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KENNEDALE CITY COUNCIL AGENDA

REGULAR MEETING | March 19, 2018
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 §551.071, Texas Government Code, 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 FY2017 annual audit – Comprehensive Annual Financial Report (CAFR)

B. Discussion of seeking an RFP to conduct another Comprehensive Audit of all City Funds

C. Discussion of proposed capital improvement projects and related Certificate of Obligation (CO) issuance

D. Discuss scheduling of monthly City Council Regular Meetings and Work Sessions

E. Discussion of potential amendments to the Economic Development Corporation (EDC) Bylaws

F. Discussion of request to pay invoice for outside legal counsel engaged by Mayor Pro Tem Joplin

G. Discussion of items on Regular Session

III. REGULAR SESSION

IV. ROLL CALL

V. INVOCATION

VI. UNITED STATES PLEDGE AND TEXAS PLEDGE

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

VII. VISITOR/CITIZENS FORUM

At this time, any person with business before the City Council not scheduled on the agenda may address the Council, provided that an official 'Speaker's Request 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, rather than individual Councilmembers or staff. All speakers must limit their comments to the subject matter as listed on the 'Speaker's Request Form.' No formal action or discussion can be taken on these items.

A. Presentation by One Safe Place

VIII. REPORTS/ANNOUNCEMENTS

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

A. Updates from the City Council

B. Updates from the City Manager

C. Updates from the Mayor
    • Proclamation presentation in recognition of Kids to Parks Day (Saturday, May 19, 2018)

IX. MONITORING INFORMATION

A. Monthly Financials – February 2018

B. Monthly EDC Financials and Activity Report

X. INCIDENTAL ITEMS

XI. 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, an item can be removed from the Consent Agenda and considered separately.

A. Consider approval of minutes from February 15, 2018 regular meeting

B. Consider approval of minutes from March 5, 2018 special meeting

C. Consider approval of Ordinance 641, approving a tariff authorizing an annual Rate Review Mechanism (“RRM”) as a substitution for the annual interim rate adjustment process defined by section 104.301 of the Texas Utilities Code, and as negotiated between Atmos Energy and the Steering Committee of Cities Served by Atmos

D. Consider approval of purchase of a John Deere 4M tractor through the HGACBuy program for the Streets & Parks Department

XII. DECISION ITEMS

A. Discuss and consider acceptance of independent auditor's report (Comprehensive Annual Financial Report (CAFR)) for the fiscal year ended September 30, 2017

B. Conduct a Public Hearing to consider authorizing funding participation with Tarrant County Community Development and Housing for the 44th Year Community Development Block Grant (CDBG) Project for water line improvements on Danny Drive

    1. Staff Presentation
    2. Public Hearing
    3. Staff Response and Summary

C. Consider approval of Resolution 521 authorizing funding participation with Tarrant County Community Development and Housing for the 44th Year Community Development Block Grant (CDBG) Project for water line improvements on Danny Drive

D. Consider appointment of Chair and Vice Chair of the Planning and Zoning Commission

E. Consider adoption of Resolution 519, adopting a policy for the calling of Regular and Special Meetings of the City Council and for the placement of items on the Council's Regular Agenda

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

XIV. EXECUTIVE SESSION
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, legal issues regarding the Open Meetings Act, and pending litigation and settlement offers for the following cases:

A. Eric Elam v. Leslie Galloway (City of Kennedale); Cause # SC9342

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 MARCH 19, 2018 AGENDA WAS POSTED ON THE BULLETIN BOARD NEXT TO THE MAIN ENTRANCE OF CITY HALL, 405 MUNICIPAL DRIVE, OF THE CITY OF KENNEDALE, TEXAS, IN A PLACE CONVENIENT AND READILY ACCESSIBLE TO THE GENERAL PUBLIC AT ALL TIMES, AND THAT SAID AGENDA WAS POSTED AT LEAST 72 HOURS PRECEDING THE SCHEDULED 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: March 19, 2018

Agenda Item No: WORK SESSION - A.

I. Subject:
Presentation of the FY2017 annual audit – Comprehensive Annual Financial Report (CAFR)

II. Originated by:

III. Summary:

Paula Lowe, a partner in the Governmental Audit Division at Pattillo, Brown & Hill, will present the CAFR for FY2017 (October 1, 2016 – September 30, 2017).

GENERAL NOTES TO KEEP IN MIND, REGARDING THIS DOCUMENT

- The EDC is not included in this audit, as they undergo a separate audit, which will be presented at the next Regular Meeting of the EDC Board, on Tuesday, March 27, at 7:00 p.m..
- The term 'Governmental Funds' encompasses all non-Water/Sewer Funds; the term 'Non-Major Governmental Funds' includes LEOSE (Law Enforcement Officers Standards and Education), Park Dedication, Capital Projects, Roadway Impact Fees, Library Building, and Capital Bond Funds; and the term 'General Fund' refers to all other funds (not just our budgetary General Fund) and includes Streets, Capital Replacements, etc.
- 'Water and Wastewater' includes restricted water and sewer impact fees; however, the Stormwater Fund is, for the first time, reported separately.

BUDGETARY HIGHLIGHTS

1. The FY16-17 Adopted Budget included an $840,000 drawdown to the General Fund. This fund was only actually reduced by about $100,000, due primarily to the following:

    - **Revenue:** Taking out a ~$400,000 loan
    - **Expenditures:** ~$100,000 in first-year capital savings by partnering with Enterprise Fleet Management; and ~$300,000 in combined General Fund savings, largely driven by staff turnover and strong expenditure controls from Department Heads

2. There was a large savings in the Water & Sewer Fund, due to reduced costs in purchased water and wastewater from the Cities of Fort Worth and Arlington. Although this short-term strategy of increased reliance on wells produced real savings, it is not sustainable. Additional significant savings were realized through delayed capital and maintenance projects.

STAFF-CALCULATED CLOSING AVAILABLE FUND BALANCE FOR SIGNIFICANT FUNDS			
FUNDS	**Available Fund Balance**	**Projected at Budget**	**Notes**
General Fund	$ 1,340,336	$ 1,104,740	*see Budgetary Highlight 1 (above)*
Debt Service Fund	$ 41,982	$ 47,484	
Capital Replacement Fund	$ 352,651	$ 201,599	*phone/computer replacement delayed*
Street Fund	$ 309,804	$ 260,262	*some increase in franchise fee revenue*
Water & Sewer Fund	$ 1,045,984	$ 464,027	*see Budgetary Highlight 2 (above)*
Stormwater Fund	$ 169,428	$ 708,525	*CIP (Construction in Progress) erroneously included in prior carryover balance*

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

1.	Comprehensive Annual Financial Report FY17	Comprehensive Annual Financial Report 2017.pdf
2.	Required Communication with Governance 2017	Required Communication with Governance 2017.pdf
3.	Representation Letter (CAFR)	CAFR_ City Representation Letter.pdf

City of KENNEDALE Texas
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Comprehensive Annual Financial Report

CITY OF KENNEDALE, TEXAS
YEAR ENDED SEPTEMBER 30, 2017

CITY OF KENNEDALE, TEXAS
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March 15, 2018

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, 2017, 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, 2017, 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, 2017, 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 8,315. 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, City Attorney and Municipal Judges. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the executive directors, and heads of departments, and the performance of functions within the municipal organization.

The City of Kennedale provides a full range of services including police, fire, emergency medical service, municipal court, library, parks, water distribution, wastewater collection, solid waste collection, curb-side recycling, streets, storm water drainage, community development (planning, code enforcement, 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 International Airport, downtown Fort Worth just 15 minutes to the west, and downtown Dallas just 20-25 minutes to the east. Furthermore, the City of Kennedale is within just a short drive to major entertainment venues including, but not limited to, Six Flags over Texas, Hurricane Harbor, Texas Motor Speedway, Globelife 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) continues. 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 was recently sold to a hotel developer. The KEDC is also working with property owners in the area to develop their land. The Town Center has completed a spec building, along with the openings of a martial arts studio, electric supply store, Dickie's, and new bar in 2017. The KEDC anticipates the main building will be fully rented out by year end.

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

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

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

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

Long-Term Financial Planning.

CURRENT YEAR PROJECTS

The City of Kennedale leverages its resources by working with TxDOT and Tarrant County to enhance its transportation network. Road projects are funded by the City purchasing road material, and the Tarrant County Precinct 2 road crews building the roadways. Opening Link Street has enhanced the opportunity for economic development at the north entry to Kennedale (Oak Crest area) and the extension provides access to the new McDonald's. The City plans to be active partners when possible to continue development.

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 to convert racetrack property. 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). Flood control and water quality planning activity may be essential to the City's efforts to encourage closure of a portion or all of the salvage yards located in the Village Creek floodplain.

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

FUTURE PROJECTS

Beyond physical improvements in Kennedale, there will continue to be a focus on operational efficiencies and strategic planning.

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

RELEVANT FINANCIAL POLICIES

The city will work towards controlling expenditures and exploring new revenue opportunity to grow the general fund balance. Efforts have been put into place to restore net working capital in the water and sewer fund. The City did receive a bond rating upgrade from Standard & Poor's to "AA-" from "A+" following closing of the previous 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, 2016. This was the thirteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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

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

Respectfully Submitted,

George Campbell
City Manager

Brady Olsen
Director of Finance & IT

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

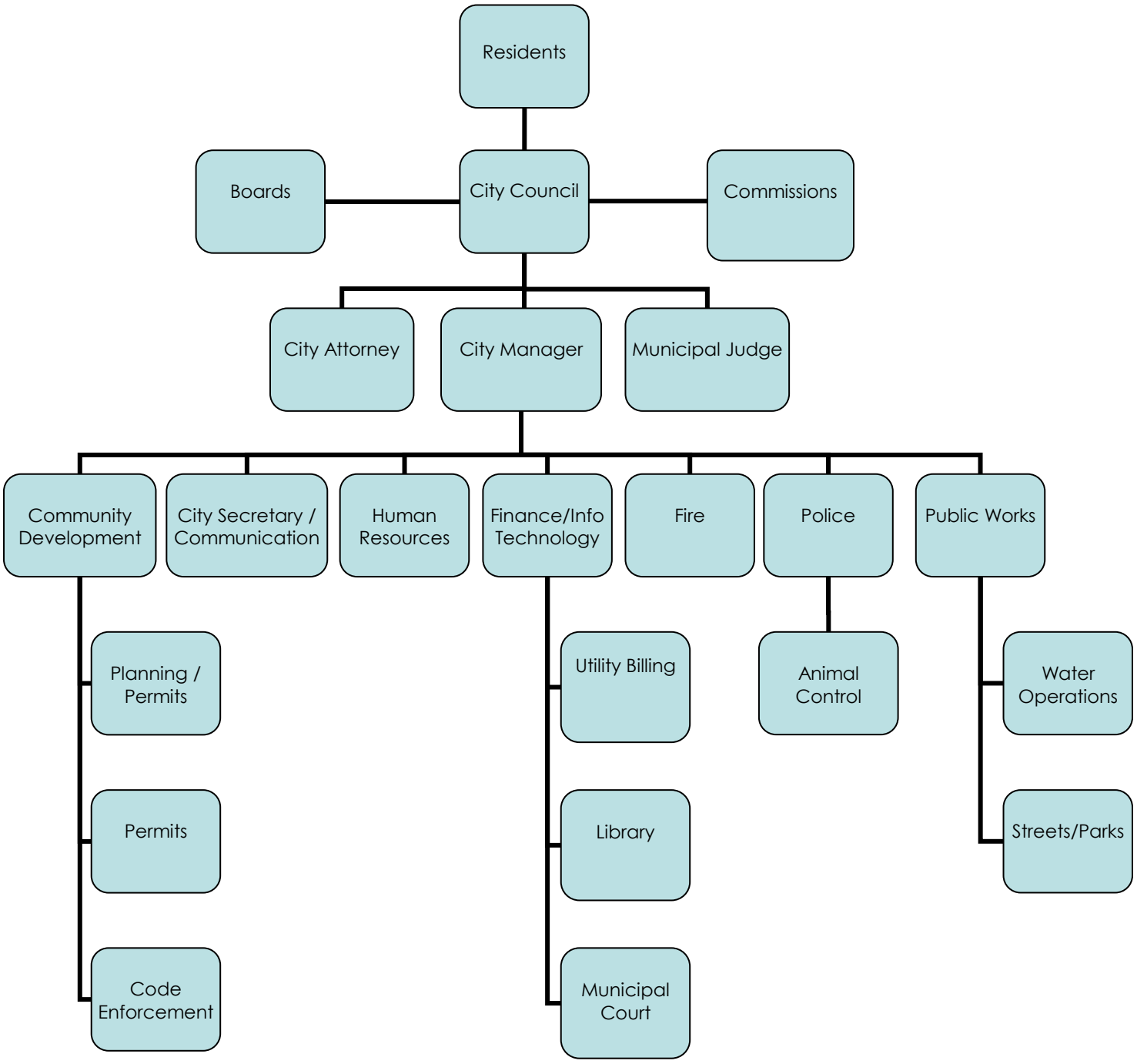
City of Kennedale Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

Executive Director/CEO


Residents
Boards
City Council
Commissions
City Attorney
City Manager
Municipal Judge
Community Development
City Secretary / Communication
Human Resources
Finance/Info Technology
Fire
Police
Public Works
Planning / Permits
Permits
Code Enforcement
Utility Billing
Library
Municipal Court
Animal Control
Water Operations
Streets/Parks

KENNEDALE CITY COUNCILMEMBER LISTING

ELECTED OFFICIALS

Mayor	Brian Johnson
Council Member Place 1	Rockie Gilley
Council Member Place 2	Liz Carrington
Council Member Place 3	Sandra Lee
Council Member Place 4	Kelly Turner
Council Member Place 5/Mayor Pro-Tem	Jan Joplin

APPOINTED & KEY OFFICIALS

City Manager	George Campbell
City Secretary/Communications Coordinator	Leslie Galloway
City Attorney	Taylor, Olson Adkins, Sralla & Elam, LLP
Director of Finance & IT	Brady Olsen
Human Resources Director	Danielle Clarke
Police Chief	Tommy Williams
Fire Chief	Mike McMurray
Director Of Public Works	Larry Ledbetter
Director of Planning	Interim Jay Narayana

ECONOMIC DEVELOPMENT CORPORATION OFFICIALS

Director Place 1	Stan Seat
Director Place 2	Pat Turner
Director Place 3	Ronald Whitley
Director Place 4 - President	Robert Mundy
Director Place 5	Ralph Grimes
Director Place 6	Jon Mark Yeary
Director Place 7	Sandra Lee

FINANCIAL SECTION

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, 2017, 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

City of Kennedale's 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.

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, 2017, 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 47 through 50 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 March 15, 2018, 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
March 15, 2018

MANAGEMENT'S
DISCUSSION AND ANALYSIS

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, 2017. 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 $40,389,147. Of this amount, $2,101,968 (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 $1,541,802. This increase is largely due to significant purchased water and sewer expenditures, as well as delayed water and sewer maintenance expenditures. In addition, lower than anticipated property tax revenues were offset by savings in public safety compensation due to staff turnover.

- As of the close of the current fiscal year, the City of Kennedale's governmental funds reported combined ending fund balances of $2,433,043, an increase of $62,449 in comparison with the prior year. Approximately, 61.8% of this amount, $1,503,641 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 $2,264,414 or 30.0% 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 9 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, 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 $40,389,147 at the close of the most recent fiscal year. By far the largest portion of the City's net position ($37,601,214 or 93.1%) 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 3,211,312	$ 3,403,232	$ 2,756,193	$ 1,537,228	$ 5,967,505	$ 4,940,460
Capital assets	34,863,923	35,338,070	17,064,746	17,228,437	51,928,669	52,566,507
Total assets	38,075,235	38,741,302	19,820,939	18,765,665	57,896,174	57,506,967
Total deferred outflows of resources	961,550	1,127,793	122,550	145,110	1,084,100	1,272,903
Long-term liabilities	11,788,754	12,788,822	1,025,156	1,010,846	12,813,910	13,799,668
Other liabilities	1,801,438	1,796,915	3,809,784	4,169,432	5,611,222	5,966,347
Total liabilities	13,590,192	14,585,737	4,834,940	5,180,278	18,425,132	19,766,015
Total deferred inflows of resources	144,781	145,247	21,214	21,263	165,995	166,510
Net Position:						
Net investment in capital assets	24,362,252	24,048,321	13,238,962	13,054,176	37,601,214	37,102,497
Restricted	481,742	400,170	204,223	224,444	685,965	624,614
Unrestricted	457,818	689,620	1,644,150	430,614	2,101,968	1,120,234
Total net position	$ 25,301,812	$ 25,138,111	$ 15,087,335	$ 13,709,234	$ 40,389,147	$ 38,847,345

An additional portion of the City of Kennedale's net position ($629,655 or 1.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($2,101,968 or 5.2%) 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 $1,541,802. 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 $4,753,586 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	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 952,646	$ 1,372,552	$ 5,086,486	$ 4,782,055	$ 6,039,132	$ 6,154,607
Operating grants and contributions	145,560	126,520	-	-	145,560	126,520
Capital grants and contributions	154,819	2,595,371	374,296	1,479,937	529,115	4,075,308
General revenues:						
Property taxes	4,703,870	4,521,765	-	-	4,703,870	4,521,765
Other taxes	1,746,011	1,798,531	-	-	1,746,011	1,798,531
Other revenues	156,905	312,165	3,919	521	160,824	312,686
Total revenues	7,859,811	10,726,904	5,464,701	6,262,513	13,324,512	16,989,417
Expenses:						
General government	1,460,659	1,340,991	-	-	1,460,659	1,340,991
Public safety	4,494,080	4,658,016	-	-	4,494,080	4,658,016
Public works	1,743,770	1,838,124	-	-	1,743,770	1,838,124
Culture and recreation	397,477	370,519	-	-	397,477	370,519
Interest on long-term debt	348,741	521,675	-	-	348,741	521,675
Water and wastewater	-	-	3,271,916	3,474,228	3,271,916	3,474,228
Storm water drainage	-	-	66,067	32,278	66,067	32,278
Total expenses	8,444,727	8,729,325	3,337,983	3,506,506	11,782,710	12,235,831
Change in net position before transfers	(584,916)	1,997,579	2,126,718	2,756,007	1,541,802	4,753,586
Transfers	748,617	953,377	(748,617)	(953,377)	-	-
Change in net position	163,701	2,950,956	1,378,101	1,802,630	1,541,802	4,753,586
Net position beginning	25,138,111	22,054,687	13,709,234	11,202,291	38,847,345	33,256,978
Prior period adjustment	-	132,468	-	704,313	-	836,781
Net position, ending	$ 25,301,812	$ 25,138,111	$ 15,087,335	$ 13,709,234	$ 40,389,147	$ 38,847,345

Governmental activities. Governmental activities net position increased by $163,701. The increase is less than the prior year increase of $2,950,956 due primarily to a decrease in capital grants and contributions and development fees. These changes were partially offset by reduced personnel costs for public safety due to higher than anticipated turnover.

Business-type activities. Business-type activities net position increased by $1,378,101. Charges for water and sewer services were $4,734,006, which is $48,049 less than the 2015-2016 fiscal year revenue, $4,782,055. This decrease is a result of a change in donation of capital assets from developers and water and sewer rates were reduced mid-year. Direct operating expenses, excluding depreciation, were $2,399,879 for the fiscal year. Direct operating expenses are $326,661 less than 2015-2016 fiscal year direct operating expenses, $2,726,540, due to savings in purchased water and wastewater.

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 $2,433,043. $30,520 of this total is nonspendable to indicate the amount cannot be spent and $425,432 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 $1,503,641 constitutes unassigned fund balance.

Of the $2,433,043 ending fund balance, $722,647 is accounted for in non-major governmental funds. The General Fund balance is $2,471,169 at year end – a decrease of $109,128. This decrease was created primarily by the reduction of most one-time funding sources.

In the General Fund, the City budgeted for a decrease of fund balance in the amount of $951,860. The fund balance in the General Fund decreased by $109,128, or 4.2% during the current fiscal year. Significant revenue and expenditure increases and decreases were in the following areas:

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

The Debt Service Fund balance increased by $30,120 to $41,981 at year end. This increase is primarily the result of increased property tax revenue. The Capital Projects Fund balance increased by $4,907 to $43,165. 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 $802,754. 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 $1,077,417. This includes a current year increase of $1,378,101. See the business-type activity discussion above for more information.

General Fund budgetary highlights. The actual expenditures for the year were $7,558,982, which was $461,111 under budget.

For FY 2016-2017, the actual revenues were $6,460,049 as compared to the budgeted amount of $6,401,818. Contributing to the variance was higher than anticipated sales tax ($44,603 more than the budget), and franchise fees ($40,454 more than the budget).

With revenues exceeding expectation and expenditures below appropriations, the fund balance in the General Fund decreased by $109,128, which was $842,732 lower 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, 2017, amounts to $51,928,669 (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 67.1% of the capital assets are governmental and 32.9% are business type activities.

CITY OF KENNEDALE'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	$ 4,206,187	$ 3,963,754	$ 585,429	$ 409,801	$ 4,791,616	$ 4,373,555
Buildings and improvements	4,989,683	4,994,902	5,761,606	5,386,339	10,751,289	10,381,241
Machinery and equipment	3,454,037	3,020,872	1,018,752	1,018,752	4,472,789	4,039,624
Infrastructure/water and wastewater distribution	39,367,732	38,098,753	18,751,406	17,998,277	58,119,138	56,097,030
Construction in progress	427,990	1,548,384	122,131	810,179	550,121	2,358,563
Less accumulated depreciation	(17,581,706)	(16,288,595)	(9,174,578)	(8,394,911)	(26,756,284)	(24,683,506)
Total capital assets, net	$ 34,863,923	$ 35,338,070	$ 17,064,746	$ 17,228,437	$ 51,928,669	$ 52,566,507

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

Governmental activities equipment purchases	$ 385,040
Governmental activities land purchase	242,433
Business-type activities building improvements	375,267
Business-type activities completed improvements	681,471

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 $14,355,766. Of this amount, $12,405,000 represents bonded debt backed by the full faith and credit of the City. The City's capitalized lease obligation of $1,950,766 pertains to the purchase of a fire truck, street equipment, public safety vehicles, 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	
	2017	2016	2017	2016	2017	2016
General obligation bonds	$ 4,804,425	$ 5,081,587	$ 730,575	$ 843,413	$ 5,535,000	$ 5,925,000
Certificates of obligation	5,125,000	5,815,000	1,745,000	1,885,000	6,870,000	7,700,000
Capital leases	600,557	424,473	1,350,209	1,445,848	1,950,766	1,870,321
Total	$ 10,529,982	$ 11,321,060	$ 3,825,784	$ 4,174,261	$ 14,355,766	$ 15,495,321

The City's certificates of obligation bonds continue to carry 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 increased the tax rate by one cent to $7.77500 per $100 assessed valuation for the new fiscal year. With the increase, the city was able to fund the first small cost of living adjustment for city staff in a number of years. Even with the rate increase and appreciating property values, fund balance for the General Fund was still budgeted to decrease by $65,000. This is largely due to increased proportion of the debt service rate to the M&O rate.

In addition, City Council approved lowering the bases rate for water and sewer services for the coming year. The City is currently exploring long term solutions for the water and sewer fund. Cash funded capital projects were largely put on hold for the coming year, as the City examines debt opportunities.

Development continues within the city, with new subdivisions continuing construction. In addition, a new Hilton branded hotel is set to open within city limits. The city continues to develop the town center, with full occupancy of current buildings possible within the fiscal year. New city management continues to explore expanded revenue streams for the city.

