.227897
2015	0.551216	0.196284	-	0.747500	1.514717	0.264000	0.149500	0.227897
2016	0.575204	0.192296	-	0.767500	1.486724	0.264000	0.149500	0.227897

Source: Tarrant Appraisal District (2015 Tax Rates).

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

TABLE 7

CITY OF KENNEDALE, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2016 Taxable Assessed Value	2016 Percentage of Total City Taxable Assessed Value	2007 Taxable Assessed Value	2007 Percentage of Total City Taxable Assessed Value
Chesapeake Operating	$ 14,818,090	2.48%	$ -	- %
FWT Inc	8,861,070	1.49%	7,378,360	1.90%
Goss International Americas Inc	7,206,539	1.21%	8,367,605	2.16%
Hawk Steel Industrial Inc	8,432,908	1.41%	3,612,315	0.93%
Oncor Electric Delivery Co LLC	7,208,222	1.21%	-	- %
Trinidad Drilling LP	6,700,000	1.12%	-	- %
Kennedale Holdings LLC	6,449,856	1.08%	-	- %
Beacon E&P Company LLC	5,567,740	0.93%	-	- %
Harrison Jet Guns II LP	5,071,214	0.85%	4,917,202	1.27%
Tealcove Drive LLC	4,350,721	0.73%	-	- %
Southwestern Bell	-	- %	6,215,732	1.60%
TXU Electric	-	- %	6,552,465	1.69%
Redi Mix Inc.	-	- %	266,249	0.07%
Bloxom, DE Sr. Fnd Rp Hold LLC	-	- %	2,200,083	0.57%
Excel Polymers LLC	-	- %	6,944,726	1.79%
Rebar Services & Supply Co.	-	- %	3,034,961	0.78%
Total	$ 74,666,360	12.52%	$ 49,489,698	12.77%
Total City Taxable Assessed Value	$ 596,488,106		$ 387,653,132	

Source: Tarrant Appraisal District (October 1, 2015 Top Taxpayers & October 1, 2006 Top Taxpayers).

TABLE 8

CITY OF KENNEDALE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected With the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	2,825,644	2,748,063	97.25%	56,046	2,804,109	99%
2008	3,170,554	3,103,077	97.87%	67,450	3,170,527	100%
2009	3,645,994	3,362,931	92.24%	213,578	3,576,509	98%
2010	3,885,545	3,809,167	98.03%	78,849	3,888,016	100%
2011	3,749,561	3,695,515	98.56%	64,478	3,759,993	100%
2012	3,964,881	3,890,850	98.13%	52,738	3,943,588	99%
2013	3,937,340	3,880,817	98.56%	55,843	3,936,661	100%
2014	4,083,024	4,015,994	98.36%	20,978	4,036,972	99%
2015	4,231,865	4,174,320	98.64%	97,496	4,271,816	101%
2016	4,501,716	4,464,778	99.18%	26,688	4,491,467	100%

Source: Tarrant County Tax Office, Summary Part C (As Of September 30, 2016).

TABLE 9

CITY OF KENNEDALE, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	Governmental Activities			Business-Type Activities						
Fiscal Year	Revenue Bonds	Certificates of Obligation	Capital Leases	Term Loan	Certificates of Obligation	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita	Population
2007	$ 265,000	$ 3,485,388	$ 342,704	$ 354,855	$ 4,569,613	$ 177,613	$ 9,195,173	0.53%	$ 1,495	6,150
2008	225,000	10,341,888	276,534	242,849	4,398,113	139,533	15,623,916	0.31%	2,422	6,450
2009	185,000	9,982,213	226,461	125,247	4,217,788	107,087	14,843,795	0.33%	2,199	6,750
2010	140,000	11,576,363	323,204	-	4,028,638	73,068	16,141,272	0.30%	2,370	6,812
2011	95,000	14,396,250	249,888	-	3,828,750	37,399	18,607,287	0.26%	2,691	6,914
2012	50,000	13,930,405	298,290	-	3,621,950	-	17,900,645	0.27%	2,534	7,063
2013	-	13,240,601	221,065	-	3,411,325	1,721,658	18,594,649	0.26%	2,562	7,257
2014	-	12,469,623	140,436	-	3,191,875	1,629,163	17,431,097	0.28%	2,357	7,394
2015	-	11,655,557	99,701	-	2,965,512	1,539,241	16,260,011	0.30%	2,035	7,992
2016	-	11,001,843	424,473	-	2,728,413	1,445,849	15,600,577	0.31%	1,943	8,031

Source: Notes to the financial statements and Table 14.

Notes: The City issued $455,000 in certificates of obligation bonds in 1996 that was split between Governmental Activities 38% and Business Activities 62%.

The City issued over $5 million of new certificates of obligation bonds in 1998. And it was split between Governmental Activities 61.75% and Business Activities 38.25%. However, the first few years of the bond balance did not require any principal payments. The first principal payment due 2002.

The City issued $790,000 in new certificates of obligation bonds in 2005. The first principal payment due 2008.

The Water/Sewer Fund borrowed $857,189 from the Texas Department of Transportation in State Infrastructure Bank Loan for improvements of Bus. 287 Hwy.

The City entered into a capital lease for $339,000 for equipment - split between Governmental Activities 67.65% and Business Activities 32.35%.
The City also has capital lease on Fire Truck that was issued in 2003 for $380,543 - 10 year amortization.

The City issued $2,735,000 in new certificates of obligation bonds in 2007. First principal payment due 2008.

The City issued $4,500,000 in new certificates of obligation bonds in 2008. First principal payment due 2009.

The City issued $2,000,000 in new certificates of obligation bonds in 2010. First principal payment due 2011.

The City issued $3,260,000 in new certificates of obligation bonds in 2011. First principal payment due 2012.

The City entered into a capital lease for $125,000 for police radios in 2012. First principal payment due 2013.

The City entered into a capital lease for $1,539,536 for Global Water Automatic Meter Reader (AMR) equipment in 2012. First principal payment due 2013.

The City amended its 2012 capital lease by adding an additional $182,122 for Global AMR equipment in 2013. Updated total $1,721,658. First principal payment due 2013.

The City entered into a capital lease for $367,218.45 for vehicles and equipment in 2016. First principal payment due 2017.

The City issued $3,720,000 in general obligation refunding bonds in 2016. First principal payment due 2017.

TABLE 10

CITY OF KENNEDALE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Revenue Bonds	Total		
2007	$ 3,485,388	$ 265,000	3,750,388	0.91%	$ 609.8
2008	10,341,888	225,000	10,566,888	2.39%	1,638.3
2009	9,982,213	185,000	10,167,213	2.04%	1,506.3
2010	11,576,363	140,000	11,716,363	2.16%	1,732.4
2011	14,396,250	95,000	14,491,250	2.78%	2,142.7
2012	13,930,405	50,000	13,980,405	2.86%	1,979.4
2013	13,240,601	-	13,240,601	2.79%	1,818.8
2014	12,469,623	-	12,469,623	2.60%	1,682.7
2015	11,655,557	-	11,655,557	2.20%	1,454.9
2015	11,001,843	-	11,001,843	2.00%	1,366.5

Source: Table 5, 9 and 14.

CITY OF KENNEDALE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER, 2016

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Direct Debt (Table 9)			
City of Kennedale, Texas	$ 13,625,000	100.000%	$ 13,625,000
Subtotal, Direct Debt	$ 13,625,000		
Overlapping Debt			
Arlington ISD	$ 813,958,853	0.040%	325,584
Fort Worth ISD	922,890,000	0.110%	1,015,179
Kennedale ISD	38,533,985	42.750%	16,473,279
Mansfield ISD	764,415,000	0.250%	1,911,038
Tarrant County	344,185,000	0.410%	1,411,159
Tarrant County Hospital District	22,335,000	0.420%	93,807
Subtotal, Overlapping Debt	$ 2,906,317,838		$ 21,230,046
Total, Direct and Overlapping Debt			$ 34,855,046
Ratio, Direct and Overlapping Debt to Taxable Assessed Valuation (Table 5)			5.84%

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

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Kennedale. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident --and therefore responsible for repaying the debt--of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Kennedale's boundaries and dividing it by the overlapping government's total taxable assessed value.

CITY OF KENNEDALE, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

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 2016 was established at $0.767500 per $100 assessed valuation based on 100% of net taxable value.

TABLE 13

CITY OF KENNEDALE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

	Obligation Bonds					
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	$ 2,560,510	$ 1,803,788	$ 756,722	$ 179,594	$ 199,707	$ 2
2008	2,585,218	1,935,911	649,307	180,325	174,607	1.83
2009	2,833,378	2,090,622	742,756	189,150	167,140	2.08
2010	2,856,494	2,378,783	477,711	199,888	159,278	1.33
2011	3,633,725	2,704,590	929,135	206,800	151,059	2.60
2012	3,264,892	2,604,618	660,274	210,625	142,623	1.87
2013	3,138,201	2,726,206	411,995	219,450	133,933	1.17
2014	3,775,546	2,960,030	815,516	226,363	124,925	2.32
2015	3,683,542	3,229,698	453,844	237,100	115,559	1.29
2016	4,782,055	2,555,598	2,226,457	895,346	536,710	1.55

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

TABLE 14

CITY OF KENNEDALE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Calendar Year	Population	Median Household Income	Per Capita Median Household Income	Unemployment Rate
2007	6,150	$ 49,091	$ 24,323	5.1%
2008	6,450	49,091	24,323	5.1%
2009	6,750	49,091	24,323	6.7%
2010	6,812	49,091	24,323	8.5%
2011	6,914	49,091	24,323	7.7%
2012	7,063	49,091	24,323	6.3%
2013	7,257	73,909	31,163	6.9%
2014	7,394	73,909	31,163	5.7%
2015	7,992	73,909	31,163	4.3%
2016	8,031	73,909	31,163	4.1%

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

Personal Income & Per Capita Personal Income: United States Census Bureau, 2010 Census.

Unemployment Rate: United States Department of Labor, Bureau of Labor Statistics (BLS). Adjusted yearly average based on the Local Area Unemployment Statistics (LAUS) Program.

TABLE 15

CITY OF KENNEDALE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND FOUR YEARS AGO

	2016		2012	
Employer	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Fort Worth Tower	505	32.88%	470	28.62%
Kennedale Independent School District	408	26.56%	411	25.03%
Speed Fab Crete	183	11.91%	121	7.37%
ARK Contracting Services	52	3.39%	115	7.00%
Harrison Jet Guns	38	2.47%	92	5.60%
Hawk Steel	69	4.49%	-	- %
Mike Conkle's Custom Cabinets	48	3.13%	52	3.17%
City of Kennedale	71	4.62%	86	5.24%
Excel Polymers	14	0.91%	76	4.63%
Goss International	-	- %	40	2.44%
Texas Tile	38	2.47%	55	3.35%
US Galvanizing LP	12	0.78%	34	2.07%
Stovall Electric	18	1.17%	30	1.83%
Redi-Mix LP	13	0.85%	14	0.85%
H&O Die Supply	9	0.59%	17	1.04%
RE Watson & Associates	41	2.67%	15	0.91%
Global Servo Hydraulics	11	0.72%	9	0.55%
Wear Master	6	0.39%	5	0.30%
Total	1,536	100.00%	1,642	100.00%

Source: Economic Development Department.