REQUESTS FOR INFORMATION

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

BASIC
FINANCIAL STATEMENTS

CITY OF KENNEDALE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
ASSETS				
Cash and investments	$ 2,699,714	$ 1,468,125	$ 4,167,839	$ 270,350
Receivables (net of allowances for uncollectibles)				
Taxes	338,033	-	338,033	72,775
Accounts	463,646	810,086	1,273,732	1,691
Inventories	-	157,381	157,381	-
Prepaid items and deposits	30,520	-	30,520	10,000
Internal balances	(320,601)	320,601	-	-
Capital assets:				
Land	4,206,187	585,429	4,791,616	1,107,147
Buildings and improvements	4,989,683	5,761,606	10,751,289	5,967,485
Machinery and equipment	3,454,037	1,018,752	4,472,789	-
Infrastructure/water and wastewater distribution	39,367,732	18,751,406	58,119,138	-
Construction in progress	427,990	122,131	550,121	-
Less: accumulated depreciation	(17,581,706)	(9,174,578)	(26,756,284)	(1,751,510)
Total capital assets	34,863,923	17,064,746	51,928,669	5,323,122
Total assets	38,075,235	19,820,939	57,896,174	5,677,938
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	125,186	-	125,186	-
Deferred outflows related to pensions	836,364	122,550	958,914	-
Total deferred outflows of resources	961,550	122,550	1,084,100	-
LIABILITIES				
Accounts payable	274,630	313,430	588,060	3,532
Accrued liabilities	190,473	17,362	207,835	-
Due to other governments	16,812	-	16,812	-
Accrued interest	76,215	55,937	132,152	22,678
Unearned revenue	-	-	-	20,000
Customer deposits	-	263,475	263,475	18,899
Noncurrent liabilities:				
Due within one year	1,243,308	374,952	1,618,260	99,176
Due in more than one year	11,788,754	3,809,784	15,598,538	1,115,841
Total liabilities	13,590,192	4,834,940	18,425,132	1,280,126
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	144,781	21,214	165,995	-
Total deferred inflows of resources	144,781	21,214	165,995	-
NET POSITION				
Net investment in capital assets	24,362,252	13,238,962	37,601,214	4,108,105
Restricted for:				
Capital improvements	425,432	204,223	629,655	-
Economic development	-	-	-	119,690
Public safety	155	-	155	-
Unrestricted	457,818	1,644,150	2,101,968	170,017
Total net position	$ 25,301,812	$ 15,087,335	$ 40,389,147	$ 4,397,812

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, 2017

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	$ 1,460,659	$ 457,595	$ -	$ -
Public safety	4,494,080	353,139	130,928	-
Public works	1,743,770	92,502	-	-
Culture and recreation	397,477	49,410	14,632	-
Interest on long-term debt	348,741	-	-	154,819
Total governmental activities	8,444,727	952,646	145,560	154,819
Business-type activities:				
Water and wastewater	3,271,916	4,734,006	-	263,103
Storm water drainage	66,067	352,480	-	111,193
Total business-type activities	3,337,983	5,086,486	-	374,296
Total primary government	$ 11,782,710	$ 6,039,132	$ 145,560	$ 529,115
Component Unit:				
Kennedale Economic Development Corporation	$ 756,332	$ 82,071	$ -	$ -
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				
Net position, ending				

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Corporation
$(1,003,064)	$ -	$(1,003,064)	$ -
(4,010,013)	-	(4,010,013)	-
(1,651,268)	-	(1,651,268)	-
(333,435)	-	(333,435)	-
(193,922)	-	(193,922)	-
(7,191,702)	-	(7,191,702)	-
-	1,725,193	1,725,193	-
-	397,606	397,606	-
-	2,122,799	2,122,799	-
(7,191,702)	2,122,799	(5,068,903)	-
			(674,261)
3,571,381	-	3,571,381	-
1,132,489	-	1,132,489	-
1,208,557	-	1,208,557	363,679
537,454	-	537,454	-
13,272	3,919	17,191	789
143,633	-	143,633	246,733
748,617	(748,617)	-	-
7,355,403	(744,698)	6,610,705	611,201
163,701	1,378,101	1,541,802	(63,060)
25,138,111	13,709,234	38,847,345	4,460,872
$ 25,301,812	$ 15,087,335	$ 40,389,147	$ 4,397,812

CITY OF KENNEDALE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	General	Debt Service	TIRZ #1 New Hope	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 2,240,617	$ 46,608	$ -	$ 412,489	$ 2,699,714
Receivables (net of allowance for uncollectibles):					
Taxes	316,291	21,742	-	-	338,033
Accounts	293,711	-	-	169,935	463,646
Due from other funds	165,494	-	-	-	165,494
Prepaid items	30,520	-	-	-	30,520
Advance to other funds	176,235	-	-	297,060	473,295
Total assets	3,222,868	68,350	-	879,484	4,170,702
LIABILITIES					
Accounts payable	274,429	-	-	201	274,630
Accrued liabilities	190,473	-	-	-	190,473
Due to other governments	16,812	-	-	-	16,812
Due to other funds	-	-	8,858	156,636	165,494
Advance from other funds	-	-	793,896	-	793,896
Total liabilities	481,714	-	802,754	156,837	1,441,305
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - court fines	166,181	-	-	-	166,181
Unavailable revenue - property taxes	93,544	26,369	-	-	119,913
Unavailable revenue - ambulance	10,260	-	-	-	10,260
Total deferred inflows of resources	269,985	26,369	-	-	296,354
FUND BALANCES					
Nonspendable:					
Prepaid items	30,520	-	-	-	30,520
Advance	176,235	-	-	297,060	473,295
Restricted for:					
Public safety	-	-	-	155	155
Capital projects	-	-	-	425,432	425,432
Unassigned	2,264,414	41,981	(802,754)	-	1,503,641
Total fund balances	2,471,169	41,981	(802,754)	722,647	2,433,043
Total liabilities, deferred inflows of resources and fund balances	$ 3,222,868	$ 68,350	$ -	$ 879,484	$ 4,170,702

CITY OF KENNEDALE, TEXAS

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

SEPTEMBER 30, 2017

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

Total fund balance governmental funds	$	2,433,043
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		34,863,923
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		119,913
Ambulance fees		10,260
Court fines		166,181
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	(	9,921,044)
Deferred amount on refunding		125,186
Issuance premium	(	105,256)
Capital lease obligation	(	600,557)
Compensated absences	(	383,607)
Net pension liability and related deferred resources	(	1,330,015)
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.	(	76,215)
Net position of governmental activities	$	25,301,812

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, 2017

	General	Debt Service	TIRZ #1 New Hope	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	$ 3,519,507	$ 1,123,731	$ 9,958	$ -	$ 4,653,196
Sales	1,208,557	-	-	-	1,208,557
Franchise fees	537,454	-	-	-	537,454
Licenses and permits	361,031	-	-	104,886	465,917
Fines and forfeitures	195,172	-	-	1,392	196,564
Public safety fees	264,317	-	-	-	264,317
Intergovernmental	182,796	154,819	-	1,800	339,415
Charges for services	76,682	-	-	-	76,682
Investment earnings	11,039	469	-	1,764	13,272
Contributions	-	-	-	4,399	4,399
Other	103,494	-	-	81,036	184,530
Total revenues	6,460,049	1,279,019	9,958	195,277	7,944,303
EXPENDITURES					
Current:					
General government	1,321,110	-	-	-	1,321,110
Public safety	4,269,810	-	-	1,650	4,271,460
Public works	722,228	-	6,000	-	728,228
Culture and recreation	313,774	-	-	8,579	322,353
Capital outlay	883,111	-	88,987	-	972,098
Debt service:					
Principal	44,249	1,078,695	-	-	1,122,944
Interest and other	4,700	344,341	-	-	349,041
Total expenditures	7,558,982	1,423,036	94,987	10,229	9,087,234
EXCESS OF REVENUES OVER EXPENDITURES	(1,098,933)	(144,017)	(85,029)	185,048	(1,142,931)
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	331,865	-	-	-	331,865
Transfers in	756,076	174,137	76,171	-	1,006,384
Transfers out	(98,136)	-	-	(159,631)	(257,767)
Total other financing sources and (uses)	989,805	174,137	76,171	(159,631)	1,080,482
NET CHANGE IN FUND BALANCES	(109,128)	30,120	(8,858)	25,417	(62,449)
FUND BALANCES, BEGINNING	2,580,297	11,861	(793,896)	697,230	2,495,492
FUND BALANCES, ENDING	$ 2,471,169	$ 41,981	$(802,754)	$ 722,647	$ 2,433,043

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, 2017

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

Net change in fund balance - total governmental funds	(62,449)
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.	
Capital outlay	844,966
Depreciation	(1,298,311)
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(20,802)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(63,690)
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	53,175
Deferred outflow related to pensions	(154,862)
Deferred inflow related to pensions	466
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	73,829
Accrued interest	3,301
Amortization of deferred loss on refunding bonds	(11,381)
Amortization of premium on bond issuance	8,380
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	967,163
Payments on capital leases	155,781
Issuance of capital lease	(331,865)
Change in net position of governmental activities	$ 163,701

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

CITY OF KENNEDALE, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2017

	Business-type Activities		
	Water and Wastewater	Non-major Storm Water Drainage	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and investments	$ 1,440,995	$ 27,130	$ 1,468,125
Accounts receivable - net of allowances for uncollectible	664,709	145,377	810,086
Inventories	157,381	-	157,381
Total current assets	2,263,085	172,507	2,435,592
Noncurrent assets:			
Advance to other funds	320,601	-	320,601
Capital assets:			
Land	409,801	175,628	585,429
Buildings and improvements	5,761,606	-	5,761,606
Equipment	1,018,752	-	1,018,752
Water and wastewater distribution	18,076,620	674,786	18,751,406
Construction in progress	50,214	71,917	122,131
Less: accumulated depreciation	(9,160,235)	(14,343)	(9,174,578)
Total capital assets	16,156,758	907,988	17,064,746
Total noncurrent assets	16,477,359	907,988	17,385,347
Total assets	18,740,444	1,080,495	19,820,939
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	122,550	-	122,550
Total deferred outflows of resources	122,550	-	122,550
LIABILITIES			
Current liabilities:			
Accounts payable	310,352	3,078	313,430
Accrued liabilities	17,362	-	17,362
Accrued interest	55,937	-	55,937
Customer deposits	263,475	-	263,475
Compensated absences	12,547	-	12,547
Capital leases payable	100,742	-	100,742
Bonds payable	261,663	-	261,663
Total current liabilities	1,022,078	3,078	1,025,156
Long-term liabilities:			
Compensated absences	50,189	-	50,189
Net pension liability	296,216	-	296,216
Capital leases payable	1,249,467	-	1,249,467
Bonds payable	2,213,912	-	2,213,912
Total long-term liabilities	3,809,784	-	3,809,784
Total liabilities	4,831,862	3,078	4,834,940
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	21,214	-	21,214
Total deferred inflows of resources	21,214	-	21,214
NET POSITION			
Net investment in capital assets	12,330,974	907,988	13,238,962
Restricted for:			
Capital improvements	204,223	-	204,223
Unrestricted	1,474,721	169,429	1,644,150
Total net position	$ 14,009,918	$ 1,077,417	$ 15,087,335

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

CITY OF KENNEDALE, TEXAS

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

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities		
	Water and Wastewater	Non-major Storm Water Drainage	Total Enterprise Funds
OPERATING REVENUES			
Charges for services:			
Water	$ 2,598,474	$ -	$ 2,598,474
Wastewater	2,044,185	-	2,044,185
Storm water drainage	-	352,480	352,480
Other	91,347	-	91,347
Total operating revenues	4,734,006	352,480	5,086,486
OPERATING EXPENSES			
Cost of sales and services	1,486,875	877	1,487,752
Administration	860,433	51,694	912,127
Depreciation	766,171	13,496	779,667
Total operating expenses	3,113,479	66,067	3,179,546
OPERATING INCOME	1,620,527	286,413	1,906,940
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	3,382	537	3,919
Interest and other	(158,437)	-	(158,437)
Total non-operating revenues (expenses)	(155,055)	537	(154,518)
Income before capital contributions and transfers	1,465,472	286,950	1,752,422
Capital contributions	263,103	111,193	374,296
Transfers out	(748,617)	-	(748,617)
CHANGE IN NET POSITION	979,958	398,143	1,378,101
TOTAL NET POSITION, BEGINNING	13,029,960	679,274	13,709,234
TOTAL NET POSITION, ENDING	$ 14,009,918	$ 1,077,417	$ 15,087,335

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

CITY OF KENNEDALE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities		
	Water and Wastewater	Non-major Storm Water Drainage	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 4,701,762	$ 342,977	$ 5,044,739
Cash payments to employees for services	(681,362)	-	(681,362)
Cash payments to suppliers for goods and services	(1,621,881)	(72,320)	(1,694,201)
Cash provided by operating activities	2,398,519	270,657	2,669,176
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(748,617)	-	(748,617)
Cash used by for noncapital financing activities	(748,617)	-	(748,617)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants	70,257	-	70,257
Capital contributions - impact fees	192,846	-	192,846
Acquisition and construction of capital assets	(308,546)	(307,430)	(615,976)
Principal repayments on debt	(348,477)	-	(348,477)
Interest and other charges on debt	(162,833)	-	(162,833)
Cash used for capital and related financing activities	(556,753)	(307,430)	(864,183)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	3,382	537	3,919
Cash provided by investing activities	3,382	537	3,919
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,096,531	(36,236)	1,060,295
CASH AND CASH EQUIVALENTS, BEGINNING	344,464	63,366	407,830
CASH AND CASH EQUIVALENTS, ENDING	$ 1,440,995	$ 27,130	$ 1,468,125
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	$ 1,620,527	$ 286,413	$ 1,906,940
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	766,171	13,496	779,667
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(37,974)	(9,503)	(47,477)
Decrease (increase) in deferred outflows related to pension	22,560	-	22,560
Increase (decrease) in accounts payable	16,264	(19,749)	(3,485)
Increase (decrease) in accrued liabilities	1,662	-	1,662
Increase (decrease) in customer deposits	5,730	-	5,730
Increase (decrease) in compensated absences	11,147	-	11,147
Increase (decrease) in deferred inflows related to pensions	(49)	-	(49)
Increase (decrease) in net pension liability	(7,519)	-	(7,519)
Total adjustments	777,992	(15,756)	762,236
Net cash provided by operating activities	$ 2,398,519	$ 270,657	$ 2,669,176

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

CITY OF KENNEDALE, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 ***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 in government pools are recorded at amortized cost. All other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current traction between willing parties.

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, 2017, the City had a tax rate of $0.767486 per $100 of which $0.585101 was allocated for general government and $0.182385 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

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.

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

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.

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.

Deficit Fund Balance

At year-end the TIRZ #1 New Hope Fund had a deficit fund balance of $802,754. It is anticipated that this deficit fund balance will be funded with incremental property tax revenue within the TIRZ 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, 2017, 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. 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, 2017, the primary government's investments consisted of:

	Carrying Value
TexStar	$ 330,345
Texas Term	31,720
TexPool	1,978,677
	$ 2,340,742

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 $29,735.

The Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, such as Texas Short-term Reserve Fund ("TexStar"), Texas Local Government Investment Pool (TexPool), and TexasTerm, through which political subdivisions and other entities may invest public funds.

TexStar, TexPool, and TexasTERM have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

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	Nonmajor Governmental	Water and Wastewater	Storm Water Drainage	Total
Receivables:						
Taxes	$ 439,970	$ 55,908	$ -	$ -	$ -	$ 495,878
Accounts	72,148	-	13,299	821,658	38,412	945,517
Intergovernmental	9,862	-	156,636	-	111,193	277,691
Court fines	1,446,550	-	-	-	-	1,446,550
Ambulance	2,648,991	-	-	-	-	2,648,991
Gross receivables	4,617,521	55,908	169,935	821,658	149,605	5,814,627
Less: allowance for uncollectibles	(4,007,519)	(34,166)	-	(156,949)	(4,228)	(4,202,862)
Net total receivables	$ 610,002	$ 21,742	$ 169,935	$ 664,709	$ 145,377	$ 1,611,765

Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases/ Adjustment	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	$ 3,963,754	$ 242,433	$ -	4,206,187
Construction work in progress	1,548,384	128,114	1,248,508	427,990
Total capital assets not being depreciated	5,512,138	370,547	1,248,508	4,634,177
Capital assets, being depreciated:				
Buildings	4,994,902	20,783	26,002	4,989,683
Machinery and equipment	3,020,872	433,165	-	3,454,037
Infrastructure	38,098,753	1,268,979	-	39,367,732
Total capital assets being depreciated	46,114,527	1,722,927	26,002	47,811,452
Less accumulated depreciation:				
Buildings	2,467,807	165,650	5,200	2,628,257
Machinery and equipment	2,483,900	241,609	-	2,725,509
Infrastructure	11,336,888	891,052	-	12,227,940
Total accumulated depreciation	16,288,595	1,298,311	5,200	17,581,706
Total capital assets, being depreciated, net	29,825,932	424,616	20,802	30,229,746
Governmental activities capital assets, net	$ 35,338,070	$ 795,163	$ 1,269,310	$ 34,863,923

	Beginning Balance	Increases	Decreases/ Adjustment	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 409,801	$ 175,628	$ -	$ 585,429
Construction work in progress	810,179	50,214	738,262	122,131
Total capital assets not being depreciated	1,219,980	225,842	738,262	707,560
Capital assets, being depreciated:				
Buildings	5,386,339	375,267	-	5,761,606
Machinery and equipment	1,018,752	-	-	1,018,752
Improvements other than buildings	17,998,277	753,129	-	18,751,406
Total capital assets being depreciated	24,403,368	1,128,396	-	25,531,764
Less accumulated depreciation:				
Buildings	2,411,677	120,721	-	2,532,398
Machinery and equipment	822,874	56,103	-	878,977
Improvements other than buildings	5,160,360	602,843	-	5,763,203
Total accumulated depreciation	8,394,911	779,667	-	9,174,578
Total capital assets, being depreciated, net	16,008,457	348,729	-	16,357,186
Business-type activities capital assets, net	$ 17,228,437	$ 574,571	$ 738,262	$ 17,064,746

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

Governmental activities:	
General government	$ 71,699
Public safety	204,846
Public works	949,925
Culture and recreation	71,841
Total depreciation expense - governmental activities	$ 1,298,311
Business-type activities:	
Water and wastewater	$ 766,171
Storm water drainage	13,496
Total depreciation expense - business-type activities	$ 779,667

Discretely presented component units

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

	Beginning Balance	Increases	Decreases/ Adjustment	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,085,147	$ 22,000	$ -	$ 1,107,147
Totals, capital assets, not being depreciated	1,085,147	22,000	-	1,107,147
Capital assets, being depreciated:				
Buildings	4,718,369	21,716	-	4,740,085
Improvements	1,017,693	-	-	1,017,693
Infrastructure	209,707	-	-	209,707
Totals, capital assets being depreciated	5,945,769	21,716	-	5,967,485
Less accumulated depreciation for:				
Buildings	1,172,854	237,004	-	1,409,858
Improvements	278,685	50,885	-	329,570
Infrastructure	7,888	4,194	-	12,082
Total accumulated depreciation	1,459,427	292,083	-	1,751,510
Total capital assets, being depreciated, net	4,486,342	(270,367)	-	4,215,975
Capital assets, net	$ 5,571,489	$(248,367)	$ -	$ 5,323,122

Interfund Balances and Transfers

The composition of interfund balances as of September 30, 2017 is as follows:

Due to and from:

Receivable Fund	Payable Fund	Amount
General	Capital Bond	$ 156,636
General	Debt Service	51,528
General	TIRZ #1 New Hope	8,858
Total		$ 217,022

These balance resulted from the General Fund temporarily loaning cash to the Capital Bond Fund for expenditures that will be reimbursed by a granting agency, and the other funds for various expenditures.

Advances to 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, 2017 is as follows:

Transfers In	Transfers Out	
General Fund	Water and Wastewater	$ 748,617
Debt Service Fund	General Fund	98,136
Debt Service Fund	Nonmajor governmental	76,001
General Fund	Nonmajor governmental	7,459
TIRZ # 1 New Hope	Nonmajor governmental	76,171
Total		$ 1,006,384

The transfers between the General Fund and Water and Wastewater Funds were for an administrative charge in the amount of $327,520 and a payment in lieu of tax for the use of right of way in the amount of $421,097. 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:			
Machinery and Equipment	$ 331,865	$ -	$ 331,865
Buildings and Improvements	221,887	-	221,887
Infrastructure	-	1,721,658	1,721,658
Less: Accumulated depreciation	(144,033)	(502,166)	(646,199)
Total	$ 409,719	$ 1,219,492	$ 1,629,211

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

Year Ending September 30,	Governmental Activities	Business-Type Activities
2018	$ 186,966	$ 154,172
2019	187,467	152,813
2020	167,053	152,813
2021	68,780	152,813
2022	22,927	152,813
2023-2027	-	764,064
2028-2032	-	152,810
Total minimum lease payments	633,193	1,682,298
Less: amount representing interest	32,636	332,089
Present value of minimum lease payments	$ 600,557	$ 1,350,209

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 $27,845,000.

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	$ 5,125,000
Governmental activities - refunding	3.97	1,179,424
Governmental activities - refunding	1.79	3,625,000
Business-type activities	4.10	1,745,000
Business-type activities - refunding	3.97	730,575
		$ 12,404,999

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

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2018	$ 993,338	$ 436,159	$ 261,663	$ 95,261
2019	917,600	273,507	272,400	84,468
2020	948,775	245,715	281,225	73,280
2021	963,038	216,521	296,963	61,595
2022	905,413	187,692	244,588	50,627
2023-2027	3,781,260	538,133	1,118,736	108,225
2028-2032	1,420,000	100,959	-	-
Total	$ 9,929,424	$ 1,998,686	$ 2,475,575	$ 473,456

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.

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's financial statements. As of September 30, 2017, the City does not have any bonds considered defeased.

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government activities					
General obligation bonds	$ 5,081,587	$ -	$ 277,163	$ 4,804,424	$ 278,338
Certificates of obligation	5,815,000	-	690,000	5,125,000	715,000
Premium on bonds	105,256	-	8,380	96,876	-
Capital leases	424,473	331,865	155,781	600,557	173,249
Compensated absences	457,436	-	73,829	383,607	76,721
Net pension liability	2,074,773	413,843	467,018	2,021,598	-
Governmental activity Long-term liabilities	$ 13,958,525	$ 745,708	$ 1,672,171	$ 13,032,062	$ 1,243,308

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
General obligation bonds	$ 843,413	$ -	$ 112,838	$ 730,575	$ 116,663
Certificates of obligation	1,885,000	-	140,000	1,745,000	145,000
Capital leases	1,445,848	-	95,639	1,350,209	100,742
Compensated absences	51,589	11,147	-	62,736	12,547
Net pension liability	303,735	60,911	68,430	296,216	-
Business-type activity Long-term liabilities	$ 4,529,585	$ 72,058	$ 416,907	$ 4,184,736	$ 374,952

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, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 845,000	$ -	$ 55,000	$ 790,000	$ 60,000
Texas leverage fund loan	464,880	-	39,863	425,017	39,176
Long-term liabilities	$ 1,309,880	$ -	$ 94,863	$ 1,215,017	$ 99,176

Tax Abatements

The City enters into economic development agreements designed to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. This program refunds property and sales tax as authorized under Chapter 380 of the Texas Local Government Code.

The City has entered into various agreements that reduce property and sales taxes. Agreements for property and sales tax provide rebates of 100% for property taxes and 60% for sales tax ranging from 1 to 7 years. Each agreement requires the developer to expand its business within the City. For fiscal year 2017, the City rebated property taxes of $9,232 and sales taxes of $17,137.

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, 2017, 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, 2017, 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.

EDC - Commitment

The EDC has committed to pay the City debt service payments for the Certificates of Obligation, Series 2010 when the payments become due. The following commitment by the EDC is anticipated to be funded with future EDC sales tax revenue.