Note: City of Kennedale total represents an employee count, to include regular, part-time and seasonal. Information from 9 years ago is not available.

TABLE 16

CITY OF KENNEDALE, TEXAS

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Management services	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Finance	3.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	3.0
Planning	3.5	2.0	2.5	2.5	2.5	2.5	2.5	3.0	3.0	3.0
Building	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Municipal court	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	2.0
Police										
Officers	23.0	20.0	19.0	19.0	19.0	19.0	19.0	16.0	19.0	20.0
Civilians	6.5	6.5	7.5	7.5	7.5	7.5	7.5	7.5	2.5	2.5
Fire										
Firefighters and officers	20.0	17.0	17.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Refuse Collection	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other public works										
Engineering	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Streets & Parks	6.0	6.0	6.0	6.0	6.0	6.0	6.0	8.0	8.0	8.0
Economic Development	1.0	1.0	1.0	-	-	-	-	-	-	-
Library	3.0	3.0	3.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Water/Wastewater	9.0	9.5	11.0	10.5	14.5	14.5	12.5	11.5	11.5	11.5
Transit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	82.0	74.5	76.5	75.5	79.5	79.5	77.5	76.0	75.0	75.5

Source: FY2015-16 Adopted Budget.

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

TABLE 17

CITY OF KENNEDALE, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Building permits issued	-	15	102	152	255	535	389	504	406	504
Building inspections conducted	-	19	81	92	204	474	363	477	355	1,185
Police										
Physical arrests	372	331	284	265	270	246	244	260	203	203
Parking violations	100	2,790	1,487	1,361	1,389	359	2,117	2,045	1,675	24
Traffic violations	4,081	5,019	4,736	3,645	4,850	6,248	7,609	4,287	3,778	2,828
Fire										
Emergency responses	1,213	1,260	1,088	1,156	1,108	1,028	1,039	909	1,131	867
Fires extinguished	230	271	250	319	315	183	217	135	199	200
Inspections	182	45	74	45	32	193	185	173	198	178
Refuse collection										
Refuse collected (tons per day)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Recyclables collected (tons per day)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other public works										
Street resurfacing (miles)	-	-	-	-	-	-	-	-	-	-
Potholes repaired	-	-	-	-	-	-	-	-	-	-
Parks and recreation										
Athletic field permits issued	-	-	-	-	-	-	-	-	-	-
Community center admissions	-	-	-	-	-	-	-	-	-	-
Library										
Volumes in collection	20,247	19,847	18,140	16,971	18,053	17,986	17,943	15,299	14,752	16,292
Total volumes borrowed	23,762	29,704	310,405	17,279	16,508	16,317	17,429	17,257	16,162	20,288
Water										
New connections	55	26	14	21	25	54	36	87	73	39
Water main breaks	-	-	-	-	-	-	-	-	-	-
Average daily consumption (thousands of gallons)	770,582	896,246	869,925	1,030,864	1,147,339	1,060,488	1,000,704	968,841	892,014	898,918
Peak daily consumption (thousands of gallons)	1,720,200	1,828,940	1,784,042	1,913,000	2,550,400	2,939,100	2,355,100	2,135,272	2,471,500	2,021,800
Wastewater										
Average daily sewage treatment (thousands of gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Transit										
Total route miles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Passengers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: The City has and is working with outside consultants to accomplish this goal. Currently, we intend to approach performance measurement via the "Balanced Scorecard" system. Therefore, we do not have or track figures to provide in this type of format.

CITY OF KENNEDALE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	11	14	15	17	13	13	13	14	17	17
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Refuse collection										
Collection trucks	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other public works										
Streets (miles)	-	-	-	-	-	-	-	-	42	42
Highways (miles)	-	-	-	-	-	-	-	-	-	-
Streetlights	-	-	-	-	-	-	-	-	332	332
Traffic signals	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Parks and recreation										
Acreage	28	28	28	28	28	28	28	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
Soccer/football fields	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	-	-	-	-	-	-	-	-	48	48
Fire hydrants	5	5	5	5	5	5	5	5	5	5
Storage capacity (total) (thousands of gallons)	3,350	3,350	3,350	3,350	3,350	3,350	3,350	3,350	3,350	3,350
Elevated	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Ground	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100
Wastewater										
Sanitary sewers (miles)	-	-	-	-	-	-	-	-	48	48
Storm sewers (miles)	-	-	-	-	-	-	-	-	4	4
Treatment capacity (thousands of gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Transit										
Minibuses	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: The City has and is working with outside consultants to accomplish this goal. Currently, we intend to approach performance measurement via the "Balanced Scorecard" system. Therefore, we do not have or track figures to provide in this type of format.

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COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' 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

To the Honorable Mayor
and City Council of the
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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kennedale, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City of Kennedale, Texas' basic financial statements, and have issued our report thereon dated February 21, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Kennedale, Texas' internal control over financial reporting (internal control) to determine the 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 City of Kennedale, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Kennedale, Texas' 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.

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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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kennedale, Texas' 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 determination of financial statement amounts. 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.

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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 21, 2017

PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

To the Honorable Mayor
and City Council of the
City of Kennedale, Texas

We have audited the financial statements of the City of Kennedale, Texas as of and for the year ended September 30, 2016, and have issued our report thereon date February 21, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 25, 2016, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, and, as appropriate, our firm have complied with all relevant ethical requirements regarding independence.

As a part of the engagement we assisted in preparing the financial statements, and related notes to the financial statements of the City in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services were not conducted in accordance with *Government Auditing Services.*

In order to ensure we maintain our independence for performing these nonaudit services certain safeguards were applied to this engagement. Management assumed responsibility for the financial statements and related notes to the financial statements and any other nonaudit services we provided. Management acknowledged in the management representation letter our assistance with the preparation of the financial statements and related notes to the financial statements and that these items were reviewed and approved prior to their issuance and accepted responsibility for them. Further, the nonaudit services were oversaw by an individual within management that has the suitable skill, knowledge, or experience; evaluated the adequacy and results of the services; and accepted responsibility for them.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note I to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the useful lives of capital assets is based on the expected lifespan of the asset in accordance with standard guidelines. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the net pension liability is based on actuarial assumptions which are determined by the demographics of the plan and future projections that the actuarial makes based on historical information of the plan and the investment market. We evaluated the key factors and assumptions used to develop the net pension liability and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the allowance for uncollectible accounts is based on historical collection rates. We evaluated the key factors and assumptions used to develop the estimates listed above in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to the net pension liability. The disclosures in the financial statements are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.

None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated February 21, 2017.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

This report is intended solely for the information and use of the City Council and management of the City of Kennedale, Texas and is not intended to be and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 21, 2017

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: WORK SESSION - B.

I. Subject:
Discussion of items on regular agenda

II. Originated by:

III. Summary:
Discussion of items on regular agenda.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: EXECUTIVE SESSION - A.

I. Subject:
The City Council will meet in closed session pursuant to Section 551.074 of the Texas Government Code to deliberate the appointment, employment, and duties of the City Manager.

1. Interview candidates for City Manager position

II. Originated by:

III. Summary:

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: EXECUTIVE SESSION - B.

I. Subject:
The City Council may meet in closed session at any time during the Work Session or the Regular Session, pursuant to Section 551.071 of the Texas Government Code for consultation with the City Attorney pertaining to any matter in which the duty of the City Attorney under the Texas Disciplinary Rules of Professional Conduct may conflict with the Open Meetings Act, including discussion on any item posted on the agenda and legal issues regarding litigation, settlement offers, and/or claims regarding the following matters:

1. Keith Kidwill vs. The City of Kennedale, Texas

II. Originated by:

III. Summary:
At this time the city council will meet in executive session.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: REPORTS/ANNOUNCEMENTS - A.

I. Subject:
Updates from the City Council

II. Originated by:

City Council, City Council

III. Summary:
Updates and information from Council members .

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:
None

VII. Alternative Actions:

VIII. Attachments:

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: REPORTS/ANNOUNCEMENTS - B.

I. Subject:
Updates from the Mayor

II. Originated by:

III. Summary:

Updates and information from the Mayor.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: REPORTS/ANNOUNCEMENTS - C.

I. Subject:
Updates from the Interim City Manager

II. Originated by:

Bob Hart

III. Summary:
Updates and information from Interim City Manager, if any.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: MONITORING INFORMATION - A.

I. Subject:
Monthly Financials – January 2017

II. Originated by:

III. Summary:
Overview of the City's revenues/expenditures for all funds compared to budget and previous year.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

1.	January 2017 Monthly Financials	2017_01 Monthly Financials.pdf

CITY OF KENNEDALE
ANNUAL PROGRAM OF SERVICES
JANUARY

FUND 99 CASH BALANCES

1201	GENERAL FUND	2,540,413
1202	DEBT SERVICE	686,263
1204	CAPITAL PROJ- ST CONSTRUCTION	51,518
1205	VEHICLE FUND	274,463
1207	STORM DRAINAGE UTILITY FUND	50,982
1210	WATER AND SEWER FUND	558,201
1212	COURT SECURITY FUND	11,433
1213	CIP FUND - 1998 CO	-
1214	PARK DEDICATION FUND	195,820
1215	ECO DEV CORPORATION	46,504
1216	COURT TECHNOLOGY FUND	4,332
1217	STREETS IMPROVEMENT FUND	177,106
1218	JUVENILE CASE MANAGER FUND	23,475
1221	KENNEDALE TIFF#1 FUND	42,462
1231	POLICE SEIZURE FUND	0
1232	LIBRARY BUILDING FUND	12,690
1234	LEOSE FUND	-
1241	DONATION FUND	10,120
1245	ROADWAY IMPACT FEE FUND	72,503
1261	WATER IMPACT FEE FUND	130,446
1262	SEWER IMPACT FEE FUND	104,997
1283	TREE REFORESTATION FUND	67,944
1285	UNCLAIMED PROPERTY FUND	1,990
1295	EDC FIXED ASSET/RESERVE	120,220