Year Ending September 30,	
2018	$ 168,359
2019	165,607
2020	166,437
2021	166,919
2022	167,055
2023-2027	784,489
Totals	$ 1,618,866

Defined Benefit Pension Policies

Plan Description

The City of Kennedale participates as one of 872 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, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	97
Active employees	72
	201

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 14.22% and 14.31% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were $560,038, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016 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, 2016 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, 2016 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. 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). The target allocation and best estimates of arithmetic real rates return for each major assets class in fiscal year 2017 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%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
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 12/31/2015	$ 13,338,373	$ 10,959,865	$ 2,378,508
Changes for the year:			
Service cost	675,284	-	675,284
Interest	912,020	-	912,020
Difference between expected and actual experience	(109,980)	-	(109,980)
Changes of assumptions	-	-	-
Contributions - employer	-	540,075	(540,075)
Contributions - employee	-	265,860	(265,860)
Net investment income	-	740,899	(740,899)
Benefit payments, including refunds of employee contributions	(329,210)	(329,210)	-
Administrative expense	-	(8,365)	8,365
Other changes	-	(451)	451
Net changes	1,148,114	1,208,808	(60,694)
Balance at 12/31/2016	$ 14,486,487	$ 12,168,673	$ 2,317,814

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	$ 4,978,656	$ 2,317,814	$ 224,646

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.com.*

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

For the year ended September 30, 2017, the City recognized pension expense of $680,878. At September 30, 2017, 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	$ -	$ 165,995
Changes in actuarial assumptions	48,198	-
Difference between projected and actual investment earnings	479,614	-
Contributions subsequent to the measurement date	431,100	-
Total	$ 958,912	$ 165,995

$431,100 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, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ending September 30,	
2018	$ 98,915
2019	126,394
2020	136,730
2021	(222)

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 2017, 2016 and 2015 were $6,271, $6,292 and $5,524, respectively, which equaled the required contributions each year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KENNEDALE, TEXAS

GENERAL FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Property	$ 3,570,946	$ 3,570,946	$ 3,519,507	$(51,439)
Sales	1,163,954	1,163,954	1,208,557	44,603
Franchise fees	497,000	497,000	537,454	40,454
Licenses and permits	171,105	171,105	361,031	189,926
Fines and forfeitures	189,572	189,572	195,172	5,600
Public safety fees	237,260	237,260	264,317	27,057
Intergovernmental	406,540	406,540	182,796	(223,744)
Charges for service	67,241	67,241	76,682	9,441
Investment earnings	2,554	2,554	11,039	8,485
Other	95,646	95,646	103,494	7,848
Total revenues	6,401,818	6,401,818	6,460,049	58,231
EXPENDITURES				
Current:				
General government	1,275,641	1,275,641	1,321,110	(45,469)
Public safety	4,692,160	4,692,160	4,269,810	422,350
Public works	748,161	748,161	722,228	25,933
Culture and recreation	314,204	314,204	313,774	430
Capital outlay	989,927	989,927	883,111	106,816
Debt service:				
Principal	-	-	44,249	(44,249)
Interest and other	-	-	4,700	(4,700)
Total expenditures	8,020,093	8,020,093	7,558,982	461,111
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,618,275)	(1,618,275)	(1,098,933)	519,342
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	408,000	-	331,865	331,865
Transfers in	775,601	775,601	756,076	(19,525)
Transfers out	(109,186)	(109,186)	(98,136)	11,050
Total other financing sources (uses)	1,074,415	666,415	989,805	323,390
NET CHANGE IN FUND BALANCE	(543,860)	(951,860)	(109,128)	842,732
FUND BALANCE, BEGINNING	2,580,297	2,580,297	2,580,297	-
FUND BALANCE, ENDING	$ 2,036,437	$ 1,628,437	$ 2,471,169	$ 842,732

CITY OF KENNEDALE, TEXAS

NOTES TO BUDGETARY SCHEDULE
SEPTEMBER 30, 2017

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, 2017

Plan Year	2014	2015	2016
A. Total pension liability			
Service Cost	$ 589,507	$ 648,581	$ 675,284
Interest (on the Total Pension Liability)	794,485	865,430	912,020
Difference between expected and actual experience	(102,280)	(168,052)	(109,980)
Changes of assumptions	-	113,774	-
Benefit payments, including refunds of employee contributions	(274,797)	(320,705)	(329,210)
Net change in total pension liability	1,006,915	1,139,028	1,148,114
Total pension liability - beginning	11,192,430	12,199,345	13,338,373
Total pension liability - ending (a)	12,199,345	13,338,373	14,486,487
B. Plan fiduciary net position			
Contributions - employer	397,779	525,561	540,075
Contributions - employee	239,832	254,774	265,860
Net investment income	548,705	15,487	740,899
Benefit payments, including refunds of employee contributions	(274,797)	(320,705)	(329,210)
Administrative expenses	(5,727)	(9,432)	(8,365)
Other	(471)	(466)	(451)
Net change in plan fiduciary net position	905,321	465,219	1,208,808
Plan fiduciary net position - beginning	9,589,325	10,494,646	10,959,865
Plan fiduciary net position - ending (b)	10,494,646	10,959,865	12,168,673
C. Net pension liability - ending (a) - (b)	$ 1,704,699	$ 2,378,508	$ 2,317,814
D. Plan fiduciary net position as a percentage of total pension liability	86.03%	82.17%	84.00%
E. Covered employee payroll	$ 3,426,174	$ 3,639,622	$ 3,797,997
F. Net position liability as a percentage of covered employee payroll	49.76%	65.35%	61.03%

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, 2017

Fiscal Year	2014	2015	2016	2017
Actuarial determined contribution	$ 391,136	$ 483,133	$ 555,231	$ 560,038
Contributions in relation to the actuarially determined contribution	391,136	483,133	555,231	560,038
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	3,396,046	3,575,054	3,932,717	3,919,319
Contributions as a percentage of covered employee payroll	11.52%	13.51%	14.12%	14.29%

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	27 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	Removed statutory max.

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

NONMAJOR GOVERNMENTAL FUNDS

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

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

CITY OF KENNEDALE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	Special Revenue Fund	Capital Projects Funds	
	LEOSE	Park Dedication	Capital Projects
ASSETS			
Cash and investments	$ 155	$ 234,946	$ 29,866
Receivables (net of allowance for uncollectibles):			
Other	-	-	13,299
Advance to other funds	-	-	-
Total assets	155	234,946	43,165
LIABILITIES			
Accounts payable	-	-	-
Due to other funds	-	-	-
Total liabilities	-	-	-
FUND BALANCES			
Nonspendable - advance	-	-	-
Restricted for capital projects	-	234,946	43,165
Total fund balances	155	234,946	43,165
Total liabilities and fund balances	$ 155	$ 234,946	$ 43,165

Capital Projects Funds			
Roadway Impact Fee	Library Building	Capital Bond	Total Nonmajor Governmental Funds
$ 138,357	$ 9,165	$ -	$ 412,489
-	-	156,636	169,935
297,060	-	-	297,060
435,417	9,165	156,636	879,484
-	201	-	201
-	-	156,636	156,636
-	201	156,636	156,837
297,060	-	-	297,060
138,357	8,964	-	425,432
435,417	8,964	-	722,647
$ 435,417	$ 9,165	$ 156,636	$ 879,484

CITY OF KENNEDALE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue Fund	Capital Projects Funds	
	LEOSE	Park Dedication	Capital Projects
REVENUES			
Intergovernmental	$ 1,800	$ -	$ -
Fines and forfeitures	-	-	-
Licenses and permits	-	38,400	-
Investment earnings	5	888	322
Contributions	-	-	-
Other	-	450	80,586
Total revenues	1,805	39,738	80,908
EXPENDITURES			
Current:			
Public safety	1,650	-	-
Culture recreation	-	72	-
Total expenditures	1,650	72	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	155	39,666	80,908
OTHER FINANCING SOURCES(USES)			
Transfers out	-	-	(76,001)
Total other financing sources(uses)	-	-	(76,001)
NET CHANGE IN FUND BALANCES	155	39,666	4,907
FUND BALANCES, BEGINNING	-	195,280	38,258
FUND BALANCES, ENDING	$ 155	$ 234,946	$ 43,165

Capital Projects Funds		
Roadway Impact Fee	Library Building	Total Nonmajor Governmental Funds
$ -	$ -	$ 1,800
-	1,392	1,392
66,486	-	104,886
506	43	1,764
-	4,399	4,399
-	-	81,036
66,992	5,834	195,277
-	-	1,650
-	8,507	8,579
-	8,507	10,229
66,992	(2,673)	185,048
(83,630)	-	(159,631)
(83,630)	-	(159,631)
(16,638)	(2,673)	25,417
452,055	11,637	697,230
$ 435,417	$ 8,964	$ 722,647

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, 2017

	Budgeted Amounts			Variance Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes - property	$ 1,139,330	$ 1,139,330	$ 1,123,731	$(15,599)
Intergovernmental	154,819	154,819	154,819	-
Investment earnings	162	162	469	307
Total revenues	1,294,311	1,294,311	1,279,019	(15,292)
EXPENDITURES				
Debt service:				
Principal	930,616	930,616	1,078,695	(148,079)
Interest and fiscal charges	435,012	435,012	344,341	90,671
Total debt service	1,365,628	1,365,628	1,423,036	(57,408)
Total expenditures	1,365,628	1,365,628	1,423,036	(57,408)
EXCESS OF REVENUES OVER EXPENDITURES	(71,317)	(71,317)	(144,017)	(72,700)
OTHER FINANCING SOURCES (USES)				
Transfers in	76,001	76,001	174,137	98,136
Total other financing sources (uses)	76,001	76,001	174,137	98,136
NET CHANGE IN FUND BALANCE	4,684	4,684	30,120	25,436
FUND BALANCE, BEGINNING	11,861	11,861	11,861	-
FUND BALANCE, ENDING	$ 16,545	$ 16,545	$ 41,981	$ 25,436

STATISTICAL SECTION
(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				
	2008	2009	2010	2011	2012
Governmental activities:					
Net investment in capital assets	$ 12,612,099	$ 12,781,452	$ 11,814,703	$ 16,014,362	$ 20,730,909
Restricted	48,766	12,623	38,754	1,936,156	288,215
Unrestricted	3,766,881	3,842,214	4,168,387	1,023,286	782,589
Total governmental activities net position	$ 16,427,746	$ 16,636,289	$ 16,021,844	$ 18,973,804	$ 21,801,713
Business-type activities:					
Net investment in capital assets	$ 7,664,665	$ 8,245,479	$ 9,643,354	$ 10,134,416	$ 10,304,477
Restricted	-	-	-	-	-
Unrestricted	3,885,235	3,396,673	1,858,510	1,668,685	1,524,225
Total business-type activities net position	$ 11,549,900	$ 11,642,152	$ 11,501,864	$ 11,803,101	$ 11,828,702
Primary government:					
Net investment in capital assets	$ 20,276,764	$ 21,026,931	$ 21,458,057	$ 26,148,778	$ 31,035,386
Restricted	48,766	12,623	38,754	1,936,156	288,215
Unrestricted	7,652,116	7,238,887	6,026,897	2,691,971	2,306,814
Total primary government net position	$ 27,977,646	$ 28,278,441	$ 27,523,708	$ 30,776,905	$ 33,630,415

TABLE 1

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

CITY OF KENNEDALE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year				
	2008	2009	2010	2011	2012
EXPENSES					
Governmental activities:					
General government	$ 1,614,745	$ 1,281,430	$ 1,687,785	$ 1,346,455	$ 1,400,946
Public Safety	3,843,086	3,915,078	4,135,114	4,149,812	4,334,370
Public works	1,162,378	1,279,797	956,657	1,386,156	1,209,842
Culture and recreation	273,145	324,858	346,896	335,884	344,900
Economic development	-	-	2,006,635	-	-
Interest on long-term debt	297,360	438,799	490,601	536,449	578,936
Total governmental activities expenses	7,190,714	7,239,962	9,623,688	7,754,756	7,868,994
Business-type activities:					
Water and wastewater	2,542,766	2,722,295	3,002,002	3,334,413	3,240,582
Total business-type activities expenses	2,542,766	2,722,295	3,002,002	3,334,413	3,240,582
Total primary government program expenses	$ 9,733,480	$ 9,962,257	$ 12,625,690	$ 11,089,169	$ 11,109,576
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	$ 578,314	$ 476,934	$ 487,416	$ 514,732	$ 668,345
Public safety	607,201	485,605	435,195	460,983	459,955
Public works	37,377	26,018	25,174	44,910	58,007
Culture and recreation	2,424	2,180	1,674	2,023	1,554
Operating grants and contributions	143,139	74,554	67,924	64,217	83,005
Capital grants and contributions	402,146	1,215	1,424,036	2,793,402	2,872,517
Total governmental activities program revenues	1,770,601	1,066,506	2,441,419	3,880,267	4,143,383
Business-type activities:					
Charges for services:					
Water/Wastewater	2,585,218	2,833,378	2,856,494	3,633,725	3,264,892
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	2,585,218	2,833,378	2,856,494	3,633,725	3,264,892
Total primary government program revenues	$ 4,355,819	$ 3,899,884	$ 5,297,913	$ 7,513,992	$ 7,408,275
NET (EXPENSE) REVENUES					
Governmental activities	$(5,420,113)	$(6,173,456)	$(7,182,269)	$(3,874,489)	$(3,725,611)
Business-type activities	42,452	111,083	(145,508)	299,312	24,310
Total primary government net expense	(5,377,661)	(6,062,373)	(7,327,777)	(3,575,177)	(3,701,301)

TABLE 2

	Fiscal Year				
	2013	2014	2015	2016	2017
EXPENSES					
Governmental activities:					
General government	$ 1,338,046	$ 1,242,021	$ 1,348,921	$ 1,340,991	$ 1,460,659
Public Safety	4,216,559	4,274,108	4,521,511	4,658,016	4,494,080
Public works	1,338,143	1,476,670	1,638,428	1,838,124	1,743,770
Culture and recreation	358,251	358,226	339,328	370,519	397,477
Economic development	-	-	-	-	-
Interest on long-term debt	558,639	510,355	478,440	521,675	348,741
Total governmental activities expenses	7,809,638	7,861,380	8,326,628	8,729,325	8,444,727
Business-type activities:					
Water and wastewater	3,401,162	3,640,588	4,112,610	3,506,506	3,271,916
Total business-type activities expenses	3,401,162	3,640,588	4,112,610	3,506,506	3,271,916
Total primary government program expenses	$ 11,210,800	$ 11,501,968	$ 12,439,238	$ 12,235,831	$ 11,716,643
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	$ 554,664	$ 975,684	$ 720,308	$ 540,893	$ 457,595
Public safety	556,655	567,835	500,044	515,906	353,139
Public works	52,299	115,110	84,250	150,936	92,502
Culture and recreation	34,591	1,470	1,187	164,817	49,410
Operating grants and contributions	135,520	47,119	139,677	126,520	145,560
Capital grants and contributions	453,020	115,058	490,975	2,595,371	154,819
Total governmental activities program revenues	1,786,749	1,822,276	1,936,441	4,094,443	1,253,025
Business-type activities:					
Charges for services:					
Water/Wastewater	3,138,201	3,775,546	3,683,542	4,782,055	5,086,486
Capital grants and contributions	-	-	-	1,479,937	374,296
Total business-type activities program revenues	3,138,201	3,775,546	3,683,542	6,261,992	5,460,782
Total primary government program revenues	$ 4,924,950	$ 5,597,822	$ 5,619,983	$ 10,356,435	$ 6,713,807
NET (EXPENSE) REVENUES					
Governmental activities	$(6,022,889)	$(6,039,104)	$(6,390,187)	$(4,634,882)	$(7,191,702)
Business-type activities	(262,961)	134,958	(429,068)	2,755,486	2,188,866
Total primary government net expense	(6,285,850)	(5,904,146)	(6,819,255)	(1,879,396)	(5,002,836)

CITY OF KENNEDALE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year				
	2008	2009	2010	2011	2012
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental activities:					
Taxes					
Property	3,194,210	3,555,215	3,945,627	3,811,589	4,010,855
Franchise	704,743	799,291	755,273	808,918	856,096
Sales	993,288	1,065,875	1,488,953	1,222,642	1,298,044
Investment earnings	190,424	86,660	14,263	6,401	2,885
Miscellaneous	401,026	815,390	363,708	976,899	385,640
Transfers	20,000	55,772	-	-	-
Total governmental activities	5,503,691	6,378,203	6,567,824	6,826,449	6,553,520
Business-type activities:					
Investment earnings	135,778	30,642	5,220	1,925	1,291
Transfers	(20,000)	(55,772)	-	-	-
Total business-type activities	115,778	(25,130)	5,220	1,925	1,291
Total primary government	5,619,469	6,353,073	6,573,044	6,828,374	6,554,811
CHANGE IN NET POSITION					
Governmental activities	83,578	204,747	(614,445)	2,951,960	2,827,909
Business-type activities	158,230	85,953	(140,288)	301,237	25,601
Total primary government	$ 241,808	$ 290,700	$(754,733)	$ 3,253,197	$ 2,853,510

TABLE 2

	Fiscal Year				
	2013	2014	2015	2016	2017
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental activities:					
Taxes					
Property	3,951,116	4,143,977	4,274,752	4,521,765	4,703,870
Franchise	817,733	871,351	910,886	545,140	537,454
Sales	1,008,875	1,093,946	1,491,342	1,253,391	1,208,557
Investment earnings	724	389	887	3,986	13,272
Miscellaneous	426,068	509,287	690,772	308,179	143,633
Transfers	-	-	49,178	953,377	748,617
Total governmental activities	6,204,516	6,618,950	7,417,817	7,585,838	7,355,403
Business-type activities:					
Investment earnings	535	218	281	521	3,919
Transfers	-	-	(49,178)	(953,377)	(748,617)
Total business-type activities	535	218	(48,897)	(952,856)	(744,698)
Total primary government	6,205,051	6,619,168	7,368,920	6,632,982	6,610,705
CHANGE IN NET POSITION					
Governmental activities	181,627	579,846	1,027,630	2,950,956	163,701
Business-type activities	(262,426)	135,176	(477,965)	1,802,630	1,444,168
Total primary government	$(80,799)	$ 715,022	$ 549,665	$ 4,753,586	$ 1,607,869

CITY OF KENNEDALE, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Unreserved	$ 1,433,468	$ 1,572,628	$ 1,508,586	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Nonspendable	-	-	-	31,348	5,751	46,486	40,633	15,786	240,850	206,755
Assignment	-	-	-	-	-	-	-	-	367,218	-
Unassigned	-	-	-	1,332,648	1,108,068	937,508	1,193,553	1,716,655	1,972,229	2,264,414
Total general fund	$ 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	$ 2,471,169
All other governmental funds										
Reserved	$ 48,766	$ 12,623	$ 38,754	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	11,525	5,409	6,995	-	-	-	-	-	-	-
Capital projects funds	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	-	155
Economic development	-	-	-	-	-	-	1,112	-	-	-
Capital projects funds	-	-	-	1,874,243	187,239	185,514	341,663	373,456	400,170	425,432
Total all other governmental funds	$ 9,293,476	$ 7,189,636	$ 2,909,355	$ 1,936,956	$ 289,015	$ 209,346	$ 355,788	$ 389,117	$ 412,031	$ 425,587

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES										
Taxes	$ 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	$ 6,399,207
Licenses, fees and permits	328,638	183,454	191,016	209,047	311,921	261,451	477,447	346,011	727,163	465,917
Fines and penalties	348,630	276,347	234,065	259,073	246,438	298,964	274,413	228,482	232,660	196,564
Public safety fees	257,942	209,253	200,904	201,483	210,676	257,998	243,002	247,907	237,104	264,317
Charges for services	292,252	321,683	323,474	353,045	418,826	379,796	614,145	459,651	73,840	76,682
Intergovernmental	43,139	74,554	1,487,099	2,278,514	2,955,522	588,540	48,231	630,669	787,432	339,415
Investment earnings	190,424	86,660	14,263	6,401	2,885	724	389	887	3,986	13,272
Contributions	-	1,215	4,861	579,105	-	-	2,314	2,153	1,527	4,399
Other revenues	901,026	815,390	363,708	976,899	385,640	426,068	620,919	713,443	306,652	184,530
Total revenues	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	7,944,303
EXPENDITURES										
General government	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	1,321,110
Public Safety	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	4,271,460
Public works	685,053	874,612	613,759	974,083	840,656	684,840	1,051,794	850,933	681,748	728,228
Culture and recreation	204,956	227,835	241,508	260,193	257,103	270,204	272,102	272,964	301,411	322,353
Economic development	-	-	2,006,635	-	-	-	-	-	-	-
Capital outlay	623,084	2,311,107	5,958,166	7,527,192	4,826,076	664,329	100,478	896,467	1,339,271	972,098
Debt service										
Principal	450,944	453,480	488,495	660,969	751,913	806,600	841,178	844,371	895,346	1,122,944
Interest and fiscal charges	248,077	434,390	452,946	494,039	589,539	552,879	526,300	493,943	536,710	349,041
Bond issuance costs	156,195	-	87,409	114,480	-	-	-	-	-	-
Total expenditures	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	9,087,234

TABLE 4

CITY OF KENNEDALE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$(541,484)	$(2,020,452)	$(6,584,130)	$(4,560,202)	$(2,023,118)	$(169,191)	$ 396,634	$ 490,697	$(648,253)	$(1,142,931)
OTHER FINANCING SOURCES (USES)										
Debt issuance	7,235,000	-	2,000,000	3,260,000	-	-	-	-	-	-
Issuance of capital lease	-	-	154,388	119,597	125,000	-	-	-	4,087,218	331,865
Cost to issue debt	62,571	-	-	-	-	-	-	-	-	-
Premium on debt issuance	-	-	85,419	63,616	-	-	-	-	-	-
Refunding bonds/lease issued	-	-	-	-	-	-	-	-	(3,646,951)	-
Transfers in	599,646	397,667	158,850	949,476	92,038	295,373	161,832	258,231	1,036,598	1,006,384
Transfers out	(579,646)	(341,895)	(158,850)	(949,476)	(92,038)	(295,373)	(161,832)	(209,053)	(83,221)	(257,767)
Total other financing sources (uses)	7,317,571	55,772	2,239,807	3,443,213	125,000	-	-	49,178	1,393,644	1,080,482
NET CHANGE IN FUND BALANCES	$ 6,776,087	$(1,964,680)	$(4,344,323)	$(1,116,989)	$(1,898,118)	$(169,191)	$ 396,634	$ 539,875	$ 745,391	$(62,449)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	12.1%	12.9%	10.1%	15.3%	17.7%	18.1%	18.3%	16.9%	22.9%	17.9%

TABLE 5

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
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
2017	434,127,908	137,328,197	21,506,171	25,203,051	567,759,225	0.767500	606,133,689

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
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
2017	0.581711	0.185789	-	0.767500	1.486724	0.254000	0.144730	0.227897

Source: Tarrant Appraisal District (2016Tax 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	2017 Taxable Assessed Value	2017 Percentage of Total City Taxable Assessed Value	2008 Taxable Assessed Value	2008 Percentage of Total City Taxable Assessed Value
Hawk Steel Industrial Inc	8,910,652	1.47%	6,343,626	1.46%
SCC 287 LLC	8,281,323	1.37%		- %
Oncor Electric Delivery Co LLC	8,096,772	1.34%		- %
Goss International Americas Inc	6,942,433	1.15%	8,198,051	1.88%
FWT Inc	6,110,168	1.01%	7,050,884	1.62%
Harrison Jet Guns II LP	5,384,938	0.89%	5,434,025	1.25%
Tealcove Drive LLC	5,220,230	0.86%		- %
First Texas Homes	4,088,956	0.67%		- %
Hexpol Compounding LLC	4,084,986	0.67%		- %
DFW Midstream Services LLC	3,821,530	0.63%		- %
TXU Electric	-	- %	6,812,035	1.57%
Southwestern Bell	-	- %	6,634,630	1.53%
Excel Polymers LLC	-	- %	6,535,842	1.50%
Rebar Services & Supply Co.	-	- %	3,716,001	0.85%
Bloxom, DE Sr. Fnd Rp Hold LLC	-	- %	3,121,309	0.72%
Eagle Pipelines Construction Co	-	- %	3,087,760	0.71%
Total	$ 60,941,988	10.05%	$ 56,934,163	13.09%
Total City Taxable Assessed Value	$ 606,133,689		$ 435,040,102	

Source: Tarrant Appraisal District (October 1, 2016 Top Taxpayers & October 1, 2007 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
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%
2017	4,644,955	4,589,538	98.81%	34,760	4,624,298	100%

Source: Tarrant County Tax Office, Summary Part C (As Of September 30, 2017).

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
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
2017		10,026,300	600,557		2,475,575	1,350,209	14,452,641	0.34%	1,738	8,315

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		
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
2016	11,001,843	-	11,001,843	2.00%	1,366.5
2017	10,026,300	-	10,026,300	1.77%	1,202.5

Source: Table 5, 9 and 14.