CITY OF KENNEDALE
ANNUAL PROGRAM OF SERVICES
JANUARY

REVENUE SUMMARY BY FUND

REVENUES	FY15-16 YTD	FY15-16 ACTUAL	FY16-17 ADOPTED	FY16-17 AMENDED	CURRENT MONTH	FY16-17 YTD	CY - PY CHANGE	% OF PY BUDGET EARNED	% OF CY BUDGET EARNED	BUDGET REMAINING
GENERAL FUND	3,207,095	6,360,884	6,201,455	6,201,455	994,368	3,413,269	(54,789)	51.3%	55.0%	(169,169)
OTHER GENERAL FUNDS	203,813	1,572,545	1,645,165	1,645,165	12,262	226,427	501,200	#DIV/0!	13.8%	-
GENERAL FUND	**3,410,908**	**7,933,428**	**7,846,620**	**7,846,620**	**1,006,630**	**3,639,696**	**446,411**	**46.1%**	**46.4%**	**(41,346)**
GENERAL DEBT SERVICE FUND	**899,869**	**5,080,493**	**1,370,311**	**1,370,311**	**266,080**	**964,994**	**43,928**	**65.6%**	**70.4%**	**40,351**
WATER/SEWER FUND	1,011,836	6,089,196	4,991,835	4,991,835	(16,741)	1,051,287	589,602	23.0%	21.1%	1,271,152
STORMWATER UTILITY FUND	72,565	242,743	491,826	315,826	510	65,023	244,001	29.3%	13.2%	(2,178)
WATER IMPACT FUND	29,421	186,468	68,658	68,658	1,018	10,866	(96,382)	17.8%	15.8%	(49,885)
SEWER IMPACT FUND	7,625	58,300	28,315	28,315	88	133	(21,687)	15.2%	0.5%	(43,551)
WATER/SEWER FUND	**1,121,448**	**6,576,708**	**5,580,634**	**5,404,634**	**(15,125)**	**1,127,309**	**715,534**	**23.1%**	**20.2%**	**1,175,538**
EDC4B FUND	**118,154**	**627,660**	**933,227**	**933,227**	**42,365**	**133,500**	**283,373**	**18.2%**	**14.3%**	**263,733**
CAPITAL FUND	**163,170**	**860,623**	**124,020**	**124,020**	**7,550**	**15,903**	**(725,514)**	**19.2%**	**12.8%**	**284,598**
SPECIAL REVENUE FUND	**13,955**	**300,088**	**151,223**	**151,223**	**-**	**91,089**	**(185,578)**	**4.1%**	**60.2%**	**(210,607)**
TOTAL REVENUES	**$ 5,727,504**	**$ 21,379,000**	**$ 16,006,035**	**$ 15,830,035**	**$ 1,307,499**	**$ 5,972,490**	**$ 578,154**	**37.0%**	**37.3%**	**$ 1,512,266**

EXPENDITURE SUMMARY BY FUND

EXPENDITURES	FY15-16 YTD	FY15-16 ACTUAL	FY16-17 ADOPTED	FY16-17 AMENDED	CURRENT MONTH	FY16-17 YTD	CY - PY CHANGE	% OF PY BUDGET EXPENSED	% OF CY BUDGET EXPENSED	BUDGET REMAINING
GENERAL FUND	1,898,524	5,895,262	6,489,307	6,489,307	497,529	1,856,461	308,000	30.7%	28.6%	187,884
CAPITAL REPLACEMENT FUND	59,386	109,462	673,316	673,316	12,130	101,896	562,641	53.7%	15.1%	58,373
COURT SECURITY FUND	550	2,606	1,152	1,152	-	-	(406)	35.3%	0.0%	(472)
COURT TECHNOLOGY FUND	5,066	3,096	5,555	5,555	-	8,295	(10,531)	31.5%	149.3%	4,693
STREET IMPROVEMENT FUND	282,846	1,240,349	1,194,893	1,194,893	2,868	221,251	(583,391)	15.9%	18.5%	(190,056)
JUVENILE CASE MANAGER FUND	6,565	11,200	12,680	12,680	902	3,373	1,328	57.8%	26.6%	127
PARK REC/OTHER DONATION FUND	-	-	24,791	24,791	-	-	24,791	0.0%	0.0%	-
TREE REFORESTATION FUND	-	-	-	-	-	-	-	0.0%	0.0%	-
UNCLAIMED PROPERTY FUND	-	-	-	-	-	-	-	0.0%	0.0%	-
GENERAL FUND	**2,252,937**	**7,261,975**	**8,401,694**	**8,401,694**	**513,429**	**2,191,275**	**302,432**	**27.8%**	**26.1%**	**60,549**
GENERAL DEBT SERVICE FUND	**295,534**	**5,079,006**	**1,365,627**	**1,365,627**	**256,888**	**291,797**	**1,760**	**21.7%**	**21.4%**	**5,393**
WATER/SEWER FUND	1,152,940	4,390,432	4,829,775	4,527,925	128,849	887,581	248,373	25.2%	18.4%	1,604,251
STORMWATER UTILITY FUND	23,097	130,137	571,157	571,157	115,779	76,426	381,950	12.2%	13.4%	98,318
WATER IMPACT FUND	-	171,200	154,415	154,415	-	-	(16,785)	0.0%	0.0%	-
SEWER IMPACT FUND	-	-	60,000	60,000	-	-	60,000	0.0%	0.0%	-
WATER/SEWER FUND	**1,176,036**	**4,691,770**	**5,615,347**	**5,313,497**	**244,628**	**964,007**	**673,538**	**23.8%**	**17.2%**	**1,702,570**
EDC4B FUND	**149,037**	**718,004**	**803,880**	**803,880**	**24,066**	**159,565**	**57,483**	**20.0%**	**19.8%**	**(1,464)**
CAPITAL FUND	**210,373**	**833,910**	**216,239**	**216,239**	**54**	**83,684**	**(664,005)**	**23.9%**	**38.7%**	**411,662**
SPECIAL REVENUE FUND	**17,973**	**254,518**	**151,222**	**23,418**	**19,517**	**41,168**	**(185,545)**	**5.3%**	**27.2%**	**(215,895)**
TOTAL EXPENDITURES	**$ 4,101,890**	**$ 18,839,182**	**$ 16,554,010**	**$ 16,124,356**	**$ 1,058,581**	**$ 3,731,495**	**$ 185,664**	**25.1%**	**22.5%**	**$ 1,962,814**

CITY OF KENNEDALE
ANNUAL PROGRAM OF SERVICES
JANUARY

EXPENDITURE SUMMARY BY DEPARTMENT

GENERAL FUND	FY15-16 YTD	FY15-16 ACTUAL	FY16-17 ADOPTED	FY16-17 AMENDED	CURRENT MONTH	FY16-17 YTD	CY - PY CHANGE	% OF PY BUDGET EXPENSED	% OF CY BUDGET EXPENSED	BUDGET REMAINING
CITY MANAGER	88,048	291,243	283,123	283,123	21,057	83,319	(10,455)	30.0%	29.4%	199,804
MAYOR/CITY COUNCIL	19,516	94,108	140,157	140,157	19,097	34,002	51,481	22.0%	24.3%	106,155
CITY SECRETARY	35,566	136,655	160,328	160,328	6,897	36,739	13,166	24.2%	22.9%	123,590
MUNICIPAL COURT	28,433	121,408	121,230	121,230	9,972	33,859	(5,456)	22.4%	27.9%	87,371
HUMAN RESOURCES	37,009	119,141	122,616	122,616	8,407	41,764	(1,948)	29.7%	34.1%	80,852
FINANCE	99,180	312,129	296,688	296,688	15,376	69,792	(27,243)	30.6%	23.5%	226,896
POLICE	701,951	2,093,230	2,381,270	2,381,270	225,351	716,309	163,126	0.0%	30.1%	1,664,961
FIRE	521,688	1,692,949	1,826,031	1,826,031	126,084	488,732	107,917	30.4%	26.8%	1,337,299
COMMUNITY DEVELOPMENT	106,802	409,154	332,442	332,442	19,314	83,434	(107,038)	24.3%	25.1%	249,008
SENIOR CITIZEN CENTER	15,652	48,148	54,612	54,612	3,915	14,772	535	28.9%	27.0%	39,840
LIBRARY	79,753	251,830	259,591	259,591	22,670	78,457	5,468	31.4%	30.2%	181,134
NONDEPARTMENTAL	164,927	325,268	511,218	511,218	19,390	175,284	118,447	42.0%	34.3%	335,934
TOTAL EXPENDITURES	**$ 1,898,524**	**$ 5,895,262**	**$ 6,489,307**	**$ 6,489,307**	**$ 497,529**	**$ 1,856,461**	**$ 308,000**	**30.7%**	**28.6%**	**$ 4,632,846**

WATER/SEWER FUND	FY15-16 YTD	FY15-16 ACTUAL	FY16-17 ADOPTED	FY16-17 AMENDED	CURRENT MONTH	FY16-17 YTD	CY - PY CHANGE	% OF PY BUDGET EXPENSED	% OF CY BUDGET EXPENSED	BUDGET REMAINING
UTILITY BILLING	147,073	1,210,463	1,704,198	1,704,198	39,681	180,648	360,423	10.9%	10.6%	1,523,549
WATER OPERATIONS	573,696	1,149,906	1,477,946	1,477,946	82,248	328,800	(242,336)	33.3%	22.2%	1,149,147
DEBT	152,813	170,941	511,309	511,309	-	152,813	5,837	30.2%	29.9%	358,496
CAPITAL	-	-	301,850	301,850	13,906	31,292	301,850	0.0%	10.4%	270,558
NONDEPARTMENTAL	279,358	1,859,122	834,472	834,472	6,920	225,320	(177,401)	27.6%	27.0%	609,151
TOTAL EXPENDITURES	**$ 1,152,940**	**$ 4,390,432**	**$ 4,829,775**	**$ 4,829,775**	**$ 142,755**	**$ 918,873**	**$ 248,373**	**25.2%**	**19.0%**	**$ 92,426**

STREET IMPROVEMENT FUND	FY15-16 YTD	FY15-16 ACTUAL	FY16-17 ADOPTED	FY16-17 AMENDED	CURRENT MONTH	FY16-17 YTD	CY - PY CHANGE	% OF PY BUDGET EXPENSED	% OF CY BUDGET EXPENSED	BUDGET REMAINING
STREETS	244,231	1,116,146	712,452	712,452	46,637	197,102	(925,831)	14.9%	27.7%	515,350
PARKS MAINTENANCE	38,614	124,202	116,409	116,409	2,868	24,149	(23,591)	27.6%	20.7%	92,260
CAPITAL	-	-	366,032	366,032	47	279,621	366,032	0.0%	76.4%	86,411
TOTAL EXPENDITURES	**$ 282,846**	**$ 1,240,349**	**$ 1,194,893**	**$ 1,194,893**	**$ 49,552**	**$ 500,871**	**$ (583,391)**	**15.9%**	**41.9%**	**$ 51,690**

EDC4B FUNDS	FY15-16 YTD	FY15-16 ACTUAL	FY16-17 ADOPTED	FY16-17 AMENDED	CURRENT MONTH	FY16-17 YTD	CY - PY CHANGE	% OF PY BUDGET EXPENSED	% OF CY BUDGET EXPENSED	BUDGET REMAINING
ADMINISTRATION	46,019	335,951	270,167	270,167	16,542	58,017	93,701	13.8%	21.5%	212,149
DEBT SERVICE	89,623	318,692	323,419	323,419	4,573	82,525	3,526	28.0%	25.5%	240,893
TOWN SHOPPING CENTER	13,395	44,622	120,295	120,295	2,951	19,023	69,811	26.5%	15.8%	101,272
TOWNCENTER REDEVELOPMENT	-	-	90,000	90,000	-	-	-	0.0%	0.0%	90,000
TX LEVERAGE	-	18,739	-	-	-	-	(50,000)	0.0%	0.0%	-
TOTAL EXPENDITURES	**$ 149,037**	**$ 718,004**	**$ 803,880**	**$ 803,880**	**$ 24,066**	**$ 159,565**	**$ 117,038**	**20.7%**	**19.8%**	**$ 8,090**

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: MONITORING INFORMATION - B.

I. Subject:
Executive Limitations

II. Originated by:

III. Summary:
Reports are attached for review.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

1.	Executive Limitations	Executive Limitations 01.2017.pdf

POLICY TYPE: EXECUTIVE LIMITATIONS
POLICY TITLE: GLOBAL EXECUTIVE CONSTRAINT

The City Manager shall not cause or allow any organizational practice, activity, decision, or circumstance that is either unlawful, imprudent, or in violation of commonly accepted business and professional ethics.

Operations are in compliance with the global constraint policy. The recent bond rating upgrade by S&P to "AA-" from "A+" is reflective of the quality work in place.

POLICY TYPE: EXECUTIVE LIMITATIONS
POLICY TITLE: TREATMENT OF CUSTOMERS OF CITY SERVICES

With respect to interactions with customers, the City Manager shall not cause or allow conditions, procedures, or decisions that are unsafe, untimely, undignified, or unnecessarily intrusive.

The City Manager will not:

1. Elicit information for which there is no clear necessity.

2. Use methods of collecting, reviewing, transmitting, or storing customer information that fail to protect against improper access to the material

3. Operate facilities without appropriate accessibility and privacy.

4. Operate without establishing with customers a clear understanding of what may be expected and what may not be expected from the service offered.

5. Operate without informing customers of this policy or providing a way to be heard for persons who believe that they have not been accorded a reasonable interpretation of their rights under this policy.

The city backs up files on a daily basis. In order to avoid more common hacking attempts, limitations have been placed on what websites can be accessed.

POLICY TYPE: EXECUTIVE LIMITATIONS
POLICY TITLE: TREATMENT OF STAFF

With respect to the treatment of paid and volunteer staff, the City Manager shall not cause or allow conditions that are unfair, undignified, disorganized, or unclear.

The City Manager will not

1. Operate without written personnel rules that (a) clarify rules for stair, (b) provide for effective handling of grievances, and (c) protect against wrongful conditions, such as nepotism and grossly preferential treatment for personal reasons.

2. Retaliate against any staff member for non-disruptive expression of dissent.

3. Allow staff to be unaware of City Manager's interpretations of their protections under this policy.

4. Allow staff to be unprepared to deal with emergency situations.

The city maintains current personnel policy and orientation handbook. City operations are in compliance with the treatment of staff policy. Kelly Cooper works well with staff to ensure polices are followed. Succession planning is underway for public works and police.

POLICY TYPE: EXECUTIVE LIMITATIONS
POLICY TITLE: EMERGENCY CITY MANAGER SUCCESSION

In order to protect the Council from sudden loss of the City Manager Services, the City Manager shall not permit there to be less than one other person familiar enough with Council and City Manager issues and procedures to be able to maintain organization services.

A project list has been prepared to assist staff and council in the transition period. I will also be available to answer questions following my departure. Kelly Cooper is the most informed of staff members. Rachel Roberts and Dennis Brown are working closely with me on Village Creek. The upcoming strategic plan will help in overall coordination. Krystal Crump is providing excellent support insofar as city finances are concerned. Jack Thompson (EDC & Chamber) is familiar with the business development activities.

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: MONITORING INFORMATION - C.

I. Subject:
Ends Review – Balanced Scorecard

II. Originated by:

III. Summary:
Reports are attached for review.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

1.	Balanced Scorecard January 2017	Balanced Scorecard Map Jan 2017.pdf

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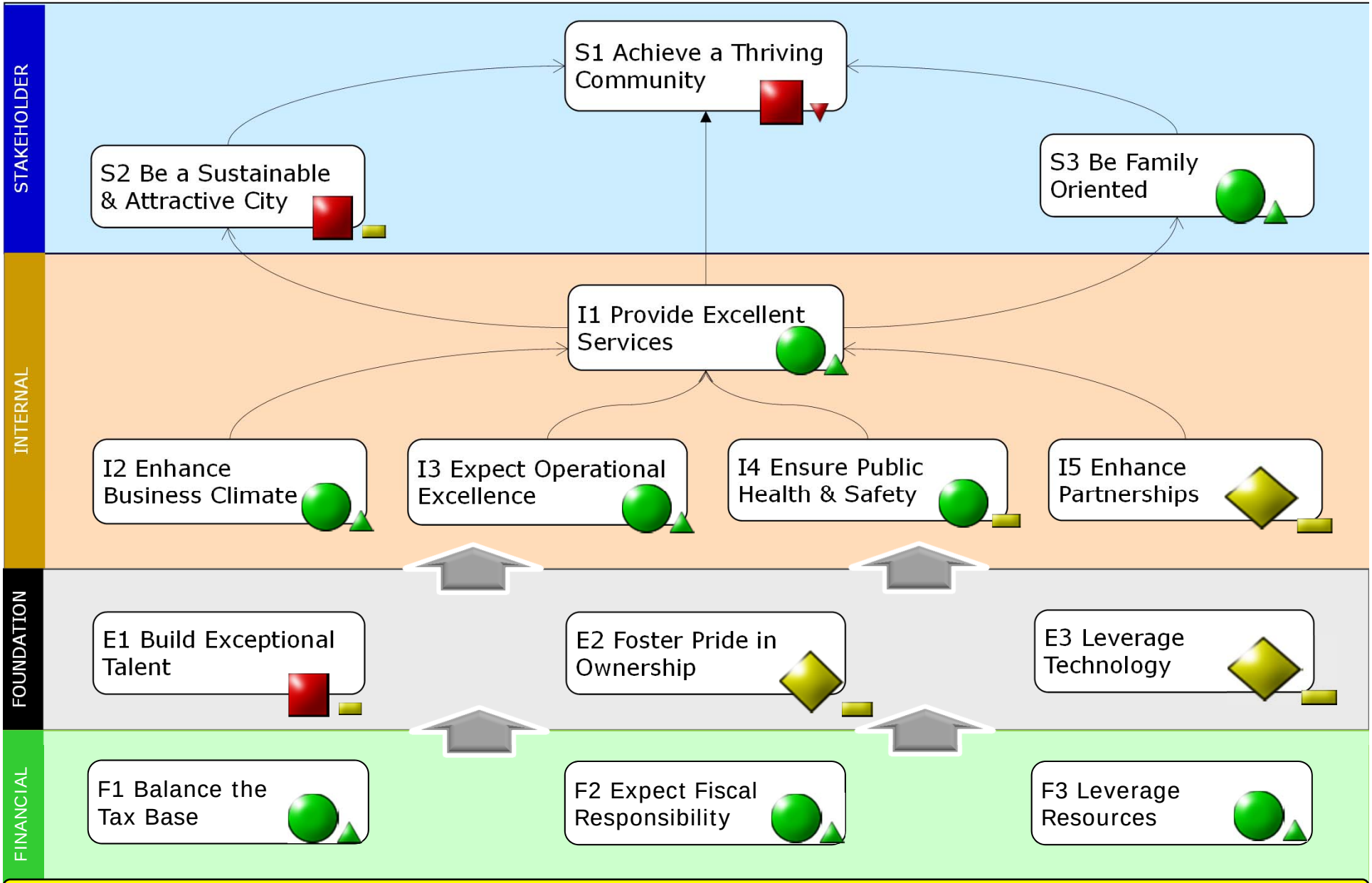
KENNEDALE
13-1
January 2017



CORE VALUES: INTEGRITY ACCOUNTABILITY TEAMWORK INNOVATION COMMITMENT

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: INCIDENTAL ITEMS - A.

I. Subject:
Discuss and approve the budget calendar for FY2017

II. Originated by:

Finance Director, Director of Finance & IT

III. Summary:
The Property Tax Code (tax) and Local Government Code (budget) provides for specific legal requirements in which a taxing unit must comply in order to adopt both their tax rate and budget. In an effort to comply with the aforementioned codes, the City has set the budget/tax schedules as outlined below:

05/20/17Special Session
-Strategic Planning For Upcoming Budget Process

08/11/17 Special Session
-Submit certified roll and calculations.
-Budget Workshop (Submittal Of Proposed Budget)
-Vote to Place Proposal On Future Agenda (Will Only Occur If Two Public Hearings Are Needed)

09/7/17 Special Session
-Conduct Public Hearing On Budget
-Conduct 1st Public Hearing On Tax Increase (Will Only Occur If Two Public Hearings Are Needed)

09/14/17Session
-Conduct 2nd Public Hearing On Tax Increase (Will Only Occur If Two Public Hearings Are Needed)

09/18/17 Regular Session
-Adopt Budget, Adopt Tax Rate, Ratify Tax Increase Reflected In Budget

09/30/17
-Last Day To Adopt Budget

10/24/17
-Approve MMD Tax Assessment & Levy

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

Approve

VII. Alternative Actions:

VIII. Attachments:

1.	FY17-18 Budget Calendar	BUDGET TIMELINE - COUNCIL VERSION.pdf

2017 BUDGET CALENDAR

DATE	RESPONSIBLE ENTITY	DESCRIPTION
Mar 1st	Tarrant Appraisal District (TAD)	Notification of Tax Increment Financing (TIF) values for the following year to tax jurisdictions for billing and collection (invoice county)
Mar 1st	Finance Director	Review and distribute Budget Calendar to Directors
Mar 17th	City Staff	Budget Pre- Kick-Off (Departments start working on budget)
Apr 15th	Tarrant Appraisal District (TAD)	Last day for businesses to file property tax renditions
May 20th	City Council and City Manager	WORK SESSION: STRATEGIC PLANNING
May 24th	City Staff	Budget Kick-Off
May 31st	Tarrant Appraisal District (TAD)	Property owner has thirty (30) days from the date of the notice or until May 31st, whichever is later, to file a protest
Jun 9th	City Staff	Submit FY16/17 revenue and expense estimates, FY17/18 proposed budget requests, and Extended Service Programs (ESPs) to Finance
Jun 13th-23rd	Finance Department	Meet with each department to review submittals
Jun 19th	City Council	REGULAR SESSION: APPROVE TAX COLLECTION CONTRACT WITH COUNTY AND APPROVE SPECIAL SESSIONS (SEPT. 7TH AND 14TH)
Jul 10th	Newspaper of Record	Publish Notice of Projects and Public Hearing **Generally, must allow for period of sixty (60) days from date of before recommending to council AND publish again fifteen (15) days prior to public hearing; Public hearing not required (SB 1969, Section 505.159 LGC) for <20,000 population, which mainly applies to industrial/commercial projects; Park projects do require public hearing**
Jul 10th – 21st	City Manager and Finance Department	Submit budget requests and ESPs to City Manager; Meet with Finance and each department to review submittals
Jul 25th	EDC4B	Public Hearing on Notice of Projects for EDC; Review and approve projects and budget
Jul 25th	Tarrant Appraisal District (TAD)	Notification of preliminary values to all jurisdictions (includes TIF reports)
Aug 1st	City Manager and Finance Director	Prepare Budget Message
Aug 4th	Finance Director	Prepare and print proposed budget books
Aug 11th	City Council	SPECIAL SESSION: BUDGET WORKSHOP Submit certified roll and calculations; Submit proposed budget given certified values; Discuss tax rate; If proposed rate will exceed the lower of the effective or rollback rate, vote to place proposal for tax increase on future agenda and schedule public hearings; **Must be recorded vote and although may be left blank going into meeting, must specify desired rate at time of resolution adoption**
Aug 24th	Newspaper of Record	Publish Notice of Public Hearing On Budget for Sept. 7th
Aug 31st	Newspaper of Record	Publish Notice of Property Tax Rates for 7th and 14th; **Must be done by September 1st**
Sep 1st	Tarrant Appraisal District (TAD)	Notification of supplemental/last certified roll to tax jurisdictions for billing and collection
Sep 7th	City Council	SPECIAL SESSION: PUBLIC HEARING ON BUDGET **Must be set for date occurring after 15th day after proposed budget filed with City Secretary, but before tax rate adoption; Public holiday or weekend not permitted; Quorum required** SPECIAL SESSION: FIRST PUBLIC HEARING ON TAX INCREASE (IF NEEDED) **Announce vote on tax rate, time, and location; Must have two (2) hearings in addition to Vote On Tax Rate; Public holiday or weekend not permitted; Quorum required**