CITY OF KENNEDALE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER, 2017

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Direct Debt (Table 9)			
City of Kennedale, Texas	$ 10,626,857	100.000%	$ 10,626,857
Subtotal, Direct Debt	$ 10,626,857		
Overlapping Debt			
Arlington ISD	$ 841,237,139	0.040%	336,495
Fort Worth ISD	862,315,000	0.080%	689,852
Kennedale ISD	36,595,025	42.750%	15,644,373
Mansfield ISD	779,480,000	0.250%	1,948,700
Tarrant County	321,795,000	0.430%	1,383,719
Tarrant County Hospital District	20,835,000	0.430%	89,591
Subtotal, Overlapping Debt	$ 2,862,257,164		$ 20,092,730
Total, Direct and Overlapping Debt			$ 30,719,587
Ratio, Direct and Overlapping Debt to Taxable Assessed Valuation (Table 5)			5.07%

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 2017 was established at $0.767500 per $100 assessed valuation based on 100% of net taxable value.

TABLE 13

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
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%
2017	8,315	71,875	31,904	5.3%

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

Personal Income & Per Capita Personal Income & Unemployment Rate: United States Census Bureau, 2016 American Community Survey

TABLE 14

CITY OF KENNEDALE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND FOUR YEARS AGO

	2016		2013	
Employer	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Fort Worth Tower	505	32.88%	480	26.49%
Kennedale Independent School District	408	26.56%	411	22.68%
Speed Fab Crete	183	11.91%	128	7.06%
ARK Contracting Services	52	3.39%	115	6.35%
Harrison Jet Guns	38	2.47%	92	5.08%
Hawk Steel	69	4.49%	92	5.08%
Mike Conkle's Custom Cabinets	48	3.13%	85	4.69%
City of Kennedale	71	4.62%	78	4.30%
Excel Polymers	14	0.91%	76	4.19%
Goss International	-	- %	64	3.53%
Texas Tile	38	2.47%	55	3.04%
US Galvanizing LP	12	0.78%	34	1.88%
Stovall Electric	18	1.17%	30	1.66%
Redi-Mix LP	13	0.85%	22	1.21%
H&O Die Supply	9	0.59%	19	1.05%
RE Watson & Associates	41	2.67%	17	0.94%
Global Servo Hydraulics	11	0.72%	9	0.50%
Wear Master	6	0.39%	5	0.28%
Total	1,536	100.00%	1,812	100.00%

Source: Economic Development Department.

Note: City of Kennedale total represents an employee count, to include regular, part-time and seasonal. Information from 2017 and 9 years ago is not available.

TABLE 15

CITY OF KENNEDALE, TEXAS

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	Fiscal Year									
Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Management services	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Finance	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	3.0	2.5
Planning	2.0	2.5	2.5	2.5	2.5	2.5	3.0	3.0	3.0	3.0
Building	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Municipal court	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	2.0	2.0
Police										
Officers	20.0	19.0	19.0	19.0	19.0	19.0	16.0	19.0	20.0	20.0
Civilians	6.5	7.5	7.5	7.5	7.5	7.5	7.5	2.5	2.5	2.1
Fire										
Firefighters and officers	17.0	17.0	16.0	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	8.0	8.0	8.0	8.0
Economic Development	1.0	1.0	-	-	-	-	-	-	-	
Library	3.0	3.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5	4.0
Water/Wastewater	9.5	11.0	10.5	14.5	14.5	12.5	11.5	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	74.5	76.5	75.5	79.5	79.5	77.5	76.0	75.0	75.5	75.1

Source: FY2016-17 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

TABLE 16

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Building permits issued	15	102	152	255	535	389	504	406	504	292
Building inspections conducted	19	81	92	204	474	363	477	355	1,185	1,752
Police										
Physical arrests	331	284	265	270	246	244	260	203	203	374
Parking violations	2,790	1,487	1,361	1,389	359	2,117	2,045	1,675	24	6
Traffic violations	5,019	4,736	3,645	4,850	6,248	7,609	4,287	3,778	2,828	4,296
Fire										
Emergency responses	1,260	1,088	1,156	1,108	1,028	1,039	909	1,131	867	1,166
Fires extinguished	271	250	319	315	183	217	135	199	200	200
Inspections	45	74	45	32	193	185	173	198	178	218
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	19,847	18,140	16,971	18,053	17,986	17,943	15,299	14,752	16,292	16,831
Total volumes borrowed	29,704	310,405	17,279	16,508	16,317	17,429	17,257	16,162	20,288	21,579
Water										
New connections	26	14	21	25	54	36	87	73	39	59
Water main breaks	-	-	-	-	-	-	-	-	-	-
Average daily consumption (thousands of gallons)	896,246	869,925	1,030,864	1,147,339	1,060,488	1,000,704	968,841	892,014	898,918	980,413
Peak daily consumption (thousands of gallons)	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	1,884,040
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	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police									
Stations	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1
Patrol units	14	15	17	13	13	13	14	17	17
Fire									
Stations	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
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
Parks and recreation									
Acreage	28	28	28	28	28	28	28	28	28
Playgrounds	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	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
Community centers	1	1	1	1	1	1	1	1	1
Water									
Water mains (miles)	-	-	-	-	-	-	-	48	48
Fire hydrants (Thousands)	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
Elevated	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
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
Transit									
Minibuses	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.

COMPLIANCE SECTION

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, 2017, 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 March 15, 2018.

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.

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
March 15, 2018

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, 2017, and have issued our report thereon dated March 15, 2018. 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 July 5, 2017, 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.

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AICPA
Governmental Audit
Quality Center

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 March 15, 2018.

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
March 15, 2018

KENNEDALE
You're Here, Your Home
www.cityofkennedale.com

Thursday, March 15, 2018

Pattillo, Brown & Hill, L.L.P.
401 West State Highway 6
Waco, Texas 76710

This representation letter is provided in connection with your audit of the financial statements of the City of Kennedale, Texas, as of September 30, 2017, and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the City of Kennedale, Texas in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of March 15, 2018:

FINANCIAL STATEMENTS

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated July 5, 2017, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.

- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.

- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (FASB Accounting Standards Codification™ (ASC) 450, Contingencies), and we have not consulted a lawyer concerning litigation, claims, or assessments.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34 (GASB-34), *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* GASB Statement No. 37 (GASB-37), *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65 (GASB-65), *Items Previously Reported as Assets and*

Liabilities, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.

- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

- The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes and are in accordance with the provisions of GASB Statement No. 72 (GASB-72), *Fair Value Measurement and Application.*

- We agree with the findings of specialists in evaluating the valuation of the net pension liability and related deferred inflows and outflows and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

- Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

- Provisions for uncollectible receivables have been properly identified and recorded.

- All required supplementary information is measured and presented within the prescribed guidelines.

- With respect to the combining and individual fund statements and schedules accompanying the financial statements:
  - We acknowledge our responsibility for the presentation of the combining and individual fund statements and schedules in accordance with accounting principles generally accepted in the United States of America.
  - We believe the combining and individual fund statements and schedules, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - The methods of measurement or presentation have not changed from those used in the prior period.
  - We believe the significant assumptions or interpretations underlying the measurement or presentation of the combining and individual fund statements and schedules, and the

basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

- When the combining and individual fund statements and schedules is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the combining and individual fund statements and schedules no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
- We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
- We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

- With respect to the required budgetary schedules, and pension and OPEB information in the accompanying the financial statements:
  - We acknowledge our responsibility for the presentation of the required budgetary schedules, and pension and OPEB information in accordance with accounting principles generally accepted in the United States of America.
  - We believe the required budgetary schedules, and pension and OPEB information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - The methods of measurement or presentation have not changed from those used in the prior period.
  - We believe the significant assumptions or interpretations underlying the measurement or presentation of the required budgetary schedules, and pension and OPEB information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

- As part of your audit, you assisted with preparation of the financial statements, related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, who possesses suitable skill, knowledge, experience; evaluate the adequacy and results of the

services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and the related notes.

INFORMATION PROVIDED

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our views on reported audit findings, conclusions, and recommendations, as well as planned corrective actions.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.

- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.

- The City has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

- We have disclosed to you all guarantees, whether written or oral, under the City is contingently liable.

- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70 (GASB-70), *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.

- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.

- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

- We have taken timely and appropriate steps to remedy fraud, noncompliance with laws, regulations, provisions of contracts or grant agreements, or abuse reported to us.

- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

GEORGE CAMPBELL, CITY MANAGER

BRADY OLSEN, FINANCE DIRECTOR

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Staff Report to the Honorable Mayor and City Council

Date: March 19, 2018

Agenda Item No: WORK SESSION - B.

I. Subject:
Discussion of seeking an RFP to conduct another Comprehensive Audit of all City Funds

II. Originated by:

III. Summary:
This item was placed on the agenda at the request of Council.

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: March 19, 2018

Agenda Item No: WORK SESSION - C.

I. Subject:
Discussion of proposed capital improvement projects and related Certificate of Obligation (CO) issuance

II. Originated by:

III. Summary:

This item was placed on the agenda at the request of Council.

The FY2018 Adopted Budget included funding for the debt service related to the issuance of a ~$4 Million Certificate of Obligation (CO) – funded by streets, stormwater, and water & sewer – for the following capital improvement projects:

PROJECT	COST EST.*
WATER & SEWER	
Northern Arlington Interconnect	$ 439,500.00
12-inch Waterline along Bolen	$ 767,900.00
VS 1000PRWL Easement Machine	$ 52,040.00
Vactor 2100 Plus Truck	$ 341,423.00
Village Creek Sewer Line	$ 414,100.00
Alternate Eden Road Connection	$ 50,000.00
SUB-TOTAL	**$ 2,064,963.00**
STORMWATER	
Beacon Hill: Reinforced Pipe and End Treatments	$ 150,000.00
3rd Street: Drainage Improvements	$ 100,000.00
Valley Lane: Erosion Repair	$ 156,000.00
Valley Lane: EMP TxDOT Match	$ 125,000.00
Pennsylvania Avenue: Gabion Wall	$ 360,000.00
SUB-TOTAL	**$ 891,000.00**
STREETS-WATER-SEWER	
Eden Road: Kennedale Pkwy.to Mansfield Cardinal	$ 941,380.00
SUB-TOTAL	**$ 941,380.00**
TOTAL	**$ 3,897,343.00**

**(SOURCE: Budget Presentation from the Friday, August 11, 2017 City Council Work Session)*

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Staff Report to the Honorable Mayor and City Council

Date: March 19, 2018

Agenda Item No: WORK SESSION - D.

I. Subject:
Discuss scheduling of monthly City Council Regular Meetings and Work Sessions

II. Originated by:

III. Summary:

At their Monday, March 5 Special Meeting, Council requested that an item be placed on the agenda to allow for a discussion of possibly changing the Regular Meeting date (currently the third Monday of each month) and/or adding a monthly Work Session separate from the Regular Meeting. Please see Decision Item XII.E. to view the proposed Resolution 519.

For your reference, Boards and Commissions meet on the following days:

- BOA/BBA: 7:00 p.m. the **first Tuesdays**, as needed
- EDC: 7:00 p.m. the **fourth Tuesdays**
- KKB: 6:00 p.m. the **second Tuesdays**
- Parks: 7:00 p.m. the **first Wednesdays**
- P&Z: 7:00 p.m.on the **third Thursdays**
- UIB: 6:00 p.m. the **first Thursdays**

One upcoming date to note, during Council's discussion and/or scheduling of upcoming meetings, is the need to canvass the May 5 Election. ***A Council meeting must be held either Tuesday,* May 15 or Wednesday, May 16 to meet state requirements and county time constraints for canvassing.**

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: March 19, 2018

Agenda Item No: WORK SESSION - E.

I. Subject:
Discussion of potential amendments to the Economic Development Corporation (EDC) Bylaws

II. Originated by:

III. Summary:
This item was placed on the agenda at the request of Council.

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: March 19, 2018

Agenda Item No: WORK SESSION - F.

I. Subject:
Discussion of request to pay invoice for outside legal counsel engaged by Mayor Pro Tem Joplin

II. Originated by:

III. Summary:
Mayor Pro Tem Jan Joplin requested that this item be included on the 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: March 19, 2018

Agenda Item No: WORK SESSION - G.

I. Subject:
Discussion of items on Regular Session

II. Originated by:

Leslie Galloway, City Secretary & Communications Coordinator

III. Summary:
At this time, Council may choose to discuss any item on the 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: March 19, 2018

Agenda Item No: VISITOR/CITIZENS FORUM - A.

I. Subject:
Presentation by One Safe Place

II. Originated by:

III. Summary:
Felipe Gutierrez is the Director of Development & Engagement for One Safe Place, a non-profit organization based in Fort Worth.

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: March 19, 2018

Agenda Item No: REPORTS/ANNOUNCEMENTS - A.

I. Subject:
Updates from the City Council

II. Originated by:

III. Summary:
Updates and information from City Council Members, 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: March 19, 2018

Agenda Item No: REPORTS/ANNOUNCEMENTS - B.

I. Subject:
Updates from the City Manager

II. Originated by:

III. Summary:
Updates and information from City Manager George Campbell, 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: March 19, 2018

Agenda Item No: REPORTS/ANNOUNCEMENTS - C.

I. Subject:
Updates from the Mayor
- Proclamation presentation in recognition of Kids to Parks Day (Saturday, May 19, 2018)

II. Originated by:

III. Summary:

Updates and information from Mayor Brian Johnson, if any.
- Proclamation presentation in recognition of Kids to Parks Day

www.parktrust.org/kids-to-parks-day

Organized by the National Park Trust in 2011, Kids to Parks Day is a nationwide celebration of the great outdoors designed to connect kids and families with their local, state, and national parks and public lands.

By discovering and exploring our public lands, kids across the country can learn about park stewardship, outdoor recreation, STEM, and the history of our country. In addition, by teaching our kids to appreciate and enjoy our public lands, we can foster future outdoor enthusiasts and create the next generation of park stewards and caretakers of these important places. Because kids need parks – and parks need kids!

Each year in preparation for Kids to Parks Day, which is always hosted on the third Saturday of May, NPT works with cities and towns, teachers, families, park and public lands officials and numerous partners across the country to invite kids of all ages to create their own adventures at one of the thousands of park events and programs featured on our site.

The City of Kennedale's associated event is KIDFISH at Sonora Park, on Saturday, May 19, from 9:00 a.m. to 12:00 noon. www.cityofkennedale.com/kidfish

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

1.	2018_03.19_KidsToParks	2018_03.19_KidsToParks.pdf

PROCLAMATION

Kids to Parks Day

SATURDAY, MAY 19, 2018

WHEREAS, May 19, 2018 is the eighth Kids to Parks Day organized and launched by the National Park Trust, held annually on the third Saturday of May; and

WHEREAS, this initiative encourages families to get outdoors and visit America's parks; and

WHEREAS, it is important to introduce a new generation to our nation's parks; and

WHEREAS, we should encourage children to lead a more active lifestyle to combat the issues of childhood obesity, diabetes mellitus, hypertension, and hypercholesterolemia; and

WHEREAS, Kids to Parks Day is open to all children and adults across the country to encourage a large and diverse group of participants; and

WHEREAS, Kids to Parks Day will broaden appreciation for nature and outdoors; and

NOW THEREFORE, I, Mayor Brian Johnson, do hereby proclaim that the City of Kennedale will participate in

KIDS TO PARKS DAY

by hosting KIDFISH at Sonora Park from 9:00 a.m. to noon on Saturday, May 19, 2018; and I urge residents of Kennedale to make time on this date to take the children in their lives to this event or any neighborhood, state, or national park.

IN TESTIMONY, WHEREOF, I have hereunto set my hand and caused the Seal of the City of Kennedale, Texas, to be affixed this 19th day of March 2018.

_____

MAYOR BRIAN JOHNSON

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Staff Report to the Honorable Mayor and City Council

Date: March 19, 2018

Agenda Item No: MONITORING INFORMATION - A.

I. Subject:
Monthly Financials – February 2018

II. Originated by:

Brady Olsen, Finance Director

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

For this month's report, the FY16-17 actuals are updated with audited figures. Highlights of differences are included in the CAFR Work Session item. Sales tax revenue was higher than normal for the month, largely due to a one-time payment from a single taxpayer.

As you might notice, the current month's figures are not all in line with those of the previous year. Water & Sewer Revenue, Stormwater Revenue, and EDC Revenue and Expenditures are all examples of this. Due to recent turnover, staff was unable to complete all of the usual end-of-month closing entries prior to this meeting but aim to be caught up by the March report that will be presented at the next regular meeting.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

1.	2018_02 Monthly Financials	2018_02 Monthly Financials.pdf
2.	Sales Tax Update – February	Sales+Tax+Update-+February.pdf

REVENUE SUMMARY BY FUND

REVENUES	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY ACTUAL EARNED	% OF CY BUDGET EARNED	BUDGET REMAINING
GENERAL FUND	$ 3,998,457	$ 6,174,185	$ 6,386,639	$ 294,563	$ 4,165,458	64.8%	65.2%	$ 2,221,181
OTHER GENERAL FUNDS	$ 346,188	$ 1,621,385	$ 973,127	$ 91,737	$ 261,697	21.4%	26.9%	$ 711,430
GENERAL FUND	**$ 4,344,645**	**$ 7,795,570**	**$ 7,359,766**	**$ 386,300**	**$ 4,427,155**	**55.7%**	**60.2%**	**$ 2,932,611**
								$ -
GENERAL DEBT SERVICE FUND	**$ 1,072,591**	**$ 1,453,154**	**$ 1,665,934**	**$ -**	**$ 1,168,203**	**73.8%**	**70.1%**	**$ 497,731**
								$ -
WATER/SEWER FUND	$ 1,395,649	$ 4,950,455	$ 4,479,449	$ 10,942	$ 1,421,594	28.2%	31.7%	$ 3,057,855
STORMWATER UTILITY FUND	$ 176,642	$ 463,360	$ 256,664	$ -	$ 87,014	38.1%	33.9%	$ 169,650
WATER IMPACT FUND	$ 25,596	$ 152,432	$ 120,450	$ 31,004	$ 63,936	16.8%	53.1%	$ 56,514
SEWER IMPACT FUND	$ 4,203	$ 41,762	$ 28,625	$ 14,903	$ 30,194	10.1%	105.5%	$ (1,569)
WATER/SEWER FUND	**$ 1,602,090**	**$ 5,608,009**	**$ 4,885,188**	**$ 56,849**	**$ 1,602,737**	**28.6%**	**32.8%**	**$ 3,282,451**
EDC4B FUND	**$ 181,538**	**$ 522,549**	**$ 575,878**	**$ 66,709**	**$ 507,277**	**34.7%**	**88.1%**	**$ 68,601**
CAPITAL FUND	**$ 29,186**	**$ 193,473**	**$ 162,535**	**$ 27,592**	**$ 64,067**	**15.1%**	**39.4%**	**$ 98,468**
SPECIAL REVENUE FUND	**$ 92,888**	**$ 95,393**	**$ 25,067**	**$ -**	**$ 0**	**97.4%**	**0.0%**	**$ 25,067**
TOTAL REVENUES	**$ 7,322,938**	**$ 15,668,147**	**$ 14,674,368**	**$ 537,451**	**$ 7,769,439**	**46.7%**	**52.9%**	**$ 6,904,929**

EXPENDITURE SUMMARY BY FUND

EXPENDITURES	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY BUDGET EXPENSED	% OF CY BUDGET EXPENSED	BUDGET REMAINING
GENERAL FUND	$ 2,399,711	$ 6,195,408	$ 6,453,680	$ 485,464	$ 2,487,119	38.7%	38.5%	$ 3,966,561
OTHER GENERAL FUND	$ 812,102	$ 1,820,470	$ 920,034	$ 44,596	$ 250,720	44.6%	27.3%	$ 669,314
GENERAL FUND	**$ 3,211,813**	**$ 8,015,879**	**$ 7,373,714**	**$ 530,060**	**$ 2,737,839**	**40.1%**	**37.1%**	**$ 4,635,875**
GENERAL DEBT SERVICE FUND	**$ 1,054,682**	**$ 1,423,034**	**$ 1,663,884**	**$ 771,780**	**$ 1,167,910**	**74.1%**	**70.2%**	**$ 495,974**
WATER/SEWER FUND	$ 1,534,546	$ 4,244,829	$ 4,258,316	$ 436,172	$ 1,697,892	36.2%	39.9%	$ 2,560,424
STORMWATER UTILITY FUND	$ 92,525	$ 52,571	$ 271,303	$ -	$ 69,266	176.0%	25.5%	$ 202,037
WATER IMPACT FUND	$ -	$ 154,415	$ 153,573	$ -	$ -		0.0%	$ 153,573
SEWER IMPACT FUND	$ -	$ 60,000	$ 60,000	$ -	$ -		0.0%	$ 60,000
WATER/SEWER FUND	**$ 1,627,071**	**$ 4,511,814**	**$ 4,743,192**	**$ 436,172**	**$ 1,767,158**	**36.1%**	**37.3%**	**$ 2,976,034**
EDC4B FUND	**$ 179,388**	**$ 604,408**	**$ 592,963**	**$ 8,978**	**$ 225,574**	**29.7%**	**38.0%**	**$ 367,389**
CAPITAL FUND	**$ 86,308**	**$ 168,210**	**$ 175,170**	**$ 90**	**$ 7,293**	**51.3%**	**4.2%**	**$ 167,878**
SPECIAL REVENUE FUND	**$ 87,280**	**$ 104,097**	**$ 22,984**	**$ 1,000**	**$ 1,000**	**83.8%**	**4.4%**	**$ 21,984**
TOTAL EXPENDITURES	**$ 6,246,540**	**$ 14,827,443**	**$ 14,571,907**	**$ 1,748,081**	**$ 5,906,773**	**42.1%**	**40.5%**	**$ 8,665,134**

EXPENDITURE SUMMARY BY DEPARTMENT

GENERAL FUND	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY ACTUAL EXPENSED	% OF CY BUDGET EXPENSED	BUDGET REMAINING
CITY MANAGER	$ 161,961	$ 356,066	$ 352,423	$ 28,198	$ 127,768	45.5%	36.3%	$ 224,655
MAYOR/CITY COUNCIL	$ 43,449	$ 129,553	$ 115,113	$ 18,351	$ 60,488	33.5%	52.5%	$ 54,625
CITY SECRETARY	$ 55,538	$ 152,017	$ 144,246	$ 6,345	$ 57,908	36.5%	40.1%	$ 86,338
MUNICIPAL COURT	$ 42,481	$ 11,003	$ 128,197	$ 10,491	$ 31,551	386.1%	24.6%	$ 96,646
HUMAN RESOURCES	$ 41,764	$ 110,036	$ 128,583	$ 9,211	$ 40,762	38.0%	31.7%	$ 87,821
FINANCE	$ 132,316	$ 293,954	$ 301,564	$ 83,818	$ 160,445	45.0%	53.2%	$ 141,119
POLICE	$ 848,824	$ 2,190,318	$ 2,405,689	$ 132,474	$ 901,467	38.8%	37.5%	$ 1,504,222
FIRE	$ 617,557	$ 1,679,349	$ 1,835,873	$ 136,448	$ 671,940	36.8%	36.6%	$ 1,163,933
COMMUNITY DEVELOPMENT	$ 109,348	$ 305,758	$ 341,663	$ 20,202	$ 90,260	35.8%	26.4%	$ 251,403
SENIOR CITIZEN CENTER	$ 16,613	$ 66,084	$ 51,439	$ 4,758	$ 19,453	25.1%	37.8%	$ 31,986
LIBRARY	$ 101,923	$ 284,790	$ 258,031	$ 17,986	$ 100,297	35.8%	38.9%	$ 157,734
NONDEPARTMENTAL	$ 217,093	$ 504,400	$ 390,859	$ 18,823	$ 207,335	43.0%	53.0%	$ 183,524
TOTAL EXPENDITURES	**$ 2,388,866**	**$ 6,083,328**	**$ 6,453,680**	**$ 487,104**	**$ 2,469,673**	**39.3%**	**38.3%**	**$ 3,984,007**