Sep 14th	City Council	SPECIAL SESSION: SECOND PUBLIC HEARING ON TAX INCREASE (IF NEEDED). **Announce vote on tax rate, time, and location. Must have two (2) hearings in addition to Vote on Tax Rate; Public holiday or weekend not permitted; Quorum required; Not earlier than 7th day after the first Public Hearing.**
Sep 15th	Finance Department	Submit tax rates to Tarrant County and Tarrant Appraisal District (TAD)
Sep 18th	City Council	REGULAR MEETING: APPROVE BUDGET (ORDINANCE), VOTE ON TAX RATE (ORDINANCE), AND RATIFY BUDGET **Vote must take place no less than three (3) days and no more than fourteen (14) days after the second Public Hearing since website and cable channel required for tax rate; Motion for tax rate requires special language and ordinance requires special language in larger type; Must be record vote on tax rate; Publish special language on website and cover page of budget book after adoption; Must adopt tax rate sixty (60) days after certified roll is received or by September 30th.**
Sep 30th	City Council and Finance Department	Last day to adopt budget
Oct 24th	Town Development District (TDD) Board	Approve tax assessment and levy

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: REQUIRED APPROVAL ITEMS (CONSENT) - A.

I. Subject:
Consider approval of amended minutes from January 14, 2017 special meeting

II. Originated by:

III. Summary:
Please see the attached minutes for your approval.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:
Approve

VII. Alternative Actions:

VIII. Attachments:

1.	City Council Amended Special Meeting Minutes - January 14, 2017	1-14-17 Work Session - Amended.pdf

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KENNEDALE CITY COUNCIL

AMENDED MINUTES
SPECIAL MEETING
January 14, 2017
CITY HALL COUNCIL CHAMBERS, 405 MUNICIPAL DRIVE

WORK SESSION – 10:00 AM

I. CALL TO ORDER

Mayor Johnson called the meeting to order at 10:04 a.m.

II. ROLL CALL

Present: Frank Fernandez, Brian Johnson , Charles Overstreet, Michael Walker
Absent: Liz Carrington, Kelly Turner
Staff Present: : Bob Hart, Kelly Cooper, Leslie Galloway, Rachel Roberts, Tommy Williams, Larry Hoover, Larry Ledbetter, Krystal Krump, City Attorney Wayne Olson, and Chamber Executive Director Jack Thompson

III. WORK SESSION

A. Review Project List

No discussion in Work Session.

IV. EXECUTIVE SESSION

Mayor Brian Johnson recessed into Executive Session immediately following the roll call for the following purposes:

A. Pursuant to Section 551.072 of the Texas Government Code to deliberate the purchase, exchange, lease, or value of real property for the following:

1. 108 New Hope Road
2. 6727 Hudson Village Creek Road
3. 532 Trent Street
4. 503 Kennedale Parkway
5. 1001 Oak Crest Drive East
6. 4100 New Hope Road
7. 3925 New Hope Road

B. Pursuant to Section 551.087 of the Texas Government Code to deliberate the offer of a financial or other incentive to a business project with whom the city is conducting economic

development negotiations.

1. Discuss a 380 Agreement for Hospitality Project

C. Pursuant to Section 551.074 of the Texas Government Code to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee.

1. Review the selection criteria and process and Interim City Manager

D. Pursuant to Section 551.071 of the Texas Government Code to seek legal advice from the City Attorney on any item posted on the agenda.

V. RECONVENE INTO OPEN SESSION, AND TAKE ACTION NECESSARY PURSUANT TO EXECUTIVE SESSION, IF NEEDED

Mayor Johnson reconvened into open session at 1:06 p.m.
No action was taken.

VI. ADJOURNMENT

Motion To adjourn. **Action** Adjourn, **Moved By** Charles Overstreet, **Seconded By** Frank Fernandez.
Motion passed Unanimously

The meeting was adjourned at 1:15 p.m.

APPROVED:

Brian Johnson, Mayor

ATTEST:

Leslie Galloway, City Secretary

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: REQUIRED APPROVAL ITEMS (CONSENT) - B.

I. Subject:
Consider approval of minutes from January 23, 2017 regular meeting

II. Originated by:

III. Summary:
Please see the attached minutes for your approval.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:
Approve

VII. Alternative Actions:

VIII. Attachments:

1.	City Council Regular Meeting Minutes - January 23, 2017	1-23-17.pdf

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KENNEDALE CITY COUNCIL

MINUTES
REGULAR MEETING
January 23, 2017
CITY HALL COUNCIL CHAMBERS, 405 MUNICIPAL DRIVE

WORK SESSION - 5:30 PM
REGULAR SESSION - 7:00 PM

I. CALL TO ORDER

Mayor Johnson called the meeting to order at 5:29 p.m.

II. EXECUTIVE SESSION

Mayor Johnson recessed immediately into executive session at 5:29 p.m.

A. The City Council will meet in closed session pursuant to Section 551.074 of the Texas Government Code to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee.

1. Interview Interim City Manager candidate
2. Discuss contract for City Manager services

III. WORK SESSION

A. Discussion of items on regular agenda

No items were discussed at this time.

IV. REGULAR SESSION

Mayor Johnson opened the regular session at 7:06 p.m.

V. ROLL CALL

Present: Frank Fernandez, Brian Johnson , Kelly Turner, Liz Carrington, Charles Overstreet, Michael Walker
Absent: None

VI. INVOCATION

Pastor Greg Adams from Covenant Life Baptist Church provided the invocation.

VII. UNITED STATES PLEDGE AND TEXAS PLEDGE

VIII. VISITOR/CITIZENS FORUM

Jan Joplin, 204 Hilltop Drive, stated that she believed the water rate increase was mainly due to the master and comprehensive plans, specifically non-utility costs being covered by the rates. She called for a Capital Improvements Plan with cost analysis on every project, and closed by saying that just because residents don't attend meetings doesn't mean they don't care.

Debbie Camp, 503 W 3rd Street, I've owned the home at 912 Shady Oaks Drive since 1976, and Harvey De Larosa, who spoke last month, asking for an extension on a BOA decision, has lived nearby at 904 Shady Oaks for 20-something years. He has never maintained his property. His pool is in disrepair and unsanitary. His house burned in 2006, and he has not done anything about it. He does not mow his grass and I have to rent the home I own next door because I can't sell it.

Cathy Brown, 808 Shady Bend Drive, spoke in opposition of Hammack Creek Development because it is high-density. Asked that Council vote against it.

Sandy Mata, 1209 Vera Lane, asked that the gun and cannon at the Sonora Park splash pad be removed, as they normalize violence. Once budget allows, she suggested they be replaced with a fire hydrant or something similar.

Pat Turner, 1013 Kennedale Sublett Road, stated that he recently saw a posting on social media regarding the city's bond ratings being little better than "junk" bonds. He said he appreciates the recent story by the city with information about their receiving a bond rating increase from S&P. He pointed out that the city had received three such increases during City Manager Bob Hart's tenure.

Jonathan Mark Babina, 1056 Falcon Nest Drive, stated that he has never seen a better Council. He went on to point out how many of the Councilmembers held advanced degrees, and pointed out that he feels as if they do this work because of their passion for Kennedale. He concluded by saying that you can't make everyone happy, and they would always have his support.

Lamar Saxon, 1022 Chandler Street, stated that he is the current President of the Kennedale Chapter of the Rotary Club, and that City Manager Bob Hart was not only a member, but was the driving force behind the establishment of the chapter in 2009. He summarized some of the many ways Rotary benefits the community, including providing coats and school uniforms through the Kennedale Professional Firefighters Angel Tree Program. He wished Bob well, and said he has always embodied the Rotary Club slogan: "Service above self." Bob was then presented with an award.

Ronnie Nowell, 317 Bowles Court, stated that he's been a resident since 1965, and that he understands people do not like their bills to go up, but he knows that efforts have been made to mitigate the cost to residents, concerning the water rates. He pointed out that repairing and replacing old infrastructure costs considerably more than putting in new lines. He also encouraged people who had questioned the integrity of Council, staff, or the Mayor, to be reassured that there's never been a question in his mind about any of them being above board.

Susan Dalrymple, 1008 Oakridge Court, My spouse and I moved here a few months after Rotary

was founded, and that's how we found our place in the community. We're a military family, and we love this little town; that's why we stay. In a very short time, I've seen sidewalks go in, vegetation go in, the Section House rebuilt, so many improvements, and I wanted to say Thank you to Bob Hart for all his dedicated service.

John Clark, 100 Meadowlake Court stated that ten years ago when Bob Hart came to Kennedale, one of the first ideas he brought was this new form of governance. Dreams of residents from years ago have started to come to fruition in your tenure. I'm not sure everyone knows that you encouraged volunteerism, civic pride, opportunity for community engagement – even negative. Additionally, you gave us Art in the Park, and encouraged us to have a Texas Independence Day Celebration. I'm proud every time I drive through town and see the rotary flags displayed. Previously, our small city didn't have much of a voice, but your positive approach has been recognized by neighboring cities. We have people on key committees in the region, sitting next to Mansfield and Arlington. We were one of the four founding cities on SETTP (w/Arlington, Mansfield, and Grand Prairie). I thank you for your service to this city.

Linda Pavlik, 6115 Camp Bowie Blvd, Fort Worth, Texas stated that she was here tonight as a community advocate and public engagement specialist. Over the past 10 years, while Mr. Hart and I don't always agree, but he's never discouraged discussion.

Greg Adams, 704 Crestview Drive, stated that Bob isn't perfect, but he's a man of impeccable character. Like begets like. Our city staff is competent, resourceful, and resilient. They reflect the one that hired them. Their dedication is needed now more than ever. The citizens of Kennedale owe a great deal of gratitude to the City Manager and his staff. To those of you on the council, I have one word: Fight.

Tim Smith, 1261 Wendy Court, stated that he has lived and worked here since the early 80s. First, I want to say to Mr. Hart that any dealings I've had with you, you've been open and above board. I worked mostly with the school district. Whatever the disagreements are, the rhetoric and the non-belief only hurts the community.

IX. REPORTS/ANNOUNCEMENTS

A. Updates from City Council

All Council members spoke in support of City Manager Bob Hart and wished him well.

B. Updates from the Mayor

1. Recognize Speed Fab Crete for renovations to the Fire Station

Mayor Johnson spoke in support of City Manager Bob Hart and wished him well.

C. Updates from the City Manager

1. Response to Jan Joplin Letter

City Manager Bob Hart stated the City had the Cambodian Delegation with us for the past eight days. We hosted the Provincial Governor and nine members of his senior staff, and were able to exchange information. He thanked the Council and Staff for being involved in that.

Bob Hart responded to Jan Joplin's questions from the Visitor's Forum from December 2016.

X. MONITORING INFORMATION

A. Monthly Financials - December 2016

B. Executive Limitations

C. Ends Review - Balanced Scorecard

Monitoring information updates are in the agenda packet for review.

XI. REQUIRED APPROVAL ITEMS (CONSENT)

A. Consider approval of minutes from December 19, 2016 regular meeting

B. Consider approval of minutes from January 14, 2017 special work session

C. Approve Schedule of Investment Activity for quarter ending December 31, 2016

D. Consider approval of Resolution 505 calling the General Election for May 6, 2017

E. 2016 Racial Profiling Report from the Police Department.

Motion To approve all required approval Items on (Consent) agenda. **Action** Approve, **Moved By** Michael Walker, **Seconded By** Charles Overstreet.
Motion passed Unanimously

XII. DECISION ITEMS

A. Case # PZ 17-01 to hold a public hearing and consider approval of Ordinance 620 regarding a zoning change from "C-1" Restricted commercial district and "R-3" Single family residential district to "EC-2" Employment District Office and Service district for an approximately 2.54 acre tract located at 5400-5424 High Ridge Rd and 5401-5417 Kennedale St, legal description of Lot 1R, Block 5, Oak Crest, Kennedale, Tarrant County, Texas.

1. Staff presentation
2. Public hearing
3. Staff response and summary
4. Action by the City Council

City Planner Rachel Roberts provided the staff presentation stating that the property is vacant. It is owned by the Kennedale Economic Development Corporation and was recently cleared and replatted into one lot to help with redevelopment efforts. The property is adjacent to the I-20 frontage road to the north and by commercial uses to the west and east. Residential uses abut the property to the south and southwest (single family residential and mobile home). Zoning classifications on surrounding property are Employment Center, C-1 restricted commercial (which permits mainly retail and office uses), the planned development district for QuikTrip, and single family residential (R-3). To the south but not adjacent to the site are several industrial uses (auto salvage). This property is shown as Employment Center in the Future Land Use Plan. The rezoning request conforms to the Comprehensive Land Use Plan. The requested

rezoning would allow for the kind of redevelopment in Oak Crest that is desired by the city. Based on the above analysis, staff recommends approval of the rezoning.

Public Hearing:
Mayor Johnson opened the public hearing; there was no one present requesting to speak. Mayor Johnson closed the public hearing.

There was no further discussion.

Motion To approve Ordinance 620 approving a zoning change. **Action** Approve, **Moved By** Michael Walker, **Seconded By** Charles Overstreet.
Motion passed Unanimously

B. Case # PZ 17-02 to hold a public hearing and consider approval of Ordinance 621 regarding an amendment to the Unified Development Code, as adopted by Ordinance 605, to amend Article 5 Village Districts Section 5.3 Form and Character to add building materials standards; to amend Article 20 Natural Resource Management Sections 20.4.B and 20.4.C to amend tree protection requirements; and to amend Article 13 Landscaping, Screening, and Lighting Section 13.6.C.3 Privacy Fence to amend regulations on buffering.

1. Staff presentation
2. Public hearing
3. Staff response and summary
4. Action by the City Council

City Planner Rachel Roberts provided the staff presentation stating that staff has been working with the new Unified Development Code (UDC), we have discovered some errors and some sections that are not as clear as they should be in order to have an easy-to-use document. Staff may bring additional changes to the City Council as needed. Recommended changes relate to Village District standards and fencing between incompatible districts.

Public Hearing:
Mayor Johnson opened the public hearing; there was no one present requesting to speak.
Mayor Johnson closed the public hearing.

There was no further discussion.

Motion To approve Ordinance 621 amending the Unified Development Code. **Action** Approve, **Moved By** Kelly Turner, **Seconded By** Liz Carrington.
Motion passed Unanimously

C. Consider approval of bid award and contractor for the 42nd Year Community Development Block Grant (CDBG) Project for sanitary sewer improvements on Dick Price Road with Tarrant County Community Development and Housing

Public Works Director Larry Ledbetter stated that the bid opening was held at the office of Tarrant County Community Development on Wednesday, December 28, 2016. Seven formal bids were received at the 10:30 a.m. for the bid opening of the 42nd Year CDBG Project for

Sanitary Sewer Improvements at the 200-300 Block of Dick Price Road. Circle C Construction submitted the lowest total bid of $145,303.00; which falls within the maximum allocation received of $171,671.70. No supplemental funding may be required from the City. Staff recommends that Council recommend to Tarrant County the selection of Circle C Construction for the 42nd Year CDBG Project. Bid tabulations and engineering comments are in the packet for your review.

Motion To recommend to Tarrant County the selection of Circle C Construction for the 42nd Year CDBG Project. **Action** Approve, **Moved By** Liz Carrington, **Seconded By** Charles Overstreet.
Motion passed Unanimously

D. Consider authorizing the Mayor to sign agreement with the Economic Development Corporation (EDC) for the Hotel Occupancy Tax Funds

City Manager Bob Hart stated that this agreement would allow the implementation of the existing Ordinance.

Motion To authorize the Mayor to sign the agreement with the Economic Development Corporation for the Hotel Occupancy Tax Fund. **Action** Approve, **Moved By** Charles Overstreet, **Seconded By** Liz Carrington
Motion passed Unanimously

E. Review and consider contract for Animal Control services from North Texas Animal Control Authority

Chief Tommy Williams stated that staff is requesting approval for Animal Control services with North Texas Control Authority. Kerry Payne, the owner is here in the audience. As you are aware, Dianna Garcia has been out for months now with a serious back injury, and we need something to bridge the gap. I'm always afraid when we send out officers who are untrained to respond to a vicious dog report. This will address the on-call, and daily patrol service. We can get as much, or as little, as we want to pay for. The City will list his employees as our contract employees so that Fort Worth will continue to take the animals. There are some additional services that we do not currently offer. Staff feels this is a standard contract that will meet our needs until we can evaluate where Dianna is in her recovery.

Motion To approve a contract with North Texas Animal Control Authority for animal control services. **Action** Approve, **Moved By** Liz Carrington, **Seconded By** Kelly Turner.
Motion passed Unanimously

XIII. EXECUTIVE SESSION

Mayor Johnson recessed into executive session at 9:08 p.m.

A. The City Council may meet in closed session at any time during the work session or the regular session, pursuant to Section 551.071 of the Texas Government Code for consultation with the City Attorney pertaining to any matter in which the duty of the City Attorney under the

Texas Disciplinary Rules of Professional Conduct may conflict with the Open Meetings Act, including discussion on any item posted on the agenda and legal issues regarding litigation, settlement offers, and/or claims regarding the following matters:

1. Keith Kidwill vs The City of Kennedale, Texas
2. Waiver of Attorney/Client Privilege

The City Council will meet in closed session pursuant to Section 551.072 of the Texas Government Code to deliberate the purchase, exchange, lease, or value of real property for the following:

1. 108 New Hope Road
2. 6727 Hudson Village Creek Road
3. 532 Trent Street

The Kennedale City Council will meet in closed session pursuant to Section 551.087 of the Texas Government Code to deliberate the offer of a financial or other incentive to a business project with whom the city is conducting economic development negotiations.

1. Discuss a 380 Agreement for Hospitality Project

The City Council will meet in closed session pursuant to Section 551.074 of the Texas Government Code to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee.

1. Appoint Interim City Manager

XIV. RECONVENE INTO OPEN SESSION, AND TAKE ACTION NECESSARY PURSUANT TO EXECUTIVE SESSION, IF NEEDED

Mayor Johnson reconvened into open session at 9:21 p.m.

Motion To authorize the purchase of a lot and home located at 532 Trent Street and to pay relocation expenses, as discussed in Executive Session. **Action** Approve, **Moved By** Michael Walker, **Seconded By** Charles Overstreet.
Motion passed Unanimously

Motion To authorize the Mayor to sign a 380 Agreement for a Hospitality Project with Karmali Holdings, LLC. **Action** Approve, **Moved By** Michael Walker, **Seconded By** Charles Overstreet.
Motion passed Unanimously

Motion To appoint George Campbell as Interim City Manager and authorize the Mayor to negotiate a contract for personnel services. **Action** Approve, **Moved By** Michael Walker, **Seconded By** Charles Overstreet
Motion passed Unanimously

XV. ADJOURNMENT

Motion To adjourn. **Action** Adjourn, **Moved By** Kelly Turner, **Seconded By** Liz Carrington. **Motion passed Unanimously**

The meeting was adjourned at 9:55 p.m.

APPROVED:

Brian Johnson, Mayor

ATTEST:

Leslie Galloway, City Secretary

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: REQUIRED APPROVAL ITEMS (CONSENT) - C.

I. Subject:
Consider approval of minutes from February 11, 2017 special meeting

II. Originated by:

III. Summary:
Please see the attached minutes for your approval.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:
Approve

VII. Alternative Actions:

VIII. Attachments:

1.	City Council Special Meeting Minutes - February 11, 2017	2-11-17 Special.pdf

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KENNEDALE CITY COUNCIL

MINUTES
SPECIAL MEETING
February 11, 2017
CITY HALL JURY ROOM, 405 MUNICIPAL DRIVE
REGULAR SESSION - 10:00 AM

I. CALL TO ORDER

Mayor Pro-Tem Kelly Turner called the meeting to order at 10:12 a.m., and recessed directly into Executive Session.

II. ROLL CALL

Present: Frank Fernandez, Kelly Turner, Liz Carrington, Charles Overstreet, Michael Walker
Absent: Brian Johnson

III. EXECUTIVE SESSION

Mayor Pro-Tem Kelly Turner recessed into executive session at 10:12 a.m.

A. The City Council will meet in closed session pursuant to Section 551.074 of the Texas Government Code to deliberate the appointment, employment, and duties of the City Manager.

1. Review candidate submissions for the role of City Manager and determine the selection process and timeline.

IV. RECONVENE INTO OPEN SESSION, AND TAKE ACTION NECESSARY PURSUANT TO EXECUTIVE SESSION, IF NEEDED

No action required.

V. ADJOURNMENT

Meeting was adjourned at 10:54 a.m.

APPROVED: ATTEST:

_____ _____
Brian Johnson, Mayor Leslie Galloway, City Secretary

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: REQUIRED APPROVAL ITEMS (CONSENT) - D.

I. Subject:
Consider approval of minutes from February 17, 2017 special meeting

II. Originated by:

III. Summary:
Please see the attached minutes for your approval.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:
Approve

VII. Alternative Actions:

VIII. Attachments:

1.	City Council Special Meeting Minutes - February 17, 2017	2-17-17 Special.pdf

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KENNEDALE CITY COUNCIL

MINUTES
SPECIAL MEETING
February 17, 2017
6:00 PM

I. CALL TO ORDER

Mayor Johnson called the meeting to order at 6:13 p.m.

II. ROLL CALL

Present: Frank Fernandez, Brian Johnson , Kelly Turner, Charles Overstreet, Michael Walker
Absent: Liz Carrington

III. EXECUTIVE SESSION

Mayor Brian Johnson recessed into Executive Session immediately following the roll call.

A. The City Council will meet in closed session pursuant to Section 551.074 of the Texas Government Code to deliberate the appointment, employment, and duties of the City Manager.