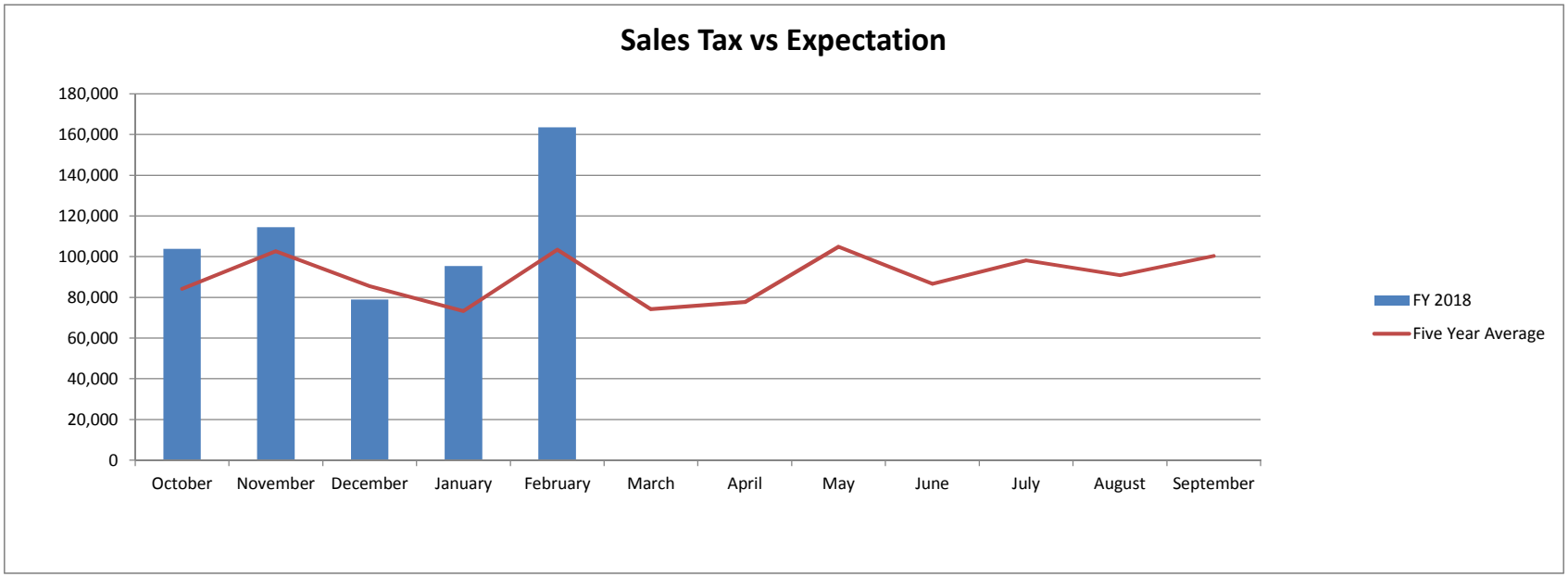
WATER/SEWER FUND	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY BUDGET EXPENSED	% OF CY BUDGET EXPENSED	BUDGET REMAINING
UTILITY BILLING	$ 280,021	$ 1,011,907	$ 1,237,043	$ 45,172	$ 326,106	27.7%	26.4%	$ 910,937
WATER OPERATIONS	$ 464,472	$ 1,043,692	$ 1,649,405	$ 73,560	$ 663,419	44.5%	40.2%	$ 985,986
DEBT	$ 461,034	$ 271,274	$ 677,361	$ 311,937	$ 464,750	170.0%	68.6%	$ 212,611
W&S CAPITAL	$ 45,704	$ 181,782	$ 39,796	$ 2,765	$ 2,765		6.9%	$ 37,031
NONDEPARTMENTAL	$ 283,314	$ 1,736,173	$ 654,711	$ 2,738	$ 240,852	16.3%	36.8%	$ 413,859
TOTAL EXPENDITURES	**$ 1,534,545**	**$ 4,244,827**	**$ 4,258,316**	**$ 436,172**	**$ 1,697,891**	**36.2%**	**39.9%**	**$ 2,560,425**

STREET IMPROVEMENT FUNI	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY BUDGET EXPENSED	% OF CY BUDGET EXPENSED	BUDGET REMAINING
STREETS	$ 252,264	$ 728,593	$ 698,143	$ 41,071	$ 223,453	34.6%	32.0%	$ 474,690
PARKS MAINTENANCE	$ 28,358	$ 82,981	$ 161,368	$ 3,526	$ 27,267	34.2%	16.9%	$ 134,101
CAPITAL	$ 281,561	$ 331,716	$ 60,523	$ -	$ -		0.0%	$ 60,523
TOTAL EXPENDITURES	**$ 562,183**	**$ 1,143,290**	**$ 920,034**	**$ 44,597**	**$ 250,720**	**49.2%**	**27.3%**	**$ 669,314**

EDC4B FUNDS	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY BUDGET EXPENSED	% OF CY BUDGET EXPENSED	BUDGET REMAINING
ADMINISTRATION	$ 69,865	$ 192,298	$ 195,517	$ 4,162	$ 44,777	36.3%	22.9%	$ 150,740
DEBT SERVICE	$ 87,152	$ 234,250	$ 322,365	$ 4,816	$ 85,053	37.2%	26.4%	$ 237,312
TOWN SHOPPING CENTER	$ 22,372	$ 75,209	$ 45,362	$ -	$ 95,744	29.7%	211.1%	$ (50,382)
TOWNCENTER REDEVELOPMENT	$ -	$ 12,653	$ -	$ -	$ -		#DIV/0!	$ -
TOTAL EXPENDITURES	**$ 179,388**	**$ 514,408**	**$ 563,244**	**$ 8,978**	**$ 225,574**	**34.9%**	**40.0%**	**$ 337,670**

Sales Tax By Month

Year	October	November	December	January	February	March	April	May	June	July	August	September	Total
FY2018	$ 103,820	$ 114,506	$ 86,956	$ 95,425	$ 163,502								**$ 564,209**
FY2017	$ 88,748	$ 116,156	$ 81,855	$ 88,956	$ 105,794	$ 78,644	$ 87,130	$ 100,121	$ 80,241	$ 100,943	$ 49,590	$ 86,549	**$ 1,064,725**
FY2016	$ 93,137	$ 119,137	$ 97,985	$ 75,878	$ 116,006	$ 87,589	$ 79,516	$ 114,543	$ 83,718	$ 84,586	$ 87,693	$ 91,377	**$ 1,131,165**
FY2015	$ 71,955	$ 94,438	$ 82,545	$ 73,782	$ 107,571	$ 72,312	$ 81,193	$ 119,350	$ 128,463	$ 165,756	$ 146,297	$ 177,697	**$ 1,321,359**
FY2014	$ 65,971	$ 89,600	$ 94,982	$ 67,373	$ 97,781	$ 69,685	$ 79,236	$ 93,957	$ 77,496	$ 71,927	$ 86,597	$ 67,978	**$ 962,584**
FY2013	$ 100,850	$ 93,890	$ 70,338	$ 60,406	$ 90,009	$ 62,374	$ 60,955	$ 96,061	$ 63,409	$ 67,304	$ 83,919	$ 78,075	**$ 927,591**
FY2012	$ 94,619	$ 111,587	$ 115,048	$ 89,778	$ 92,977	$ 73,453	$ 111,689	$ 123,691	$ 73,106	$ 122,489	$ 80,038	$ 82,836	**$ 1,171,313**
	*Net payment after correcting an audit error.												$ -



Industry	Amount	% Change	YTD	FYTD
Manufacturing	$47,770.05	393.63%	$54,110.00	$70,114.82
General Services	$33,726.68	21.93%	$53,372.74	$131,313.56
Retail	$30,442.71	33.81%	$56,161.72	$124,270.89
Wholesale	$25,445.51	105.62%	$46,462.13	$103,577.57
Professional Services	$16,896.26	-2.60%	$32,314.10	$81,326.66
Food	$8,626.30	39.01%	$17,278.19	$42,035.09
Miscellaneous	$176.50	-85.35%	$318.42	$1,114.21
Agricultural	$52.49	-79.36%	$334.84	$10,054.30
Accomodation	$0.00	-100.00%	$0.00	$0.00

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Staff Report to the Honorable Mayor and City Council

Date: March 19, 2018

Agenda Item No: MONITORING INFORMATION - B.

I. Subject:
Monthly EDC Financials and Activity Report

II. Originated by:

Brady Olsen, Finance Director

III. Summary:
Reports from the previous EDC meeting are attached for your reference.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

1.	2018_01 Monthly Financials – EDC	2018_01 Monthly Financials - EDC.pdf
2.	2018_01 Sales Tax Update – EDC	Sales Tax Update- January EDC.pdf

ECONOMIC DEVELOPMENT CORPORATION FINANCIALS SUMMARY

Budget Amendment

Monthly Information

1.Paid all owed for roofing damage, reducing total cash to $400,000. TML paid actual cost of repair, plus some depreciation. With depreciation difference and monthly revenue, available cash actually increased for the month, although about $66,500 is committed to parking lot repair.
2. $31,808 Sales Tax higher than what we would usually expect in January by about $5,000--largely in General Services & Wholesale
3. Including modified copies of previous monthly reports from Sept-Dec of 2017. When we received the insurance pre-payment in September, the cash was inaccurately reported as 'available cash.'
4. Added additional color formatting to the cash balance page. Similar colors match with similar purposes.
5. EDC continues to explore findings tenants to fill out the town center.

Rental Fees, MMD Tax and Rental Insurance are reported on the Accrual Basis of Accounting, while all other revenues and expenditures are reported on the Cash Basis. This procedure has been in effect for several years, but can be changed should the Board wish.

Brady Olsen
Finance Director

ADDITIONAL INFORMATION

FUND 15- OPERATING FUND (ALL BILLS AND REVENUE RECEIVED IN THIS FUND)
FUND 19- CAPITAL BOND FUND (REMAINING CAPITAL MONEY)
FUND 95- RESERVE FUND FOR DEBT REQUIREMENTS

EDC CASH POSITION

CATEGORY	DESCRIPTION		FY17-18 YTD
FROM PREVIOUS MONTHS REPORT:			
BEGINNING CASH BALANCE - FUND 15	(Operating Cash)	$	441,693
BEGINNING TEXPOOL BALANCE - FUND 15	(Operating Investments)	$	-
BEGINNING TEXPOOL BALANCE - FUND 19	(Unspent bond proceeds)	$	29,816
BEGINNING CASH BALANCE - FUND 95	(Required reserves)	$	120,838
BEGINNING CASH BALANCE - TOTAL		**$**	**592,347**
BEGINNING AVAILABLE CASH - TOTAL			**197,259**
TOTAL REVENUES MINUS EXPENDITURES FOR MONTH		$	(31,674) *
ENDING CASH BALANCE - FUND 15	(Operating Cash)	$	249,682
ENDING TEXPOOL BALANCE - FUND 15	(Operating Investments)	$	-
ENDING TEXPOOL BALANCE - FUND 19	(Unspent bond proceeds)	$	29,849
ENDING CASH BALANCE - FUND 95	(Required reserves)	$	120,942
ENDING CASH BALANCE - TOTAL		**$**	**400,473**
UNAVAILABLE CASH - EARMARKED			
TML ROOFING ADVANCE			PAID
2010 $2.0M BOND SALE REMAINING CASH	(Unspent bond proceeds)	$	29,849
RESERVES FOR LEVERAGE NOTE	(Required reserves)	$	120,942
TOTAL UNAVAILABLE CASH		**$**	**150,791**
AVAILABLE CASH		**$**	**249,682**

*Due to prior period adjustments, beginning cash balance plus monthly income will not always be an exact match for ending cash balance

COMBINED EDC4B FUNDS SUMMARY

CATEGORY	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY ACTUAL USED	% OF CY BUDGET USED	BUDGET REMAINING
BEGINNING FUND BALANCE	**$ 313,866**	**$ 313,866**	**$ 134,784**		**$ 252,746**			
AD VALOREM TAXES	1,573	2,360	35,000	-	-	66.7%	0.0%	35,000
SALES/BEVERAGE TAXES	57,580	361,319	373,835	32,145	58,800	15.9%	15.7%	315,035
INVESTMENT EARNINGS	157	790	65	436	973	19.9%	1496.8%	(908)
MISCELLANEOUS INCOME	42,196	76,716	45,120	2,350	11,294	55.0%	25.0%	33,826
SURPLUS SALES/RENTALS	31,994	82,071	121,858	8,071	369,754	39.0%	303.4%	(247,896)
TRANSFERS	-	-	29,719	-	-	0.0%	0.0%	-
TOTAL REVENUES	**$ 133,500**	**$ 523,257**	**$ 605,597**	**$ 43,001**	**$ 440,821**	**25.5%**	**72.8%**	**$ 135,057**
SUPPLIES	-	-	2,100	-	-	#DIV/0!	0.0%	2,100
MAINTENANCE	6,257	44,464	25,112	59,559	83,617	14.1%	333.0%	(58,505)
SUNDRY	70,823	201,042	213,667	10,350	52,741	35.2%	24.7%	160,926
DEBT	47,616	169,431	169,777	4,766	46,443	28.1%	27.4%	123,334
TRANSFERS	34,909	154,819	182,307	-	33,794	22.5%	18.5%	148,513
CAPITAL	1,274	14,621	-	-	22,000	8.7%	#DIV/0!	(22,000)
TOTAL EXPENDITURES	**$ 160,879**	**$ 584,377**	**$ 592,963**	**$ 74,675**	**$ 238,595**	**27.5%**	**40.2%**	**$ 354,368**
REVENUES OVER EXPENDITURES	$ (27,379)	$ (61,120)	$ 12,634	$ (31,674)	$ 202,225			
ENDING FUND BALANCE	**$ 286,487**	**$ 252,746**	**$ 147,418**		**$ 454,971**			
FUND BALANCE AS % OF EXP	**178.1%**	**43.3%**	**24.9%**	**0.0%**	**190.7%**			
RESERVE ($115,000) REQUIREMENT)	$ -	$ -	$ 115,000	$ -	$ -			
RESERVE SURPLUS/(SHORTFALL)	**$ 286,487**	**$ 252,746**	**$ 32,418**	**$ -**	**$ 454,971**			

15: EDC4B FUND

CATEGORY	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY ACTUAL USED	% OF CY BUDGET USED	BUDGET REMAINING
BEGINNING FUND BALANCE	**$ 164,460**	**$ 164,460**	**$ (15,517)**		**$ 102,632**			
AD VALOREM TAXES	1,573	2,360	35,000	-	-	66.7%	0.0%	35,000
SALES/BEVERAGE TAXES	57,580	361,319	373,835	32,145	58,800	15.9%	15.7%	315,035
INVESTMENT EARNINGS	25	82	65	298	551	30.0%	847.5%	(486)
MISCELLANEOUS INCOME	42,196	76,716	45,120	2,350	11,294	55.0%	25.0%	33,826
SURPLUS SALES/RENTALS	31,994	82,071	121,858	8,071	369,754	39.0%	303.4%	(247,896)
TOTAL REVENUES	**$ 133,367**	**$ 522,549**	**$ 575,878**	**$ 42,864**	**$ 440,399**	**25.5%**	**76.5%**	**$ 135,479**
SUPPLIES	-	-	2,100	-	-	#DIV/0!	0.0%	2,100
MAINTENANCE	6,257	44,464	25,112	59,559	83,617	14.1%	333.0%	(58,505)
SUNDRY	70,823	201,042	213,667	10,350	52,741	35.2%	24.7%	160,926
DEBT	47,616	169,431	169,777	4,766	46,443	28.1%	27.4%	123,334
TRANSFERS	34,909	154,819	152,588	-	33,794	22.5%	22.1%	118,794
CAPITAL	1,274	14,621	-	-	22,000	8.7%	#DIV/0!	(22,000)
TOTAL EXPENDITURES	**$ 160,879**	**$ 584,377**	**$ 563,244**	**$ 74,675**	**$ 238,595**	**27.5%**	**42.4%**	**$ 324,649**
REVENUES OVER EXPENDITURES	$ (27,512)	$ (61,828)	$ 12,634	$ (31,811)	$ 201,803			
ENDING FUND BALANCE	**$ 136,948**	**$ 102,632**	**$ (2,883)**		**$ 304,435**			
FUND BALANCE AS % OF EXP	**85.1%**	**17.6%**	**-0.5%**	**0.0%**	**127.6%**			
RESERVE (NO REQUIREMENT)	$ -	$ -	$ -	$ -	$ -			
RESERVE SURPLUS/(SHORTFALL)	**$ 136,948**	**$ 102,632**	**$ (2,883)**	**$ -**	**$ 304,435**			

15: EDC4B FUND

ACCOUNT	ACCOUNT NAME	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY ACTUAL USED	% OF CY BUDGET USED	BUDGET REMAINING
4002-00-00	MMD TAX-CURRENT YEAR	1,573	2,360	35,000	-	-	66.7%	0.0%	35,000
	AD VALOREM TAXES	**$ 1,573**	**$ 2,360**	**$ 35,000**	**$ -**	**$ -**	**66.7%**	**0.0%**	**$ 35,000**
4081-00-00	SALES TAX	57,580	361,319	373,835	32,145	58,800	15.9%	15.7%	315,035
	SALES/BEVERAGE TAXES	**$ 57,580**	**$ 361,319**	**$ 373,835**	**$ 32,145**	**$ 58,800**	**15.9%**	**15.7%**	**$ 315,035**
4401-00-00	INVESTMENT INCOME	25	82	65	298	551	30.0%	847.5%	(486)
	INVESTMENT EARNINGS	**$ 25**	**$ 82**	**$ 65**	**$ 298**	**$ 551**	**30.0%**	**847.5%**	**$ (486)**
4409-00-00	MISCELLANEOUS INCOME	42,196	76,716	45,120	2,350	11,294	55.0%	25.0%	33,826
	MISCELLANEOUS INCOME	**$ 42,196**	**$ 76,716**	**$ 45,120**	**$ 2,350**	**$ 11,294**	**55.0%**	**25.0%**	**$ 33,826**
4805-00-00	RENTAL FEES-SHOPPING CENTER	31,753	81,710	121,112	8,071	20,575	38.9%	17.0%	100,537
4806-00-00	RENTAL INSURANCE	241	361	746	-	-	66.7%	0.0%	746
4884-00-01	SALE OF ASSETS	-	-	-	-	349,179	#DIV/0!	#DIV/0!	(349,179)
	SURPLUS SALES/RENTALS	**$ 31,994**	**$ 82,071**	**$ 121,858**	**$ 8,071**	**$ 369,754**	**#DIV/0!**	**#DIV/0!**	**$ (247,896)**
	TOTAL REVENUES	**$ 133,367**	**$ 522,549**	**$ 575,878**	**$ 42,864**	**$ 440,399**	**25.5%**	**76.5%**	**$ 135,479**
	TOTAL REVENUES (EXCLUDING INTEREST/TRANSFERS)	**$ 133,343**	**$ 522,467**	**$ 575,813**	**$ 42,566**	**$ 439,848**			
	10% ADMIN CHARGE-GENERAL FUND	13,334	52,247	57,581	4,257	43,985			

15: EDC4B FUND
01: ADMINISTRATION

ACCOUNT	ACCOUNT NAME	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY ACTUAL USED	% OF CY BUDGET USED	BUDGET REMAINING
5240-01-00	PRINTED SUPPLIES	-	-	2,000	-	-	#DIV/0!	0.0%	2,000
5260-01-00	GENERAL OFFICE SUPPLIES	-	-	50	-	-	0.0%	0.0%	50
5261-01-00	POSTAGE	-	-	50	-	-	0.0%	0.0%	50
	SUPPLIES	**$ -**	**$ -**	**$ 2,100**	**$ -**	**$ -**	**#DIV/0!**	**0.0%**	**$ 2,100**
5501-01-00	ADVERTISING	-	390	1,200	-	-	0.0%	0.0%	1,200
5510-01-00	ASSOC DUES/PUBLICATIONS	-	4,855	5,320	-	-	0.0%	0.0%	5,320
5512-01-00	CONTRACTUAL SERVICES	-							
5525-01-00	TRAINING/SEMINARS	-	175	250	-	-	0.0%	0.0%	250
5565-01-00	LEGAL SERVICES	5,750	17,252	10,000	-	3,900	33.3%	39.0%	6,100
5567-01-00	AUDIT SERVICES	-	2,250	2,250	-	-	0.0%	0.0%	2,250
5570-01-00	SPECIAL SERVICES	34,615	81,145	68,650	-	5,700	42.7%	8.3%	62,950
5574-01-00	FILING FEES	40	40			-			-
5578-01-00	TRAVEL	-	-	100	-	-	0.0%	0.0%	100
5580-01-00	ENGINEERING SERVICES	-	2,128	-	-	-	0.0%	#DIV/0!	-
5595-01-00	ADMIN CHARGE-GENERAL FUND	13,334	44,926	81,647	6,804	27,216	29.7%	33.3%	54,431
5615-01-00	FUNCTIONAL GRANT	4,278	17,137	24,000	1,987	3,799	25.0%	15.8%	20,201
	SUNDRY	**$ 58,057**	**$ 170,298**	**$ 193,417**	**$ 8,791**	**$ 40,615**	**34.1%**	**21.0%**	**$ 152,802**
5800-01-00	LAND	1,274	1,968	-	-	22,000	64.7%	0.0%	(22,000)
5813-01-00	KENNEDALE ENTRANCE SIGN	-	-	-	-	-	0.0%	0.0%	-
5820-01-00	BUILDING IMPROVEMENT	-	-	-	-	-	0.0%	0.0%	-
5875-01-00	CONSTRUCTION	-	-	-	-	-	0.0%	0.0%	-
	CAPITAL	**$ 1,274**	**$ 1,968**	**$ -**	**$ -**	**$ 22,000**	**64.7%**	**#DIV/0!**	**$ (22,000)**
	TOTAL EXPENDITURES	**$ 59,331**	**$ 172,266**	**$ 195,517**	**$ 8,791**	**$ 62,615**	**34.4%**	**32.0%**	**$ 132,902**

15: EDC4B FUND
01: ADMINISTRATION
03: DEBT SERVICE

ACCOUNT	ACCOUNT NAME	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY BUDGET USED	% OF CY BUDGET USED	BUDGET REMAINING
5643-01-03	2007 $1.2M TAX BOND-INTEREST	29,325	58,689	54,905	-	27,378	50.0%	49.9%	27,527
5644-01-03	2007 $1.2M TAX BOND-PRINCIPAL	-	55,000	60,000	-	-	0.0%	0.0%	60,000
5645-01-03	2011 $1.7M TX LEVERAGE-INT	5,456	15,879	14,278	928	5,431	34.4%	38.0%	8,847
5646-01-03	2011 $1.7M TX LEVERAGE-PRI	12,835	39,863	40,594	3,839	13,634	32.2%	33.6%	26,960
	DEBT	**$ 47,616**	**$ 169,431**	**$ 169,777**	**$ 4,766**	**$ 46,443**	**28.1%**	**27.4%**	**$ 123,334**
5702-01-03	TRANSFER OUT-DEBT SERVICE FUND	34,909	154,819	152,588	-	33,794	22.5%	22.1%	118,794
	TRANSFER	**$ 34,909**	**$ 154,819**	**$ 152,588**	**$ -**	**$ 33,794**	**22.5%**	**22.1%**	**$ 118,794**
	TOTAL EXPENDITURES	**$ 82,525**	**$ 324,250**	**$ 322,365**	**$ 4,766**	**$ 80,237**	**25.5%**	**24.9%**	**$ 242,128**

15: EDC4B FUND
02: TOWN SHOPPING CENTER

ACCOUNT	ACCOUNT NAME	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY ACTUAL USED	% OF CY BUDGET USED	BUDGET REMAINING
5403-02-00	BUILDING MAINTENANCE	6,257	44,464	25,112	59,559	83,617	14.1%	333.0%	(58,505)
	MAINTENANCE	**$ 6,257**	**$ 44,464**	**$ 25,112**	**$ 59,559**	**$ 83,617**	**14.1%**	**333.0%**	**$ (58,505)**
5530-02-00	ELECTRIC SERVICES	1,795	5,924	6,700	909	1,645	30.3%	24.6%	5,055
5545-02-00	INSURANCE-PROPERTY	6,507	6,507	6,500	-	8,341	100.0%	128.3%	(1,841)
5570-02-00	SPECIAL SERVICES	4,464	18,312	7,050	650	2,141	24.4%	30.4%	4,909
	SUNDRY	**$ 12,766**	**$ 30,744**	**$ 20,250**	**$ 1,559**	**$ 12,127**	**41.5%**	**59.9%**	**$ 8,123**
	TOTAL EXPENDITURES	**$ 19,023**	**$ 75,209**	**$ 45,362**	**$ 61,118**	**$ 95,744**	**25.3%**	**211.1%**	**$ (50,382)**

15: EDC4B FUND
03: TOWN CENTER REDEVELOPMENT

ACCOUNT	ACCOUNT NAME	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY ACTUAL USED	% OF CY BUDGET USED	BUDGET REMAINING
5580-03-00	ENGINEERING SERVICES	-	2,573	-	-	-	0.0%	#DIV/0!	-
5847-03-00	CONSTRUCTION	-	10,080	-	-	-	0.0%	#DIV/0!	-
	CAPITAL	**$ -**	**$ 12,653**	**$ -**	**$ -**	**$ -**	**0.0%**	**#DIV/0!**	**$ -**
	TOTAL EXPENDITURES	**$ -**	**$ 12,653**	**$ -**	**$ -**	**$ -**	**0.0%**	**#DIV/0!**	**$ -**

15: EDC4B FUND

04: TEXAS LEVERAGE PROGRAM

ACCOUNT	ACCOUNT NAME	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY ACTUAL USED	% OF CY BUDGET USED	BUDGET REMAINING
5800-04-00	LAND	-	-	-	-	-	#DIV/0!	0.0%	-
	CAPITAL	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**#DIV/0!**	**0.0%**	**$ -**
	TOTAL EXPENDITURES	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**#DIV/0!**	**0.0%**	**$ -**

19: EDC4B CAPITAL BOND FUND

CATEGORY	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY ACTUAL USED	% OF CY BUDGET USED	BUDGET REMAINING
BEGINNING FUND BALANCE	**$ 29,444**	**$ 29,444**	**$ 29,719**		**$ 29,649**			
INVESTMENT EARNINGS	44	205	-	33	114	21.6%	#DIV/0!	(114)
TOTAL REVENUES	**$ 44**	**$ 205**	**$ -**	**$ 33**	**$ 114**	**21.6%**	**#DIV/0!**	**$ (114)**
TRANSFERS	-	-	29,719	-	-	0.0%	0.0%	-
CAPITAL	-	-	-	-	-	0.0%	0.0%	-
TOTAL EXPENDITURES	**$ -**	**$ -**	**$ 29,719**	**$ -**	**$ -**	**0.0%**	**0.0%**	**$ -**
REVENUES OVER EXPENDITURES	$ 44	$ 205	$ (29,719)	$ 33	$ 114			
ENDING FUND BALANCE	**$ 29,488**	**$ 29,649**	**$ 0**		**$ 29,764**			
FUND BALANCE AS % OF EXP	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**			
RESERVE (NO REQUIREMENT)	$ -	$ -	$ -	$ -	$ -			
RESERVE SURPLUS/(SHORTFALL)	**$ 29,488**	**$ 29,649**	**$ 0**	**$ -**	**$ 29,764**			

19: EDC4B CAPITAL BOND FUND

ACCOUNT	ACCOUNT NAME	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY ACTUAL USED	% OF CY BUDGET USED	BUDGET REMAINING
4401-00-00	INVESTMENT INCOME	44	205	-	33	114	21.6%	#DIV/0!	(114)
	INVESTMENT EARNINGS	**$ 44**	**$ 205**	**$ -**	**$ 33**	**$ 114**	**21.6%**	**#DIV/0!**	**$ (114)**
	TOTAL REVENUES	**$ 44**	**$ 205**	**$ -**	**$ 33**	**$ 114**	**21.6%**	**#DIV/0!**	**$ (114)**

19: EDC4B CAPITAL BOND FUND
01: TOWN CENTER REDEVELOPMENT

ACCOUNT	ACCOUNT NAME	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY ACTUAL USED	% OF CY BUDGET USED	BUDGET REMAINING
5580-01-00	TRANSFER OUT	-	-	-	-	-	0.0%	0.0%	-
	TRANSFERS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**0.0%**	**0.0%**	**$ -**
5800-01-00	LAND	-	-	-	-	-	0.0%	0.0%	-
5847-01-00	CONSTRUCTION	-	-	-	-	-	0.0%	0.0%	-
	CAPITAL	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**0.0%**	**0.0%**	**$ -**
	TOTAL EXPENDITURES	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**0.0%**	**0.0%**	**$ -**

95: EDC4B RESERVE FUND

CATEGORY	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY ACTUAL USED	% OF CY BUDGET USED	BUDGET REMAINING
BEGINNING FUND BALANCE	**$ 119,962**	**$ 119,962**	**$ 120,582**		**$ 120,464**			
INVESTMENT EARNINGS	88	502	-	104	308	17.5%	#DIV/0!	(308)
TOTAL REVENUES	**$ 88**	**$ 502**	**$ -**	**$ 104**	**$ 308**	**17.5%**	**#DIV/0!**	**$ (308)**
TOTAL EXPENDITURES	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**0.0%**	**0.0%**	**$ -**
REVENUES OVER EXPENDITURES	$ 88	$ 502	$ -	$ 104	$ 308			
ENDING FUND BALANCE	**$ 120,050**	**$ 120,464**	**$ 120,582**		**$ 120,772**			
FUND BALANCE AS % OF EXP	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**			
RESERVE ($112,606 REQUIREMENT)	$ 112,606	$ 112,606	$ 112,606	$ 112,606	$ 112,606			
RESERVE SURPLUS/(SHORTFALL)	**$ 7,444**	**$ 7,858**	**$ 7,976**	**$ (112,606)**	**$ 8,166**			

95: EDC4B RESERVE FUND

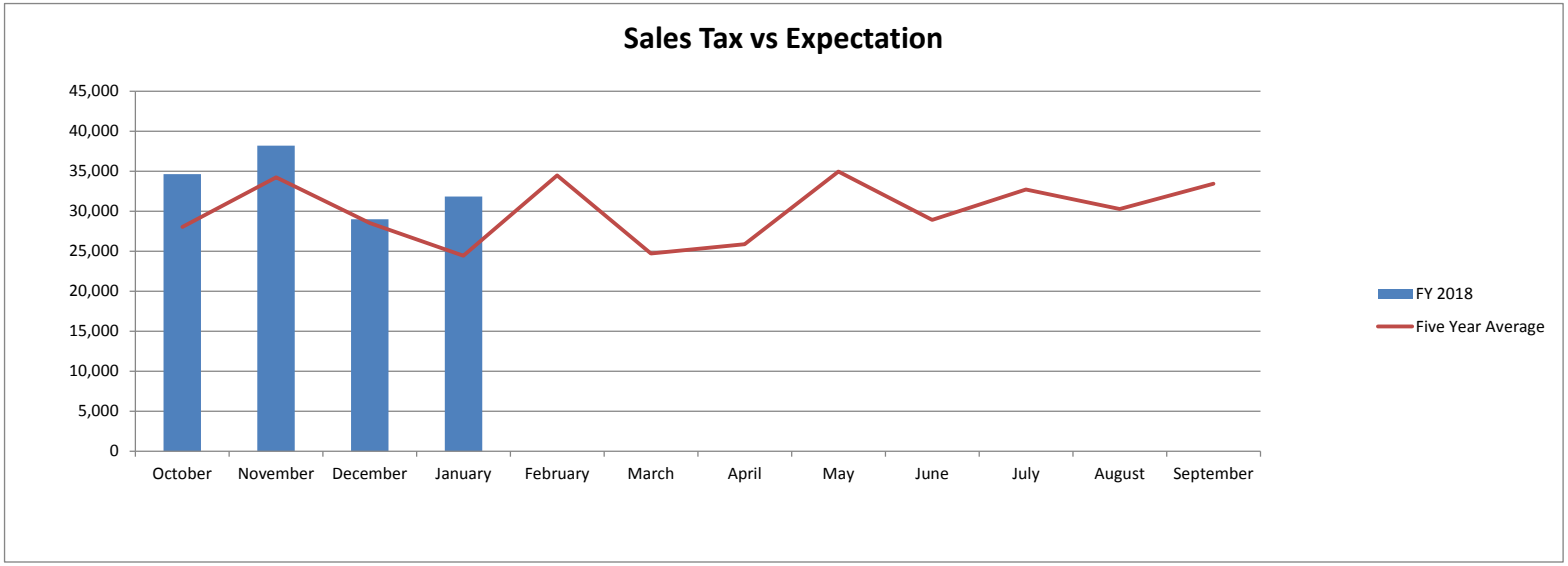
ACCOUNT	ACCOUNT NAME	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY BUDGET USED	% OF CY BUDGET USED	BUDGET REMAINING
4401-00-00	INVESTMENT INCOME	88	502	-	104	308	17.5%	#DIV/0!	(308)
	INVESTMENT EARNINGS	**$ 88**	**$ 502**	**$ -**	**$ 104**	**$ 308**	**17.5%**	**#DIV/0!**	**$ (308)**
	TOTAL REVENUES	**$ 88**	**$ 502**	**$ -**	**$ 104**	**$ 308**	**17.5%**	**#DIV/0!**	**$ (308)**

95: EDC4B RESERVE FUND

ACCOUNT	ACCOUNT NAME	FY16-17 YTD	FY16-17 ACTUAL	FY17-18 ADOPTED	CURRENT MONTH	FY17-18 YTD	% OF PY BUDGET USED	% OF CY BUDGET USED	BUDGET REMAINING
	TRANSFERS	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**0.0%**	**0.0%**	**$ -**
	TOTAL EXPENDITURES	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**0.0%**	**0.0%**	**$ -**

Sales Tax By Month

Year	October	November	December	January	February	March	April	May	June	July	August	September	Total
FY2018	$ 34,607	$ 38,169	$ 28,985	$ 31,808	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ 133,569**
FY2017	$ 29,583	$ 38,719	$ 27,285	$ 29,652	$ 35,265	$ 26,215	$ 29,043	$ 33,374	$ 26,747	$ 33,648	$ 16,530	$ 28,850	**$ 354,908**
FY2016	$ 31,046	$ 39,712	$ 32,662	$ 25,293	$ 38,669	$ 29,196	$ 26,505	$ 38,181	$ 27,906	$ 28,195	$ 29,231	$ 30,459	**$ 377,055**
FY2015	$ 23,985	$ 31,479	$ 27,515	$ 24,594	$ 35,857	$ 24,104	$ 27,064	$ 39,783	$ 42,821	$ 55,252	$ 48,766	$ 59,232	**$ 440,453**
FY2014	$ 21,990	$ 29,867	$ 31,661	$ 22,458	$ 32,594	$ 23,228	$ 26,412	$ 31,319	$ 25,832	$ 23,976	$ 28,866	$ 22,659	**$ 320,861**
FY2013	$ 33,617	$ 31,297	$ 23,446	$ 20,135	$ 30,003	$ 20,791	$ 20,318	$ 32,020	$ 21,136	$ 22,435	$ 27,973	$ 26,025	**$ 309,197**
FY2012	$ 31,540	$ 37,196	$ 38,349	$ 29,926	$ 30,992	$ 24,484	$ 37,230	$ 41,230	$ 24,369	$ 40,830	$ 26,679	$ 27,612	**$ 390,438**
	*Net payment after correcting an audit error. Payment would have been $~34K												**$ -**



Industry	Amount	% Change	Adjusted Chang	YTD	FYTD
Retail	$8,573.00	0.36%	-9.34%	$8,573.00	$31,274.59
Wholesale	$7,005.54	50.29%	2.85%	$7,005.54	$26,044.02
General Services	$6,548.69	51.89%	0.05%	$6,548.69	$32,528.96
Professional Services	$5,139.28	-36.97%	-9.78%	$5,139.28	$21,476.50
Food	$2,883.96	52.74%	4.31%	$2,883.96	$11,136.26
Manufacturing	$2,113.32	48.05%	-70.61%	$2,113.32	$7,448.26
Agricultural	$94.12	-44.09%	-12.98%	$94.12	$3,333.94
Miscellaneous	$47.31	-2.72%	-0.24%	$47.31	$314.34
Accomodation	$0.00	-100.00%	0.00%	$0.00	$0.00

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Staff Report to the Honorable Mayor and City Council

Date: March 19, 2018

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

I. Subject:
Consider approval of minutes from February 15, 2018 regular meeting

II. Originated by:

Leslie Galloway, City Secretary & Communications Coordinator

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.	2018_02.15_Minutes_City Council Regular Meeting_DRAFT_WM	2018_02.15_Minutes_City Council Regular Meeting_DRAFT_WM.pdf

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KENNEDALE CITY COUNCIL MINUTES

REGULAR MEETING | February 15, 2018
CITY HALL COUNCIL CHAMBERS, 405 MUNICIPAL DRIVE
WORK SESSION - 5:00 PM | REGULAR SESSION - 7:00 PM

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UNTIL APPROVED
BY COUNCIL

I. CALL TO ORDER

Mayor Pro Tem Jan Joplin called the meeting to order at 5:12 p.m.
Mayor Brian Johnson arrived at 5:25 p.m.

II. WORK SESSION

A. Hold interviews of candidates for appointment to City Boards and Commissions

At this time, City Council interviewed Jadey James in the Jury Room.

B. Discussion of items on Regular Session

There was no discussion at this time.

C. Hold a discussion and provide staff direction regarding the development of a policy for the calling of Special Meetings of the City Council and for the identification of items to be included on the Council's Agenda for future consideration

City Manager George Campbell asked for direction from Council so that a policy could be drafted. City Attorney Wayne Olson stated that the Charter provides that a Special Meeting may be called at the request of three Councilmembers, but that because three members constitutes a quorum, Council must be careful to operate in such a way as to avoid violations of the Open Meetings Act. He suggested adopting a policy so that, in time-sensitive situations, Council would have an avenue for calling a Special Meeting outside of discussion during a posted open meeting.

After lengthy discussion, Council requested that Olson draft a policy regarding the calling of Special Meetings and the placement of items on the agenda to be presented to Council at the Monday, March 5 Special Meeting.

D. Discussion of budget amendments

Mayor Pro Tem Jan Joplin stated that she requested this item because during the budget process, there was consideration of cutting several line items that ended up being included in the budget. She requested individual discussion of her proposed cuts and potential adjustments to Fire Department salaries. Council requested that this discussion of specific line item cuts be placed on the next agenda.

E. Discussion of water/sewer rate review/reduction

Councilmember Gilley stated that he believed the Water & Sewer Fund is now healthier than the last time Council had considered an adjustment in Summer 2017, and asked

that discussion of the health of the Water & Sewer Fund and what effect rate adjustments might have on that fund be placed on an upcoming agenda.

F. Discussion of Charter amendments

Council discussed the possibility of term limits, single-member districts, and caps on water and wastewater rate increase percentages. Mayor Johnson asked that Council forward their nominations for three members for a Charter Review Committee, which would include himself and Councilmembers Gilley and Lee, with the goal of having proposed Charter amendments on either the November 2018 or May 2019 ballot.

G. Discussion of Purchasing Matrix Amendment

Finance Director Brady Olsen stated that he had surveyed other cities, focusing on those in the region and/or of a similar population. City Manager Campbell pointed out the restrictiveness of limiting staff's power to $10,000 without requiring Council approval. Finance Director Brady Olsen was directed to prepare an updated purchasing matrix and further comparison data for the next meeting.

Council recessed at 6:43 p.m., until the Regular Session.

III. REGULAR SESSION

Mayor Johnson opened the Regular Session at 7:05 p.m.

IV. ROLL CALL

Present: Mayor Johnson (arrived at 5:25 p.m.); Mayor Pro Tem Joplin, Place 5; Rockie Gilley, Place 1; Liz Carrington, Place 2; Sandra Lee, Place 3; and Kelly Turner, Place 4. **Absent:** None

Staff: *City Manager George Campbell, City Secretary and Communications Coordinator Leslie Galloway, Finance Director Brady Olsen, Fire Chief Mike McMurray, Police Chief Tommy Williams, Public Works Director Larry Ledbetter, Public Works Superintendent Larry Hoover, Library Director Amanda King, City Attorney Wayne Olson*

V. INVOCATION

Mayor Pro Tem Jan Joplin provided the invocation.

VI. UNITED STATES PLEDGE AND TEXAS PLEDGE

VII. VISITOR/CITIZENS FORUM

No one requested to speak.

VIII. REPORTS/ANNOUNCEMENTS

A. Updates from the City Council

Councilmember Gilley stated that he spent some time researching the initiative sponsored by Governor Greg Abbott to give citizens the ability to cap property tax rates.

Councilmember Lee thanked the Mayor for inviting her to the Mayor's Council and some other upcoming events. She added that she had spent some time visiting with the NAACP and her attorney.

Mayor Pro Tem Joplin stated that the last Council meeting was adjourned early

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because, in her opinion, the agenda was not chronological, and that she had since contracted outside counsel to negotiate agenda items for a Special Meeting and was appreciative that those requested items were on tonight's agenda. She stated that she attended the Parks & Recreation Board and Planning and Zoning Commission meeting and learned about several upcoming events and potential developments in the City, and met with the President of the Kennedale Professional Firefighters Association and discussed turnover and the desire for a salary step plan.

Councilmember Turner stated that he had attended several meetings of the Tarrant County Emergency Preparedness Planning Committee and about $1.8 Million would soon be allotted to this area (16 counties) for items including night vision goggles, bomb team training and resources, traffic direction devices, and communication equipment.

B. Updates from the City Manager

City Manager George Campbell stated that water contract discussions with the City of Arlington were ongoing, the site tour was complete, an agreement was being drafted, and plans to repair the water tower had been put on hold as it may not be necessary, depending on negotiations. He added that preliminary discussions had begun with Arlington regarding improvements to Sublett Road and the bridge near the new Kroger (at 287), but that, if these talks proved successful, it would be a multi-year process.

C. Updates from the Mayor

Mayor Johnson stated that Theatre in the Park was rehearsing, with a play scheduled for late April; Tarrant County College and the Kennedale Historical Society are partnering for monthly history lectures at the Kennedale Library; he recently spoke to Dr. Allan Saxe's class at UTA; he was appointed as chair of "Partners in Hope" a One Safe Place committee aimed at engaging the public in conversations about domestic violence; he attended the Tarrant Regional Transportation Coalition (TRTC) meeting where mass transit and infrastructure needs were discussed; he attended the Mayor's Council where homelessness, child advocacy, and flu season were the focus; on February 22, the Mayor's Council will discuss distribution of CDBG funding; he attended the Southeast Tarrant Transportation Partnership (SETTP) meeting and encouraged the public to be engaged in the discussion about the redesign of the I-20/820/287 interchange; and he is running a marathon with Burleson Mayor Ken Shetter to raise funds to send children to Camp Hope through One Safe Place.

IX. MONITORING INFORMATION

A. Monthly Financials – January 2018

There was no discussion at this time.

B. Schedule of Investment Activity for quarter ending December 31, 2017

There was no discussion at this time.

X. INCIDENTAL ITEMS

XI. REQUIRED APPROVAL ITEMS (CONSENT)

DRAFT UNTIL APPROVED BY COUNCIL

A. Consider approval of minutes from January 12, 2018 regular meeting

B. Consider adopting Resolution 518 for a grant application to the Justice Assistance Grant (JAG) Program for rifle-resistant body armor

C. 2017 Racial Profiling Report from the Police Department

Motion To Approve all required approval items on consent agenda, except item B (Resolution 518). **Action** Approve, **Moved By** Turner, Seconded By Carrington. **Motion passed Unanimously.**

In response to Councilmember Lee's question, Police Chief Tommy Williams confirmed that there were no matching funds required from the City.

Motion To Approve adoption of Resolution 518. **Action** Approve, **Moved By** Turner, Seconded By Lee. **Motion passed Unanimously.**

XII. DECISION ITEMS

A. Presentation by City Secretary of Certifications of Citizens Petitions for recall under Article XI of the City Charter

City Secretary Leslie Galloway certified to Council that two separate recall petitions were filed by John Clark on Monday, January 8, 2018 – one regarding Sandra Lee, Place 3 (containing 501 signatures, of which at least 425 were verified as adequate and complete); and one regarding Jan Joplin, Place 5 (containing 498 signatures, of which at least 421 were verified as adequate and complete). She added that this was a sufficient number of verified signatures on each, and that the Charter directs the City Council to call a Special Election to determine whether these two Councilmembers shall be recalled. She added that the next Special Election date that meets the requirements of the charter and state law is Saturday, May 5, 2018.

City Attorney Wayne Olson stated that it was the City Secretary's duty to certify the petition and that the Charter requires the City Council, after that certification, to vote to hold a recall election. Mayor Pro Tem Joplin stated her opinion that those circulating the petitions had misrepresented the facts to signers.

B. Consider approval of Resolution 516, calling a Special Election for May 5, 2018, pursuant to Article XI of the City Charter

Motion To Approve adoption of Resolution 516. **Action** Approve, **Moved By** Turner, Seconded By Carrington. **Motion passed 4-0, with Joplin abstaining.**

C. Consider approval of Resolution 517, calling the General Election for May 5, 2018

Motion To Approve adoption of Resolution 517. **Action** Approve, **Moved By** Lee, Seconded By Turner. **Motion passed Unanimously.**

D. Discuss and consider scheduling a Special Session of the City Council

Mayor Johnson stated that there had been a lengthy discussion during the Work

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Session and that there would be a Resolution establishing a policy for calling Special Meetings and placing items on the agenda at an upcoming meeting.

City Council decided to hold a Special Meeting on Monday, March 5, to further discuss several items from tonight's Work Session, including budget amendments, a policy for calling special meetings and placing items on the agenda, and the purchasing policy. Councilmember Gilley also asked that, going forward, Economic Development Corporation (EDC) financial and activity reports be added to Council agendas.

E. Consider making appointments to various Advisory Boards and Commissions including: the Economic Development Corporation Board, Parks and Recreation Board, Board of Adjustment/Building Board of Appeals, and Planning and Zoning Commission

Motion to Approve the appointments of Stan Seat to the Economic Development Corporation (EDC) Place 1; Ralph Grimes to EDC Place 5; Councilmember Sandra Lee to EDC Place 7; Josh Hayes to the Parks & Recreation Board Place 6; Jadey James to the Planning & Zoning Commission Place 6; to move Josh Altom to Place 2 of the Board of Adjustments/Building Board of Appeals, leaving Place 8 vacant. **Action** Approve, **Moved By** Gilley, Seconded By Mayor Pro Tem Joplin. **Motion passed Unanimously.**

F. Consider appointment of Chair and Vice Chair of the Planning and Zoning Commission

Council asked that the Planning & Zoning Commission membership forward a recommendation for Chair and Vice Chair.

G. Consider appointment of Chair and Vice Chair of the Board of Adjustment/Building Board of Appeals

Council asked that the Board of Adjustment/Building Board of Appeals membership forward a recommendation for Chair and Vice Chair.

XIII. EXECUTIVE SESSION

Council did not meet in Executive Session.

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

XV. ADJOURNMENT

Mayor Johnson adjourned the meeting at 7:51 p.m.

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APPROVED: **ATTEST:**

BRIAN JOHNSON, MAYOR *LESLIE GALLOWAY, CITY SECRETARY*

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Staff Report to the Honorable Mayor and City Council

Date: March 19, 2018

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

I. Subject:
Consider approval of minutes from March 5, 2018 special meeting

II. Originated by:

Leslie Galloway, City Secretary & Communications Coordinator

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.	2018_03.05_Minutes_City Council Special Meeting_DRAFT_WM	2018_03.05_Minutes_City Council Special Meeting_DRAFT_WM.pdf

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KENNEDALE CITY COUNCIL MINUTES

SPECIAL MEETING | March 5, 2018
CITY HALL COUNCIL CHAMBERS, 405 MUNICIPAL DRIVE
WORK SESSION - 6:30 PM | REGULAR SESSION - 7:00 PM

I. CALL TO ORDER

Mayor Brian Johnson called the meeting to order at 6:34 p.m.