1. Interview candidates for City Manager position

IV. RECONVENE INTO OPEN SESSION, AND TAKE ACTION NECESSARY PURSUANT TO EXECUTIVE SESSION, IF NEEDED

Mayor Johnson reconvened into open session at 8:20 p.m.

V. ADJOURNMENT

The meeting was adjourned.

APPROVED:

Brian Johnson, Mayor

ATTEST:

Leslie Galloway, City Secretary

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: REQUIRED APPROVAL ITEMS (CONSENT) - E.

I. Subject:
Consider acceptance of the Vineyards subdivision (Phases 1 and 2)

II. Originated by:

III. Summary:
Staff recommends the acceptance of the public improvements for streets, water, wastewater, and drainage for Vineyards Phase I and 2. These assets are being deeded to the city and per public works meet the criteria for acceptance into the city.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

1.	Vineyards Phase I Acceptance Letter	Vineyards acceptance letter.docx

KENNEDALE
Public Works

December 04, 2015

Terrance Jobe
Alluvium Developement
Fort Worth, Texas

Dear Mr. Jobe,

Please accept this letter as official notification of the acceptance of the public improvements with the Vineyards Phase 1 Development. An inspection was performed on Monday November 23, 2015 and found a few minor items that can be completed as you proceed with the Phase 2 construction.

Please use this letter as notification to start the two year maintenance bond as specified in the contract. The Staff is pleased with the cooperation and professionalism of the employees and the quality of work performed on the project.

Sincerely

Larry Hoover
Public Works Inspector

Cc: Larry Ledbetter, Public Works Director
Cc: Bob Hart, City Manager

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: REQUIRED APPROVAL ITEMS (CONSENT) - F.

I. Subject:
Review and accept an amended racial profiling data sheet

II. Originated by:

Tommy Williams, Police Chief

III. Summary:
We were informed this year that TCOLE is no longer accepting reports with the racial group "Other/Unknown." We are in the process of having it removed from our electronic ticket writers and have instructed all employees to cease using the group listing immediately. TCOLE refused to give any advice on how to handle the 20 "Other" contacts already in place for last year's report. It was decided that the "other/unknown" numbers would be rolled into the White race category. This was done in order to report correct number of contacts properly. This data sheet represents the corrected report that will be submitted to TCOLE for uploading to their system.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:
None

VII. Alternative Actions:

VIII. Attachments:

1.	2016 Racial Profile Data	Racial+Profiling+Data+Sheet+2016+(Amended).pdf

Kennedale Police Department
Racial Profiling Data
01-01-2016 through 12-31-2016

Race	*Traffic Stops*	*Arrests From Traffic Stops*	*Total Searches Conducted*	*Consent Searches Conducted*	*Representative Population - Kennedale Area*	*Represntative Population - Tarrant County*
White	**920**	**11**	**17**	**8**	**57.00%**	**57.00%**
Percent of Group Total	62.20%					
Black	**282**	**6**	**10**	**3**	**16.00%**	**13.00%**
Percent of Group Total	19.10%					
Hispanic	**242**	**2**	**5**	**1**	**26.00%**	**24.00%**
Percent of Group Total	16.40%					
Asian	**26**	**0**	**0**	**0**	**4.00%**	**4.00%**
Percent of Group Total	1.80%					
Native American	**1**	**0**	**0**	**0**	**0.06%**	**0.01%**
Percent of Group Total	0.00%					
Middle Eastern	**7**	**0**	**1**	**0**		
Percentage of Group Tota	0.50%					
Total	**1478**	**19**	**33**	**12**		

Race/Ethnicity Known Before Stop? **Yes - 31 (2%)** **No - 1447 (98%)**

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: REQUIRED APPROVAL ITEMS (CONSENT) - G.

I. Subject:
Consider approval of an interlocal agreement with Tarrant County for roadway striping

II. Originated by:

III. Summary:
This agreement will place a double yellow center line and a white edge line on the asphalt streets selected. The selected streets are:

Dick Price Road between UPRR and Green Circle (12,261 LF)

New Hope Road between Kennedale Parkway and Hudson Village Creek Road (9,223 LF)

Eden Road between JR Hawkins Road and Mansfield Cardinal Road; between Mansfield Cardinal and Kennedale Parkway; and between Kennedale Parkway and Hudson Village Creek Road (7,282 LF)

Sublett Road West between Little School Road and Kennedale Parkway (3,962 LF)

Mansfield Cardinal Road between Kennedale Parkway and Kennedale city limit (8,496 LF)

Gilman Road between Kennedale Parkway and the end of the road (3,900 LF)

Link Street between Oak Crest Drive and Kennedale Parkway (1,665 LF)

Corry A. Edwards between Third Street and Bowman Springs Road (4,097 LF)

Hudson Village Creek Road between Kennedale-New Hope Road and Eden Road (5,872 LF)

The striping will conform to TxDOT and Texas Manual for Uniform Traffic Control Devices (TxMUTCD) standards and is a water based paint.

The City of Kennedale will pay for the materials on this project, which is $ 0.033 LF, for a total cost of $7,492,06.

IV. Fiscal Impact Summary:
The project will be funded by the Street Maintenance Fund.

V. Legal Impact:

VI. Recommendation:
Approve

VII. Alternative Actions:

VIII. Attachments:

1.	Tarrant County Interlocal Agreement	ILA - Striping with Tarrant Co..pdf

THE STATE OF TEXAS

INTERLOCAL AGREEMENT

COUNTY OF TARRANT

This Interlocal Agreement is between Tarrant County, Texas ("COUNTY"), and the City of Kennedale ("CITY").

WHEREAS, the CITY is requesting the COUNTY's assistance applying permanent roadway striping on the following streets (the "Project"), located within the CITY:

- Dick Price Road between UPRR and Green Circle. (12,261 LF)
- New Hope Road between Kennedale Parkway and Hudson Village Creek Road. (9,223 LF)
- Eden Road between JR Hawkins Road and Mansfield Cardinal Road, between Mansfield Cardinal Road and Kennedale Parkway, and between Kennedale Parkway and Hudson Village Creek Road. (7,282 LF)
- Sublett Road West between Little School Road and Kennedale Parkway. (3,962 LF)
- Mansfield Cardinal Road between Kennedale Parkway and the Kennedale city limit. (8,496 LF)
- Gilman Road between Kennedale Parkway and the end of the road. (3,900 LF)
- Link Street between Oak Crest Drive and Kennedale Parkway. (1,665 LF)
- Corry Edwards between Third Street and Bowman Springs Road. (4,097 LF)
- Hudson Village Creek Road between Kennedale-New Hope and Eden Road. (5,872 LF)

WHEREAS, the Interlocal Cooperation Act contained in Chapter 791 of the Texas Government Code provides legal authority for the parties to enter into this Agreement; and

WHEREAS, during the performance of the governmental functions and the payment for the performance of those governmental functions under this Agreement, the parties will make the performance and payment from current revenues legally available to that party; and

WHEREAS, the Commissioners Court of the COUNTY and the City Council of the CITY each make the following findings:

a. This Agreement serves the common interests of both parties;

b. This Agreement will benefit the public;
c. The division of costs fairly compensates both parties to this Agreement; and
d. The CITY and the COUNTY have authorized their representative to sign this Agreement; and
e. The COUNTY and CITY acknowledge that they are each a "governmental entity" and not a "business entity" as those terms are defined in Tex. Gov't Code § 2252.908, and therefore, no disclosure of interested parties pursuant to Tex. Gov't Code Section 2252.908 is required.

NOW, THEREFORE, the COUNTY and the CITY agree as follows:

TERMS AND CONDITIONS

1. COUNTY RESPONSIBILITY

The COUNTY will furnish the labor, equipment and materials to assist the CITY in completing the Project.

The County will use waterborne acrylic traffic paint, and type II glass traffic beads that comply with current Texas Department of Transportation specifications.

The County will apply the striping during the hours of 8:30 AM to 2:30 PM, Monday to Friday.

2. CITY RESPONSIBILITY

The CITY will pay the COUNTY for the cost of materials as determined by the total linear footage of each stripe multiplied by the current cost ($ 0.033) per linear foot of four inch stripe. Painted arrows and legend markings will be charged at a cost per each.

The CITY will provide striping documentation if there are no markings present or no longer visible, and if passing lanes or ANY deviation from the original striping is requested.

The CITY will provide a staging area if needed, and personnel to provide flagging and/or traffic control assistance as necessary.

The CITY will ensure prior to striping that the roadway surface is clean and serviceable for application of paint, and that temporary tabs and construction markings are removed.

The CITY will pay COUNTY the invoiced amount for all striping, upon completion of the Project. The estimated cost of striping for this project is $7,492.06 plus the cost of any arrows and legend markings.

3. PROCEDURES DURING PROJECT

If the CITY has a complaint regarding the COUNTY's performance of the Project, the CITY must complain in writing to the COUNTY no later than 30 days of the date of Project completion.

4. NO WAIVER OF IMMUNITY

This Agreement does not waive COUNTY rights under a legal theory of sovereign immunity. This Agreement does not waive CITY rights under a legal theory of sovereign immunity.

5. TIME PERIOD FOR COMPLETION

The CITY will give the COUNTY notice to proceed at the appropriate time. However, the COUNTY is under no duty to commence construction at any particular time.

6. THIRD PARTY

This contract shall not be interpreted to inure to the benefit of a third party not a party to this contract. This contract may not be interpreted to waive any statutory or common law defense, immunity, including governmental and sovereign immunity, or any limitation of liability, responsibility, or damage of any party to this contract, party's agent, or party's employee, otherwise provided by law.

7. JOINT VENTURE & AGENCY

The relationship between the parties to this Agreement does not create a partnership or joint venture between the parties. This Agreement does not appoint any party as agent for the other party.

8. EFFECTIVE DATE

This Agreement becomes effective when signed by the last party whose signing makes the Agreement fully executed.

9. TERMINATION OF AGREEMENT

This Agreement will automatically terminate upon completion of the Project or September 30, 2017, whichever date occurs first. Either party may terminate this

Agreement for convenience by providing thirty (30) days' prior written notice to the other party of intent to terminate. This Agreement may be renewed prior to its expiration upon the mutual consent of the parties in writing.

TARRANT COUNTY, TEXAS

_____
COUNTY JUDGE

Date: _____

CITY OF KENNEDALE

_____
Authorized City Official

Date: _____

Recommended for Approval:

_____
COMMISSIONER, PRECINCT 2

APPROVED AS TO FORM*

_____
Criminal District Attorney's Office*

* By law, the Criminal District Attorney's Office may only approve contracts for its clients. We reviewed this document as to form from our client's legal perspective. Other parties may not rely on this approval. Instead those parties should seek contract review from independent counsel.

APPROVED AS TO FORM AND LEGALITY

_____
City Attorney

KENNEDALE
Planning and Zoning Commission
www.cityofkennedale.com

STAFF REPORT TO THE PLANNING & ZONING COMMISSION

Date: February 27, 2017
Agenda Item No: REGULAR ITEMS (B)

I. SUBJECT

CASE # PZ 17-04 to hold a public hearing and consider approval of Ordinance 622 regarding an amendment to the Unified Development Code, as adopted by Ordinance 605, to amend Article 10 General Provisions for All Districts Section 10.17 "Walls and Fences" and Article 13 Landscaping, Screening, and Lighting Sections 13.6 "Buffering" and 13.8 "Screening."