II. WORK SESSION

A. Discuss and provide staff direction regarding the Fiscal YTD 2018 Budget Analysis and potential amendments to the FY2018 Adopted Budget

Finance Director Brady Olsen provided an overview of the fund accounting system that the City of Kennedale's budget is based on, with related revenue and expenses grouped. He added that budget amendments were typically done when revenue or expenditures do not match projections, offering the revenue example of the FY18 Budget including the assumption of the $0.50 increase in Stormwater Drainage Fees, which was not approved by Council; and the expenditure examples of unexpected legal fees and staff turnover.

Mayor Pro Tem Joplin stated that she felt a pay increase for the Fire Department was needed and that she would propose a budget amendment for that purpose in an attempt to solve the staffing problems. City Manager George Campbell noted that the preliminary results of the salary and climate survey that he was assessing for both Police and Fire showed that the salary disparity (in comparison to "market value") was actually greater in the Police Department (which has not suffered nearly as many staffing issues) than in the Fire Department, indicating that salary adjustments alone might not remedy the turnover issue, and further information was needed before making those decisions.

Public Works Director Larry Ledbetter answered questions regarding the reductions that staff continues to make in I&I (Inflow and Infiltration) in the wastewater system, and how that reduces treatment costs. He also discussed the proposed 44th Annual CDBG Project, involving replacing the sewer line on Danny Drive, and stated that it would be presented to Council at their next meeting, but that the funding would be in the FY19 budget.

Olsen provided a summary of current fund balances and stated that there were no departments that were clear outliers regarding spending projections, but that the water and sewer fund had spent a higher percentage than at this point last FY. He added that responses to Mayor Pro Tem Joplin's suggestions were in the packet in memo form. Joplin stated that she felt there were several items included in the Adopted Budget that should not be purchased. City Manager Campbell stated that staff could simply take direction from Council on those smaller items rather than formally amending the budget. He added that the fund overspending triggers an amendment; and if transfers need to be

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made between funds, that Council action would be required. Councilmember Gilley stated that his focus was to avoid a deficit budget year.

Council directed staff to add discussion of the proposed issuance of the ~$4 Million Certificate of Obligation and the related projects to a future agenda.

Councilmember Gilley stated his desire to see Economic Development Corporation (EDC) financial and activity reports as standing items on upcoming City Council agendas.

After some discussion of travel spending, Mayor Johnson noted that he had noted the Council's will to cut travel costs, but still felt NLC was an important resource, and would be spending his own money to attend this year. Olson took the opportunity to applaud Department Heads for their focused efforts on cutting costs in this budget cycle.

B. Discuss and provide staff direction regarding revenues and expenses of the Water Fund for FY2018 and potential amendments to the Water and Wastewater Rate Schedules

Finance Director Brady Olsen stated that he had contacted the Public Utility Commission (PUC) to receive a free rate study through the TRWA (Texas Rural Water Association), and that after receiving that report, staff would have better information to provide projections on rate adjustments' potential effects on the Water and Sewer Fund.

III. REGULAR SESSION

Mayor Johnson opened the regular session at 7:38 p.m.

IV. ROLL CALL

Present: Mayor Johnson; Mayor Pro Tem Joplin, Place 5; Rockie Gilley, Place 1; Sandra Lee, Place 3; and Kelly Turner, Place 4. **Absent:** Liz Carrington, Place 2

Staff: *City Manager George Campbell, City Secretary and Communications Coordinator Leslie Galloway, Finance Director Brady Olsen, HR/EDC Director Danielle Clarke, Fire Chief Mike McMurray, Police Chief Tommy Williams, Police Captain Darrell Hull, and Public Works Director Larry Ledbetter, City Attorney Wayne Olson*

V. DECISION ITEMS

A. Consider adoption of Resolution 519, adopting a policy for the calling of Special Meetings of the City Council and for the placement of items on the Council's Regular Agenda

Council directed City Attorney Wayne Olson to revise Resolution 519 to reflect tonight's discussion.

Motion To Postpone consideration of Resolution 519 to the March 19, 2018 Regular Meeting. **Motion passed Unanimously**

B. Consider adoption of Resolution 520, adopting an amended City of Kennedale Purchasing Policy

Finance Director Brady Olson stated that the City had maintained a purchasing policy since 2005, and the current City Manager cap was set at the state-prescribed maximum of

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$50,000, but that Mayor Pro Tem Joplin had proposed a limit of $10,000 instead. Olsen added that he would recommend adopting the current Purchasing Policy, unchanged, noting that the Cities of Burleson and Crowley do offer a lower limit of $25,000, but that he was not aware of a comparable city with a limit as low as $10,000. After some discussion, Council agreed to amend the Purchasing Policy (Appendix A) to limit the amount the City Manager could authorize spending without City Council approval to $25,000.

Motion To Approve adoption of Resolution 520, adopting an amended City of Kennedale Purchasing Policy, reducing the City Manager's purchasing limit to $25,000 in the matrix shown in Appendix A of the policy. **Action** Approve, **Moved By** Jan Joplin, **Seconded By** Rockie Gilley. **Motion passed Unanimously**

VI. EXECUTIVE SESSION

Council did not meet in Executive Session.

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

VIII. ADJOURNMENT

Motion To Adjourn. **Action** Adjourn, **Moved By** Jan Joplin, **Seconded By** Sandra Lee. **Motion passed Unanimously**

Mayor Johnson adjourned the meeting at 8:05 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: March 19, 2018

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

I. Subject:
Consider approval of Ordinance 641, approving a tariff authorizing an annual Rate Review Mechanism ("RRM") as a substitution for the annual interim rate adjustment process defined by section 104.301 of the Texas Utilities Code, and as negotiated between Atmos Energy and the Steering Committee of Cities Served by Atmos

II. Originated by:

III. Summary:
BACKGROUND AND SUMMARY
The City, along with 171 other Mid-Texas Cities served by Atmos Energy Corporation, Mid-Tex Division ("Atmos Mid-Tex" or "Company"), is a member of the Steering Committee of Cities Served by Atmos ("Cities"). In 2007, the Cities and Atmos Mid-Tex settled a rate application filed by the Company pursuant to Section 104.301 of the Texas Utilities Code for an interim rate adjustment commonly referred to as a GRIP filing (arising out of the Gas Reliability Infrastructure Program legislation). That settlement created a substitute rate review process, referred to as Rate Review Mechanism ("RRM"), as a substitute for future filings under the GRIP statute.

Since 2007, there have been several modifications to the original RRM Tariff. The Ordinance that resolved the Company's application under the RRM Tariff in 2017 also terminated the existing RRM Tariff and required a renegotiation of the terms of that tariff. Negotiations have taken place over the past several months, and have resulted in a revised RRM Tariff that has been agreed to by the Company. The Cities' Executive Committee has recommended acceptance of the revised RRM Tariff, which is attached to the Ordinance.

CITIES' OBJECTION TO THE SECTION 104.301 GRIP PROCESS
Cities strongly opposed the GRIP process because it constitutes piecemeal rate-making by ignoring declining expenses and increasing revenues and rewarding the Company for increasing capital investment. The GRIP process does not allow any review of the reasonableness of capital investment and does not allow cities to participate in the Railroad Commission's review of annual GRIP filings or recover their rate case expenses. The Railroad Commission undertakes a mere administrative review of GRIP filings (instead of a full hearing) and rate increases go into effect without any material adjustments. In the Steering Committee's view, the GRIP process unfairly raises customers' rates without any regulatory oversight. In contrast, the RRM process has allowed for a more comprehensive rate review and annual evaluation of expenses and revenues, as well as capital investment.

CHANGES TO THE RRM TARIFF
The RRM Tariff on which the 2017 rates were based allowed a rate of return on equity of 10.50%. The revised RRM Tariff reduces that to 9.8%. The revised RRM Tariff also captures the reduction in federal income tax rates from 35% to 21%, and should result in a rate reduction effective by mid-March, 2018. Prior RRM tariffs allowed Cities only three months to review the Company's filing. The new revised Tariff expands that time period by two months. New applications by the Company should be made on or about April 1 of each year, with new rates effective October 1. A rate order from the Railroad Commission in an

Atmos Texas Pipeline rate case adopted the position of Cities with regard to incentive compensation related to Atmos' Shared Services Unit that reduced allowed expenses, and that reduced level of expenses will be applicable under the new RRM Tariff.

EXPLANATION OF "BE IT ORDAINED" PARAGRAPHS

1. This section approves all findings in the Ordinance.
2. This section adopts the attached RRM Tariff and finds the adoption of the Tariff to be just, reasonable, and in the public interest. The prior tariff expired by its own terms.
3. This section requires the Company to reimburse the City for expenses associated with adoption of the Ordinance and RRM Tariff and in processing future applications pursuant to the Ordinance.
4. This section repeals any resolution or ordinance that is inconsistent with this Ordinance.
5. This section finds that the meeting was conducted in compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.
6. This section is a savings clause, which provides that if any section is later found to be unconstitutional or invalid, that finding shall not affect, impair, or invalidate the remaining provisions of this Ordinance. This section further directs that the remaining provisions of the Ordinance are to be interpreted as if the offending section or clause never existed.
7. This section provides for an effective date upon passage.
8. This section directs that a copy of the signed Ordinance be sent to a representative of the Company and legal counsel for the Steering Committee.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

1.	Ordinance 641_ATMOS RRM	Ordinance 641_ATMOS RRM.pdf
2.	Mid-Tex RRM Tariff Information	Mid-Tex RRM Tariff.pdf
3.	ASCS Cities	Exhibit A to RRM Tariff_Ver2.pdf

ORDINANCE NO. 641

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS, APPROVING A TARIFF AUTHORIZING AN ANNUAL RATE REVIEW MECHANISM ("RRM") AS A SUBSTITUTION FOR THE ANNUAL INTERIM RATE ADJUSTMENT PROCESS DEFINED BY SECTION 104.301 OF THE TEXAS UTILITIES CODE, AND AS NEGOTIATED BETWEEN ATMOS ENERGY CORP., MID-TEX DIVISION ("ATMOS MID-TEX" OR "COMPANY") AND THE STEERING COMMITTEE OF CITIES SERVED BY ATMOS; REQUIRING THE COMPANY TO REIMBURSE CITIES' REASONABLE RATEMAKING EXPENSES; ADOPTING A SAVINGS CLAUSE; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE OPEN MEETINGS ACT; DECLARING AN EFFECTIVE DATE; AND REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY AND LEGAL COUNSEL FOR THE STEERING COMMITTEE.

WHEREAS, the City of Kennedale, Texas ("City") is a gas utility customer of Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company"), and a regulatory authority with an interest in the rates and charges of Atmos Mid-Tex; and

WHEREAS, the City and similarly-situated Mid-Tex municipalities created the Steering Committee of Cities Served by Atmos to efficiently address all rate and service matters associated with delivery of natural gas; and

WHEREAS, the Steering Committee formed an Executive Committee to direct legal counsel and to recommend certain specific actions to all aligned Mid-Tex Cities through resolution or ordinance; and

WHEREAS, pursuant to the terms of a November 2007 agreement between the Steering Committee and Atmos Mid-Tex that settled the Company's interim rate filing under Section 104.301 of the Texas Utilities Code (a "GRIP" rate case), the Steering Committee and the Company collaboratively developed a Rate Review Mechanism ("RRM") Tariff, ultimately authorized by the City in 2008, that allows for an expedited rate review process as a substitute for the GRIP process; and

WHEREAS, the City has kept some form of a RRM Tariff in place until 2017 when it adopted an ordinance approving an RRM Tariff filing settlement and specifically calling for termination of the existing RRM Tariff and negotiation of a replacement RRM Tariff following the Railroad Commission's decision in a then-pending Atmos Texas Pipeline case (GUD No. 10580); and

WHEREAS, the Steering Committee's Executive Committee has recently approved a settlement with the Company on the attached RRM Tariff that contains certain notable improvements, from a consumer perspective, over the prior RRM Tariff,

including a reduced rate of return on equity, acceptance of certain expense adjustments made by the Railroad Commission in the Order in GUD No. 10580, and the addition of two months to the time for processing a RRM Tariff application; and

WHEREAS, the RRM Tariff contemplates reimbursement of Cities' reasonable expenses associated with RRM Tariff applications; and

WHEREAS, the Steering Committee's Executive Committee recommends that all Steering Committee member cities adopt this ordinance and the attached RRM Tariff; and

WHEREAS, the attached RRM Tariff is just, reasonable and in the public interest,

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

SECTION 1. That the findings set forth in this Ordinance are hereby in all things approved.

SECTION 2. That the attached RRM Tariff re-establishing a form of Rate Review Mechanism is just and reasonable and in the public interest, and is hereby adopted.

SECTION 3. That Atmos Mid-Tex shall reimburse the Cities' reasonable expenses associated with adoption of this Ordinance and the attached RRM Tariff and in processing future RRM Tariff applications filed pursuant to the attached tariff.

SECTION 4. That to the extent any resolution or ordinance previously adopted by the City is inconsistent with this Ordinance, it is hereby repealed.

SECTION 5. That the meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

SECTION 6. That if any one or more sections or clauses of this Ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions of this Ordinance , and the remaining provisions of this Ordinance shall be interpreted as if the offending section or clause never existed.

SECTION 7. That this Ordinance shall become effective from and after its passage.

SECTION 8. That a copy of this Ordinance shall be sent to Atmos Mid-Tex, care of Chris Felan, Vice President of Rates and Regulatory Affairs, Atmos Energy Corporation, Mid-Tex Division, 5420 LBJ Freeway, Suite 1862, Dallas, Texas 75240,

and to Geoffrey Gay, General Counsel to Mid-Tex Cities, at Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701.

DULY PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS, ON THE 19th DAY OF MARCH, 2018.

APPROVED:

_____
MAYOR, BRIAN JOHNSON

ATTEST:

_____
CITY SECRETARY, LESLIE GALLOWAY

APPROVED AS TO FORM AND LEGALITY:

_____
CITY ATTORNEY, WAYNE OLSON

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

RATE SCHEDULE:	**RRM – Rate Review Mechanism**	
APPLICABLE TO:	**ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE**	
EFFECTIVE DATE:	**Bills Rendered on and after 04/01/2018**	**PAGE: 1**

I. Applicability

Applicable to Residential, Commercial, Industrial, and Transportation tariff customers within the city limits of cities identified in Exhibit A that receive service from the Mid-Tex Division of Atmos Energy Corporation ("Company"). This Rate Review Mechanism ("RRM") provides for an annual adjustment to the Company's Rate Schedules R, C, I and T ("Applicable Rate Schedules"). Rate calculations and adjustments required by this tariff shall be determined on a System-Wide cost basis.

II. Definitions

"Test Period" is defined as the twelve months ending December 31 of each preceding calendar year.

The "Effective Date" is the date that adjustments required by this tariff are applied to customer bills. The annual Effective Date is October 1.

Unless otherwise provided in this tariff the term Final Order refers to the final order issued by the Railroad Commission of Texas in GUD No. 10170 and elements of GUD No. 10580 as specified in Section III below.

The term "System-Wide" means all incorporated and unincorporated areas served by the Company.

"Review Period" is defined as the period from the Filing Date until the Effective Date.

The "Filing Date" is as early as practicable, but no later than April 1 of each year.

III. Calculation

The RRM shall calculate an annual, System-Wide cost of service ("COS") that will be used to adjust applicable rate schedules prospectively as of the Effective Date. The Company may request recovery of its total cost of service but will include schedules showing the computation of any adjustments. The annual cost of service will be calculated according to the following formula:

$$COS = OM + DEP + RI + TAX + CD$$

Where:

OM = all reasonable and necessary operation and maintenance expenses from the Test Period adjusted for known and measurable items and prepared

consistent with the rate making treatments approved in the Final Order. Incentive compensation (Management Incentive Plan, Variable Pay Plan and Long Term Incentive Plan) related to Atmos' Shared Services Unit will be applied consistent with treatment approved in GUD 10580. Additionally, O&M adjustments will be incorporated and applied as modified by a final order, not subject to appeal, issued by the Railroad Commission of Texas in subsequent rate cases involving the Atmos Mid-Tex or West Texas divisions. Known and measurable adjustments shall be limited to those changes that have occurred prior to the Filing Date. OM may be adjusted for atypical and non-recurring items. Shared Services allocation factors shall be recalculated each year based on the latest component factors used during the Test Period, but the methodology used will be that approved in the Final Order in GUD 10580.

DEP = depreciation expense calculated at depreciation rates approved by the Final Order. Additionally, if depreciation rates are approved in a subsequent final order, not subject to appeal, issued by the Railroad Commission of Texas for the Mid-Tex division those rates would be applicable for subsequent RRM filings.

RI = return on prudently incurred investment calculated as the Company's pretax return multiplied by rate base at Test Period end. Rate base is prepared consistent with the rate making treatments approved in the Final Order, and as in GUD 10580 as specifically related to capitalized incentive compensation (Management Incentive Plan, Variable Pay Plan and Long Term Incentive Plan) for Atmos' Shared Services Unit. However, no post Test Period adjustments will be permitted. Additionally, adjustments will be incorporated and applied as modified by a final order, not subject to appeal, issued by the Railroad Commission of Texas in subsequent rate cases involving the Atmos Mid-Tex or West Texas divisions. Pretax return is the Company's weighted average cost of capital before income taxes. The Company's weighted average cost of capital is calculated using the methodology from the Final Order including the Company's actual capital structure and long term cost of debt as of the Test Period end (adjusted for any known and measurable changes that have occurred prior to the filing date) and the return on equity of 9.8%. However, in no event will the percentage of equity exceed 58%. Regulatory adjustments due to prior regulatory rate base adjustment disallowances will be maintained. Cash working capital will be calculated using the lead/lag days approved in the Final Order. With respect to pension and other postemployment benefits, the Company will record a regulatory asset or liability for these costs until the amounts are included in the next annual rate adjustment implemented under this tariff. Each year, the Company's filing under this Rider RRM will clearly state the level of pension

and other postemployment benefits recovered in rates.

TAX = income tax and taxes other than income tax from the Test Period adjusted for known and measurable changes occurring after the Test Period and before the Filing Date, and prepared consistent with the rate making treatments approved in the Final Order. Atmos Energy shall comprehensively account for, including establishing a regulatory liability to account for, any statutory change in tax expense that is applicable to months during the Test Period in the calculation to ensure recovery of tax expense under new and old income tax rates.

CD = interest on customer deposits.

IV. Annual Rate Adjustment

The Company shall provide schedules and work papers supporting the Filing's revenue deficiency/sufficiency calculations using the methodology accepted in the Final Order. The result shall be reflected in the proposed new rates to be established for the effective period. The Revenue Requirement will be apportioned to customer classes in the same manner that Company's Revenue Requirement was apportioned in the Final Order. For the Residential Class, 50% of the increase may be recovered in the customer charge. However, the increase to the Residential customer charge shall not exceed $0.60 per month in the initial filing and $0.70 per month in any subsequent year. The remainder of the Residential Class increase not collected in the customer charge will be recovered in the usage charge. For all other classes, the change in rates will be apportioned between the customer charge and the usage charge, consistent with the Final Order. Test Period billing determinants shall be adjusted and normalized according to the methodology utilized in the Final Order.

V. Filing

The Company shall file schedules annually with the regulatory authority having original jurisdiction over the Company's rates on or before the Filing Date that support the proposed rate adjustments. The schedules shall be in the same general format as the cost of service model and relied-upon files upon which the Final Order was based. A proof of rates and a copy of current and proposed tariffs shall also be included with the filing. The filing shall be made in electronic form where practical. The Company's filing shall conform to Minimum Filing Requirements (to be agreed upon by the parties), which will contain a minimum amount of information that will assist the regulatory authority in its review and analysis of the filing. The Company and regulatory authority will endeavor to hold a technical conference regarding the filing within twenty (20) calendar days after the Filing Date.

A sworn statement shall be filed by an Officer of the Company affirming that the filed schedules are in compliance with the provisions of this Rate Review Mechanism and are true and correct to the best of his/her knowledge, information, and belief. No testimony shall be filed, but a brief narrative explanation shall be provided of any changes to corporate structure, accounting methodologies, allocation of common costs, or atypical or non- recurring items included in the filing.

VI. Evaluation Procedures

The regulatory authority having original jurisdiction over the Company's rates shall review and render a decision on the Company's proposed rate adjustment prior to the Effective Date. The Company shall provide all supplemental information requested to ensure an opportunity for adequate review by the relevant regulatory authority. The Company shall not unilaterally impose any limits upon the provision of supplemental information and such information shall be provided within seven (7) working days of the original request. The regulatory authority may propose any adjustments it determines to be required to bring the proposed rate adjustment into compliance with the provisions of this tariff.

The regulatory authority may disallow any net plant investment that is not shown to be prudently incurred. Approval by the regulatory authority of net plant investment pursuant to the provisions of this tariff shall constitute a finding that such net plant investment was prudently incurred. Such finding of prudence shall not be subject to further review in a subsequent RRM or Statement of Intent filing.

During the Review Period, the Company and the regulatory authority will work collaboratively and seek agreement on the level of rate adjustments. If, at the end of the Review Period, the Company and the regulatory authority have not reached agreement, the regulatory authority shall take action to modify or deny the proposed rate adjustments. The Company shall have the right to appeal the regulatory authority's action to the Railroad Commission of Texas. Upon the filing of an appeal of the regulatory authority's order relating to an annual RRM filing with the Railroad Commission of Texas, the regulatory authority having original jurisdiction over the Company's rates shall not oppose the implementation of the Company's proposed rates subject to refund, nor will the regulatory authority advocate for the imposition of a third party surety bond by the Company. Any refund shall be limited to and determined based on the resolution of the disputed adjustment(s) in a final, non-appealable order issued in the appeal filed by the Company at the Railroad Commission of Texas.

RATE SCHEDULE:	**RRM – Rate Review Mechanism**	
APPLICABLE TO:	**ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE**	
EFFECTIVE DATE:	**Bills Rendered on and after 04/01/2018**	**PAGE: 5**

In the event that the regulatory authority and Company agree to a rate adjustment(s) that is different from the adjustment(s) requested in the Company's filing, the Company shall file compliance tariffs consistent with the agreement. No action on the part of the regulatory authority shall be required to allow the rate adjustment(s) to become effective on October 1. To the extent that the regulatory authority does not take action on the Company's RRM filing by September 30, the rates proposed in the Company's filing shall be deemed approved effective October 1. Notwithstanding the preceding sentence, a regulatory authority may choose to take affirmative action to approve a rate adjustment under this tariff. In those instances where such approval cannot reasonably occur by September 30, the rates finally approved by the regulatory authority shall be deemed effective as of October 1.

To defray the cost, if any, of regulatory authorities conducting a review of the Company's annual RRM filing, the Company shall reimburse the regulatory authorities on a monthly basis for their reasonable expenses incurred upon submission of invoices for such review. Any reimbursement contemplated hereunder shall be deemed a reasonable and necessary operating expense of the Company in the year in which the reimbursement is made. A regulatory authority seeking reimbursement under this provision shall submit its request for reimbursement to the Company no later than December 1 of the year in which the RRM filing is made and the Company shall reimburse regulatory authorities in accordance with this provision on or before December 31 of the year the RRM filing is made.

To the extent possible, the provisions of the Final Order shall be applied by the regulatory authority in determining whether to approve or disapprove of Company's proposed rate adjustment.

This Rider RRM does not limit the legal rights and duties of a regulatory authority. Nothing herein shall abrogate the jurisdiction of the regulatory authority to initiate a rate proceeding at any time to review whether rates charged are just and reasonable. Similarly, the Company retains its right to utilize the provisions of Texas Utilities Code, Chapter 104, Subchapter C to request a change in rates. The provisions of this Rider RRM are implemented in harmony with the Gas Utility Regulatory Act (Texas Utilities Code, Chapters 101-105).

The annual rate adjustment process set forth in this tariff shall remain in effect during the pendency of any Statement of Intent rate filing.

VII. Reconsideration, Appeal and Unresolved Items

Orders issued pursuant to this mechanism are ratemaking orders and shall be subject to appeal under Sections 102.001(b) and 103.021, et seq., of the Texas Utilities Code (Vernon 2007).

VIII. Notice

Notice of each annual RRM filing shall be provided by including the notice, in conspicuous form, in the bill of each directly affected customer no later than forty-five (45) days after the Company makes its annual filing pursuant to this tariff. The notice to customers shall include the following information:

a) a description of the proposed revision of rates and schedules;

b) the effect the proposed revision of rates is expected to have on the rates applicable to each customer class and on an average bill for each affected customer;

c) the service area or areas in which the proposed rates would apply;

d) the date the annual RRM filing was made with the regulatory authority; and

e) the Company's address, telephone number and website where information concerning the proposed rate adjustment can be obtained.

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

RATE SCHEDULE:	**RRM – Rate Review Mechanism**	
APPLICABLE TO:	**ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE**	
EFFECTIVE DATE:	**Bills Rendered on and after 04/01/2018**	**PAGE: 7**

Exhibit A

ACSC Cities

Abilene	Cleburne	Frost	Lincoln Park
Addison	Clyde	Gainesville	Little Elm
Albany	College Station	Garland	Lorena
Allen	Colleyville	Garrett	Madisonville
Alvarado	Colorado City	Grand Prairie	Malakoff
Angus	Comanche	Grapevine	Mansfield
Anna	Commerce	Groesbeck	Mckinney
Argyle	Coolidge	Gunter	Melissa
Arlington	Coppell	Haltom City	Mesquite
Aubrey	Copperas Cove	Harker Heights	Midlothian
Azle	Corinth	Haskell	Murphy
Bedford	Crandall	Haslet	Newark
Bellmead	Crowley	Hewitt	Nocona
Benbrook	Dalworthington Gardens	Highland Park	North Richland Hills
Beverly Hills	Denison	Highland Village	Northlake
Blossom	Denton	Honey Grove	Oak Leaf
Blue Ridge	Desoto	Hurst	Ovilla
Bowie	Draper	Hutto	Palestine
Boyd	Duncanville	Iowa Park	Pantego
Bridgeport	Eastland	Irving	Paris
Brownwood	Edgecliff Village	Justin	Parker
Buffalo	Emory	Kaufman	Pecan Hill
Burkburnett	Ennis	Keene	Petrolia
Burleson	Euless	Keller	Plano
Caddo Mills	Everman	Kemp	Ponder
Canton	Fairview	Kennedale	Pottsboro
Carrollton	Farmers Branch	Kerens	Prosper
Cedar Hill	Farmersville	Kerrville	Quitman
Celeste	Fate	Killeen	Red Oak
Celina	Flower Mound	Krum	Reno (Parker County)
Centerville	Forest Hill	Lake Worth	Rhome
Cisco	Forney	Lakeside	Richardson
Clarksville	Fort Worth	Lancaster	Richland
	Frisco	Lewisville	Richland Hills

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

RATE SCHEDULE:	**RRM – Rate Review Mechanism**	
APPLICABLE TO:	**ALL CITIES IN THE MID-TEX DIVISION AS IDENTIFIED IN EXHIBIT A TO THIS RATE SCHEDULE**	
EFFECTIVE DATE:	**Bills Rendered on and after 04/01/2018**	**PAGE: 8**

River Oaks	Temple
Roanoke	Terrell
Robinson	The Colony
Rockwall	Trophy Club
Roscoe	Tyler
Rowlett	University Park
Royse City	Venus
Sachse	Vernon
Saginaw	Waco
Sansom Park	Watauga
Seagoville	Waxahachie
Sherman	Westlake
Snyder	Westover Hills
Southlake	Westworth Village
Springtown	White Settlement
Stamford	Whitesboro
Stephenville	Wichita Falls
Sulphur Springs	Woodway
Sweetwater	Wylie

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Staff Report to the Honorable Mayor and City Council

Date: March 19, 2018

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

I. Subject:
Consider approval of purchase of a John Deere 4M tractor through the HGACBuy program for the Streets & Parks Department

II. Originated by:

Larry Hoover, Streets and Parks Supervisor

III. Summary:
The Streets Department has budgeted in the capital replacement fund $28,572.94 for the replacement of a 1995 Long tractor that is 22 years old and in poor condition. Replacement parts are sometimes impossible to procure, as some parts are now obsolete.

This equipment is used to mow lots and rights-of-way. The loss of this mowing tractor would severely reduce staff's ability to maintain level of service.

The proposed John Deere 4M tractor is comparable in size and function. The presented cost of $28,572.94 is for the tractor, a service agreement, and a 4-year maintenance agreement.

Staff recommends approval.

IV. Fiscal Impact Summary:
Funded in the FY2018 Adopted Budget

V. Legal Impact:

VI. Recommendation:
Approve

VII. Alternative Actions:

VIII. Attachments:

1.	Photo of Tractor to be Replaced	Long Tractor Photo.pdf
2.	John Deere Quote Summary	John Deere Cost Sheet.pdf
3.	John Deere 4M Tractor Photo	John Deere 4M Tractor Photo.pdf

LONG

JOHN DEERE

ALL PURCHASE ORDERS MUST BE MADE OUT TO (VENDOR):
Deere & Company
2000 John Deere Run
Cary, NC 27513
FED ID: 36-2382580; DUNS#: 60-7690989

ALL PURCHASE ORDERS MUST BE SENT TO DELIVERING DEALER:
United Ag & Turf
6229 Ih 35 South
Waco, TX 76706
254-756-5467
wacolist@brazosvalleyeq.com

Quote Summary

Prepared For:
City Of Kennedale
401 Municipal Dr
Kennedale, TX 76060

Delivering Dealer:
United Ag & Turf
Paul Neuhaus
6229 Ih 35 South
Waco, TX 76706
Phone: 254-756-5467
paul.neuhaus@brazosvalleyeq.com

Quote ID: 16850634
Created On: 21 February 2018
Last Modified On: 21 February 2018
Expiration Date: 30 March 2018

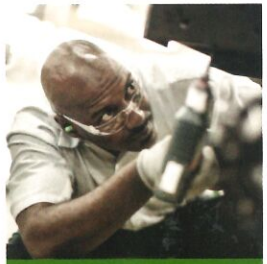
Equipment Summary	Suggested List	Selling Price		Qty		Extended
JOHN DEERE 4052M Compact Utility Tractor (40 PTO hp)	$ 30,879.94	$ 25,475.94	X	1	=	$ 25,475.94
United Advantage Service Plan - 4M Series Tractors - 1st Year Promo (1 to 4 Years Available)		$ 1,562.00	X	1	=	$ 1,562.00 SERVICE AGREEMENT
Annual Service Plan - 4M Tractor - 1st Year Promo	Included, Value of $ 395.00	$ 0.00				
Annual Service Plan - 4M Tractors - 2nd Year		$ 555.00				
Annual Service Plan - 4M Tractor-3rd Year		$ 420.00				
Annual Service Plan - 4M Tractor-4th Year		$ 800.00				
PowerGard Protection Plan		$ 1,535.00	X	1	=	$ 1,535.00 EXTENDED WARRANTY

Contract: TX HGAC GR01-18 (PG 64)
Price Effective Date: February 21, 2018

Sub Total **$ 28,572.94**

The 4M Tractor all the "bells" you need

The 4M models deliver dependable, economical power, along with a long list of great standard features. You'll find 4M Tractors at work on landscape jobs, farms, horse operations, recreational properties and in municipal fleets.



"Not only are they buying a John Deere, they're buying my craftsmanship"

- Open station models: 4044M, 4052M, 4066M
- 4-cylinder diesel engine with great torque reserve (*p. 6*)
- Choice of PowrReverser™ or e-Hydro transmission (*p. 8-9*)
- Wet disk brakes (*p. 10*)
- Planetary final drives (*p. 10*)
- Independent PTO with modulated engagement (*p. 6*)
- Great rear hitch capacity (*p. 11*)
- 4-wheel drive (*p. 10*)
- Differential Lock for better traction (*p. 10*)
- Folding ROPS (RollOver Protective Structure)
- Rugged, rust and dent-resistant composite hood
- Optional wheel spacers (*p. 14*)
- Optional telescoping draft links (*p. 11*)
- Optional cruise control (*p. 8*)

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Staff Report to the Honorable Mayor and City Council

Date: March 19, 2018

Agenda Item No: DECISION ITEMS - A.

I. Subject:
Discuss and consider acceptance of independent auditor's report (Comprehensive Annual Financial Report (CAFR)) for the fiscal year ended September 30, 2017

II. Originated by:

III. Summary:
Paula Lowe, a partner in the Governmental Audit Division at Pattillo, Brown & Hill, will present the CAFR for FY2017.

The relevant documents are attached to the associated Work Session item.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:
Approve

VII. Alternative Actions:

VIII. Attachments:

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Staff Report to the Honorable Mayor and City Council

Date: March 19, 2018

Agenda Item No: DECISION ITEMS - B.

I. Subject:
Conduct a Public Hearing to consider authorizing funding participation with Tarrant County Community Development and Housing for the 44th Year Community Development Block Grant (CDBG) Project for water line improvements on Danny Drive

1. Staff Presentation
2. Public Hearing
3. Staff Response and Summary

II. Originated by:

Larry Ledbetter, Director of Public Works

III. Summary:
The City participates in the Community Development Block Grant (CDBG) program administered by Tarrant County. Eligible projects must be in census tracts where the majority of the residents are low/moderate income households. The Public Hearing is to identify potential project for water, sewer, street and draining improvements. Staff's recommendation is attached.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

1.	Kennedale CDBG Proposal Form 2018	Kennedale CDBG Proposal Form 2018.pdf

Community Development Block Grant

44th Year - PY 2018

Project Proposal

Public Works

City of Kennedale

Waterline Improvements for
4000 - 4405 Danny Drive

Tarrant County Community Development
Community Development Block Grant
44th Year – PY 2018
PROJECT PROPOSAL FORM

Part 1: City Information	
City Name	City of Kennedale
City Contact Name(s)	Larry Ledbetter
Contact Person Phone	817.985.2170
Contact Person E-mail	lledbetter@cityofkennedale.com
City Annual Financial Summary	■ *Check here if you have included*
Comprehensive Plan Summary	☐ *Check here if you have included or* ■ *have emailed planner pdf*
Web link to City's Comprehensive Plan	https://www.cityofkennedale.com/DocumentCenter/View/884
City Leverage Amount	$201,965

Part 2: Public Participation	
Date of Public Hearing	March 19, 2018
Supporting records of hearing	☐ Check here if you have attached a copy of the public notice, public hearing and minutes from the hearing.
Citizen Input	☐ Comments attached ☐ No comments received.

Part 3: Engineering Information	
Engineering Firm Name	Shield Engineering Group, PLLC
Firm Address	1600 West 7th Street, Suite 200 Fort Worth, TX 76102
Firm Contact Person 1	Emily Gilbert
Contact Person Phone 1	817.810.0696
Contact Person E-mail 1	Emily.Gilbert@segpllc.com
Firm Contact Person 2	Craig Barnes
Contact Person Phone 2	817.810.0696
Contact Person E-mail 2	Craig.Barnes@segpllc.com
Project Cost/ Engineering Estimate	$341,965

Part 4: Project Information *(Follow Instructions)*	
Type of Project	Waterline Improvements
Project Address (incl. block #)	4000 - 4405 Danny Drive
Zip Code	76060
Census Tract/BG	1114.05/02
Acquisition of real property	Project entails purchasing ROW or other property: Yes ☐ No ■
Project Description (Complete & Detailed)	This project will replace 2,700 LF of 6" asbestos-cement waterline along Danny Drive with 8" PVC. The existing 6" pipe will be abandoned in place and the new 8" line will be located within the existing right-of-way.
Service Area Description (Street boundaries and description of non-residential area)	The properties are currently serviced by an approximately 70 year old asbestos-cement 6" waterline. The area is completely residential with the exception of 5 residential vacant lots, and 1 commercial lot. The service area extends from the end of Danny Drive to Hudson Village Creek Road.
Land Use Information	

State Land Use Codes	Land Use in Acres	Total Acres in Service Area	% of Total Service Area
A1 (Single Family Residential)	18.59	23.46	79.24%
A2 (Mobile Homes)	1.68	23.46	7.16%
B1 (Multi family Residential)			
C1 (Residential Vacant)	2.67	23.46	11.38%
C2 (Commercial Vacant)			
C6 (Exempt – ROW)			
D3 (Farm land)			
D4 (Undeveloped)			
F1 (Commercial)	.52	23.46	2.22%
F2 (Industrial)			
J1-8 (Utilities)			
OTHER ( )			
TOTAL RESIDENTIAL:	22.94	23.46	97.78%

MAPS *(Check each which you have included)*	■ Map(s) indicating Service Area and Project location ■ Map of FEMA Flood Map (FIRM) of project area ☐ Other maps (ie, indicating water or sewer flow)

Part 5: Detailed Cost Estimate – 44th Year – PY 2018	
City Name	City of Kennedale
Date	1/31/18
Project Address	4000-4405 Danny Drive

Please fill in the below information

Item No.	Description	Quantity	Unit Price	Amount
	8" PVC Water Pipe	2700 LF	$35	$94,500
	Reconnect 3/4" Copper Water Service	39 EA	$500	$19,500
	Install Meter Box	39 EA	$300	$11,700
	5' Wide Asphalt Pavement Repair	2700 LF	$45	$121,500
	Install 8" Gate Valve	4 EA	$1100	$4,400
	Connect to Existing 8" Water Line	1 EA	$1500	$1,500
	Install Tapping Sleeve & Valve Assembly	1 EA	$4000	$4,000
	Fire Hydrant Assembly	4 EA	$500	$2,000
	Ductile Iron Water Fittings	0.5 TON	$5000	$2,500
	Trench Safety	2700 LF	$1.50	$4,050
	Traffic Control	1 LS	$1500	$1,500
	SWPPP	1 LS	$2000	$2,000
	10% Contingency	1 LS		$26,915

Estimated Construction Subtotal: $296,065

Design/Engineering Subtotal: $45,900

TOTAL ESTIMATED PROJECT COSTS: $341,965

City Leverage Amount *(if applicable)*	**$** 201,965
City Paid Design/Engineering *(if applicable)*	**$** N/A
Other Sources *(if applicable)*	**$** N/A
Assumed CDBG award	**$** 140,000
Total Estimated Funds Available	**$** 341,965

Note: Project Costs must balance with Funds Available.

Prepared By: Craig H. Barnes, P.E.

Part 6: Description of Need and Problem to be Addressed. Will this project complement another project within the city or surrounding cities?

The existing 6" waterline on Danny Drive is made from asbestos-cement and is estimated to be about 70 years old. The residents of Danny Drive frequently complain about low water pressure, which is also a concern for the Fire Department. Due to the poor water quality caused by the condition on the pipe, the Public Works department flushes the line weekly. The replacement of this line with an 8" PVC pipe will improve the water quality for the residents, provide adequate pressure to the fire hydrants, and eliminate the need for weekly maintenance.

Part 7: Financial Need Explanation *(Include statement and/or audit results)*

The City of Kennedale relies on property taxes, sales tax, and water and sewer billing as revenue sources for public works projects. CDBG funding for this project will ensure its construction in the upcoming year.

Part 8: Project Performance Objectives and Outcome	
OBJECTIVE (Select one)	■ Suitable Living Environment *(most public works)* ☐ Decent Housing ☐ Economic Opportunity
OUTCOME (Select One)	☐ Availability or Accessibility ☐ Affordability ■ Sustainability *(most public works)*

Part 9: Environmental and Neighborhood Conditions

The service area of this project consists of an older residential neighborhood served by a waterline that is past its service life. This project will improve the current conditions by immediately providing improved service to the neighborhood. There will be no negative impacts on the environment due to this project.

Part 10: CDBG Environmental Review Statutory Checklist	
City	Kennedale
Project Location	Danny Drive

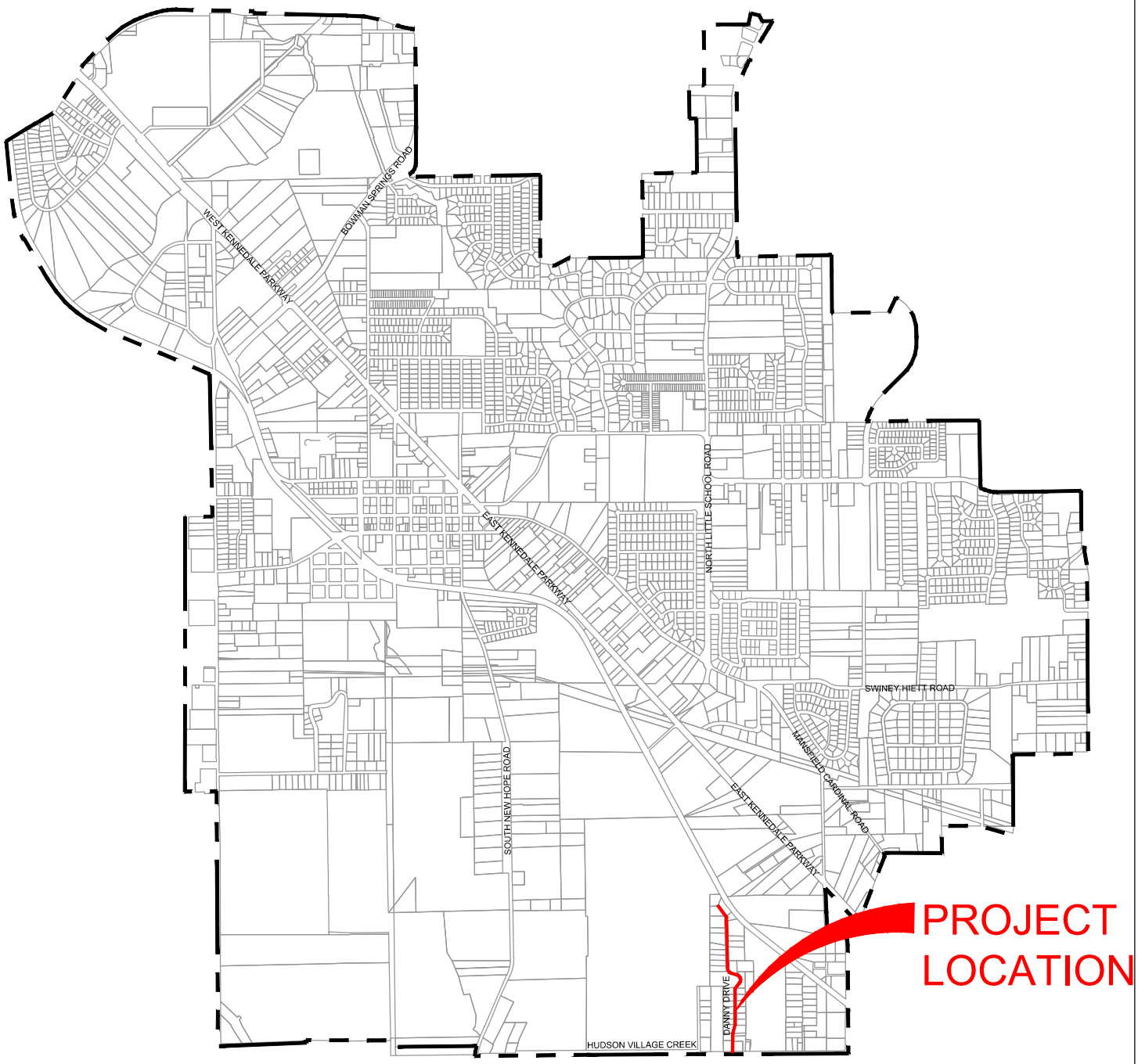
Place an "X" in the appropriate response. If compliance response is other than "Not Applicable" please indicate needed requirement and any additional information.

Area of Statutory or Regulatory Compliance	Not Applicable to this project	Consultation Required	Review Required	Permits Required	Determination of Consistency Approvals, Permits Obtained	Conditions and/or Mitigation Actions Required	**Provide Compliance Documentation. Additional material may be attached.**
Historic Properties	X						
Flood Plain	X						
Wetlands	X						
Coastal Zone Management	X						Tarrant County, Texas is not located along a coastal area. Map on File.
Sole-Source Aquifers	X						Edwards Aquifer is the only sole source aquifer exchange zone in Texas. This Aquifer is not located in Tarrant County, Texas. Map on file.
Endangered Species	X						
Wild and Scenic River	X						No wild and scenic rivers are located in Tarrant County, Texas. Map on file.
Air Quality	X						
Farmlands Protection	X						
Manmade Hazards:							
Thermal/Explosive	X						
Noise	X						
Airport Clear Zones	X						
Toxic Sites	X						
Solid Waste	X						
Environmental Justice	X						

LOCATION & SERVICE MAP

PROJECT LOCATION

KENNEDALE CITY LIMITS



City of KENNEDALE Texas EST. 1887

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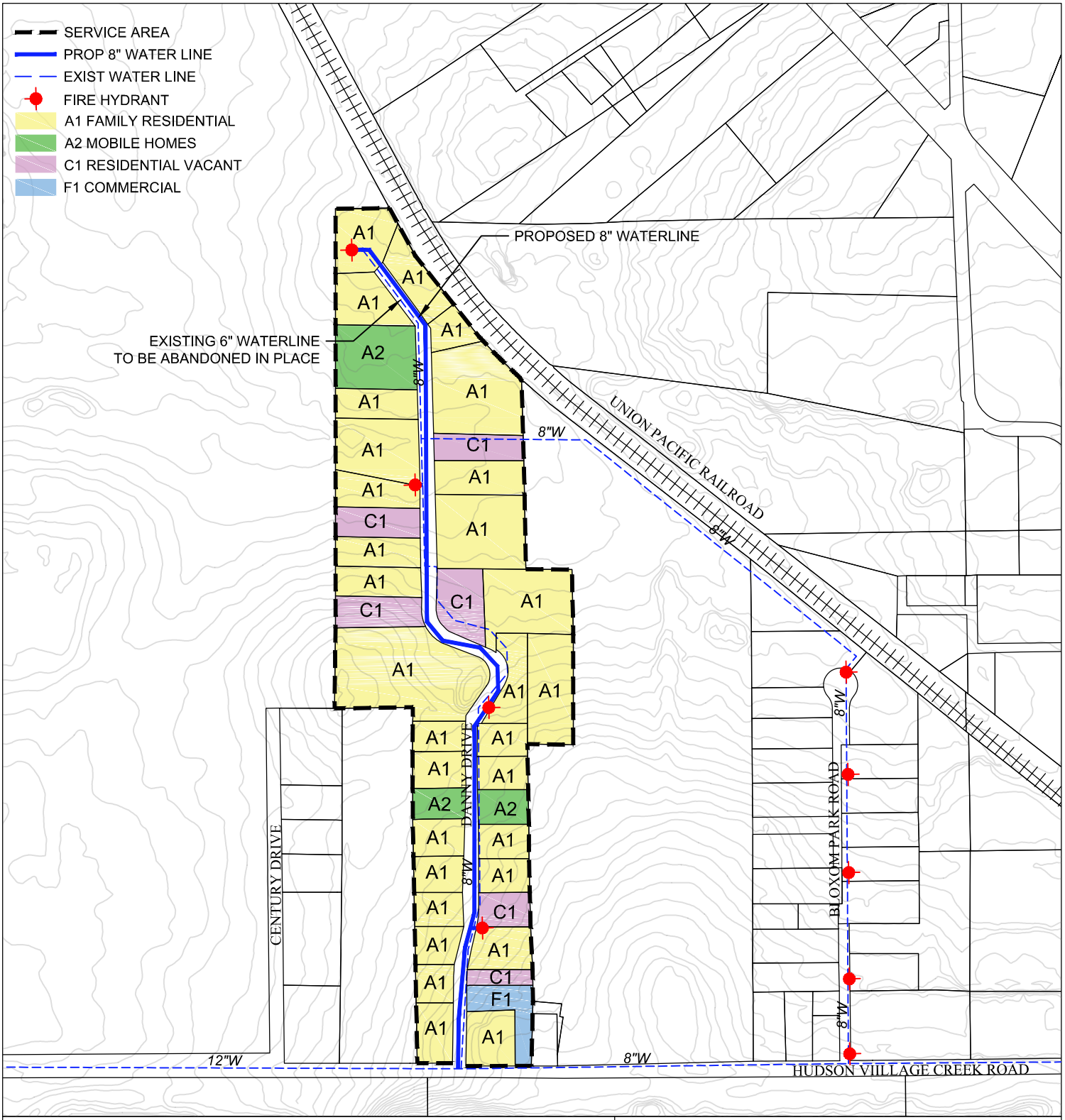
0' 2400' 4800'

LOCATION MAP

CITY OF KENNEDALE
2018 CDBG



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