II. SUMMARY

BACKGROUND AND OVERVIEW	
Request	Amend UDC
Applicant	City of Kennedale
Staff Recommendation	Approve
Planning & Zoning Commission Recommendation	Approve

BACKGROUND & OVERVIEW

Last month, the Planning & Zoning Commission approved changes to the screening regulations in the Unified Development Code. At that time, you also discussed possible future changes to those regulations. And when the ordinance was considered by City Council later that month, one of the Council members requested the Planning & Zoning Commission consider regulations for when a site isn't screened as intended because changes in a property's topography. The ordinance you are considering addresses the Commission's and Council's requests for changes to the UDC and also improves some organization to the changes approved last month.

STAFF REVIEW

Description of recommended changes

Fencing materials

The proposed ordinance would require metal posts and metal framing for wooden privacy fences. It would also require the fences used for buffering between incompatible zoning districts to be extend downward to within three (3) inches of the ground and to test plumb at all times. And finally, it would amend Section 13 to require the fence materials required under Article 10 of the UDC (it was implied

before that these materials were required, but the proposed amendment would make that requirement explicit).

Height of screening fence

Sometimes the topography of a site mean the materials or property to be screened are still visible even when an 8-foot privacy fence is used. Members of both the Planning & Zoning Commission and City Council have asked staff to look at ways to make sure screening is done as intended in these cases. Section 6 of the ordinance would require a berm or retaining wall to be used in addition to a screening fence when a property has these kinds of topography challenges.

STAFF RECOMMENDATION

Staff recommends approval.

RECOMMENDATION FROM THE PLANNING & ZONING COMMISION

The Planning & Zoning Commission considered this ordinance during its regular meeting on February 16. The Commission voted to recommend approval but with a change in wording from requiring metal framing for a wooden fence to requiring metal brackets. This change is intended to make the requirement is more understandable to anyone who might read it.

ACTION BY THE CITY COUNCIL

Approval: Based on the information presented, I find that the request meets city requirements for amending the UDC and make a motion to approve Ordinance 622.

Approval with Conditions: Based on the information presented, I find that the request meets city requirements for amending the UDC and make a motion to approve Ordinance 622.

Deny: Based on the information presented, I find that the request does not meet city requirements and make a motion to deny the request.

ORDINANCE NO. 622

AN ORDINANCE AMENDING THE UNIFIED DEVELOPMENT CODE OF THE CITY OF KENNEDALE, TEXAS BY AMENDING ARTICLE 13, LANDSCAPING, SCREENING, AND LIGHTING, SECTION 13.6 BUFFERING AND SECTION 13.8 SCREENING; BY AMENDING ARTICLE 32 GENERAL DEFINITIONS, SECTION 32.2 GENERAL DEFINITIONS; PROVIDING THAT THIS ORDINANCE SHALL BE CUMULATIVE OF ALL ORDINANCES; PROVIDING A SEVERABILITY CLAUSE; PROVIDING A PENALTY FOR VIOLATIONS HEREOF; PROVIDING A SAVINGS CLAUSE; PROVIDING FOR PUBLICATION IN THE OFFICIAL NEWSPAPER; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Kennedale is a home rule city acting under its charter adopted by the electorate pursuant to Article XI, Section 5, of the Texas Constitution and Chapter 9 of the Local Government Code; and

WHEREAS, the City Council has adopted a Unified Development Code that regulates the location and use of buildings, other structures and land for business, industrial, residential or other purposes, for the purpose of promoting the public health, safety, morals and general welfare, all in accordance with a comprehensive plan and that otherwise regulates the development and use of properties within the city limits of the City of Kennedale; and

WHEREAS, in order to promote the public health, safety and general welfare the City Council desires to amend the Unified Development Code as provided in this ordinance; and

WHEREAS, the Planning and Zoning Commission of the City of Kennedale, Texas held a public hearing on February 16, 2017, and the City Council of the City of Kennedale, Texas held a public hearing on February 27, 2017, with respect to the amendments described herein; and

WHEREAS, the City has complied with all requirements of Chapter 211 of the Local Government Code, Section 22 of the Unified Development Code, and all other laws dealing with notice, publication, and procedural requirements for amending the Unified Development Code.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, THAT:

SECTION 1.

Sub-section 10.17.G.1.a of Section 10.17 “Materials” of Article 10, “General Provisions for All Districts” of the Unified Development Code of the City of Kennedale, Texas, as

amended, is hereby amended to read as follows:

a. Wood fences must have metal posts and metal brackets.

SECTION 2.

Sub-section 10.17.G.1.d of Section 10.17 “Materials” of Article 10, “General Provisions for All Districts” of the Unified Development Code of the City of Kennedale, Texas, as amended, is hereby amended to read as follows:

> d. Walls and fences, including gates, shall be constructed of new, durable, weather-resistant, rustproof, and easily maintainable materials customarily used in the construction of walls and fences, such as wood, wrought iron, exposed aggregate tilt wall, fired masonry, or wood rail construction. This shall not preclude the use of decorative metal materials when consistent with the intent of this section, the character of the area in which the fence is to be placed, and as approved by the Administrator.

SECTION 3.

Sub-section 13.6.A “Buffering” of Article 13, “Landscaping, Screening, and Lighting” of the Unified Development Code of the City of Kennedale, Texas, as amended, is hereby amended by adding sub-section 7 to read as follows:

> 7. For development within an “I” Industrial zoning district or within a “C-2” general commercial zoning district adjacent to a Type 1 zoning district (as shown in Table 13.6), a solid screening fence is required, and the minimum landscaping requirement shall be reduced by in accordance with Section 13.6.C.3.
>
> a. The fence shall have a minimum height of six (6) feet and a maximum height of eight (8) feet.
> b. The fence shall be of the following materials: wood, exposed aggregate tilt wall, fired masonry, or other approved masonry material. Wood screening fences must have metal framing.
> c. A person erecting a wood screening fence shall ensure that the smooth side faces adjoining streets and the posts and rails face the interior of the lot.
> d. Compliance with the buffering and screening requirements shall be the responsibility of the owner or property owner of the development within the “I” Industrial or “C-2” general commercial district.
> e. The fence shall extend downward to within three (3) inches of the ground and shall test plumb and square at all times.

SECTION 4.

Sub-section 13.6.C.3 “Privacy Fence” of Article 13, “Landscaping, Screening,

and Lighting" of the Unified Development Code of the City of Kennedale, Texas, as amended, is hereby amended to read as follows:

3. Privacy Fence.

A. A privacy fence may be used to supplement landscaping. For the linear footage a privacy fence is used, the minimum landscaping requirement shall be reduced by 75 percent for "C-1" Restricted commercial zoning districts and by 50 percent for "C-2" General commercial and "I" Industrial zoning districts. Minimum buffer width must be maintained.

B. To qualify for the reduction in minimum landscaping requirement, privacy fences must meet the following requirements:

1. Six (6) foot minimum height.
2. Placed at least five (5) feet from the property line.
3. Gaps between pickets must be no greater than one-half (½) of an inch.
4. Materials shall be as required under 13.6.A.7.b regardless of zoning district.
5. A person erecting a wood screening fence shall ensure that the smooth side faces adjoining streets and the posts and rails face the interior of the lot. Wood fences shall have metal posts and framing.
6. The privacy fence shall extend downward to within three (3) inches of the ground and shall test plumb and square at all times.

SECTION 5.

Sub-section 13.8.F.3 "Fences" of Article 13, "Landscaping, Screening, and Lighting" of the Unified Development Code of the City of Kennedale, Texas, as amended, is hereby amended as follows:

Fences. Fences shall be constructed of materials as described in Section 10.17.G.1.

SECTION 6.

Section 13.8 "Screening" of Article 13, "Landscaping, Screening, and Lighting," of the Unified Development Code of the City of Kennedale, Texas, as amended, is amended to add sub-section H and sub-section I, to read as follows:

H. Materials. Unless otherwise required by this code, fences or walls shall be constructed of materials as described in Section 10.17.G.1 of this code.

I. Height of screening materials. Height of materials used for screening shall not exceed eight feet; however, when changes in grade or topography allow materials or property that are required to be screened to be visible from the public right-of-way even after installation of the required

screening fence, then the fence shall be placed on a berm or retaining wall meeting city regulations to ensure the materials or property are not visible from the right-of-way. The berm or retaining wall and fence shall be installed so that the top and bottom fence lines are even and consistent at all times. In spite of the requirement that a berm or retaining wall shall be used, in no case shall the berm or retaining wall exceed a height determined by the building official to be safe.

SECTION 7.

This Ordinance shall be cumulative of all provisions of ordinances and of the Unified Development Code of the City of Kennedale, Texas (2016), except when the provisions of this Ordinance are in direct conflict with the provisions of such ordinances and such code, in which event the conflicting provisions of such ordinances and such code are hereby repealed.

SECTION 8.

It is hereby declared to be the intention of the City Council that the sections, paragraphs, sentences, clause, or phrase of this Ordinance shall be declared unconstitutional by the valid judgment or decree of any court of competent jurisdiction such unconstitutionality shall not affect any of the remaining sections, paragraphs, sentences, clause, and phrases of this Ordinance, since the same would have been enacted by the City Council without the incorporation in this Ordinance of any such unconstitutional section, paragraph, sentence, clause, or phrase.

SECTION 9.

Any person, firm, or corporation who violates, disobeys, omits, neglects or refuses to comply with or who resists the enforcement of any of the provisions of this Ordinance shall be fined not more than Two Thousand Dollars ($2,000.00). Each day that a violation is permitted to exist shall constitute a separate offense.

SECTION 10.

All rights and remedies of the City of Kennedale are expressly saved as to any and all violations of the provisions of any ordinances governing zoning that have accrued at the time of the effective date of this Ordinance; and, as to such accrued violations and all pending litigation, both civil and criminal, whether pending in court or not, under such ordinances, same shall not be affected by this Ordinance but may be prosecuted until final disposition by the courts.

SECTION 11.

The City Secretary of the City of Kennedale is hereby directed to publish in the official newspaper of the City of Kennedale the caption, the penalty clause, the

publication clause, and the effective date clause of this ordinance as provided by Section 3.10 of the Charter of the City of Kennedale.

SECTION 12.

This Ordinance shall be in full force and effect from and after the date of its passage and publication as required by law, and it is so ordained.

PASSED AND APPROVED ON THIS 27TH DAY OF FEBRUARY, 2017.

_____

MAYOR, BRIAN JOHNSON

ATTEST:

_____

CITY SECRETARY, LESLIE GALLOWAY

EFFECTIVE: _____

APPROVED AS TO FORM AND LEGALITY:

_____

CITY ATTORNEY

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Staff Report to the Honorable Mayor and City Council

Date: February 27, 2017

Agenda Item No: DECISION ITEMS - B.

I. Subject:
Discuss and consider approval of independent auditor's report (Comprehensive Annual Financial Report (CAFR)) for the fiscal year ended September 30, 2016

II. Originated by:

Finance Director, Director of Finance & IT

III. Summary:

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:
Approve

VII. Alternative Actions:

VIII. Attachments: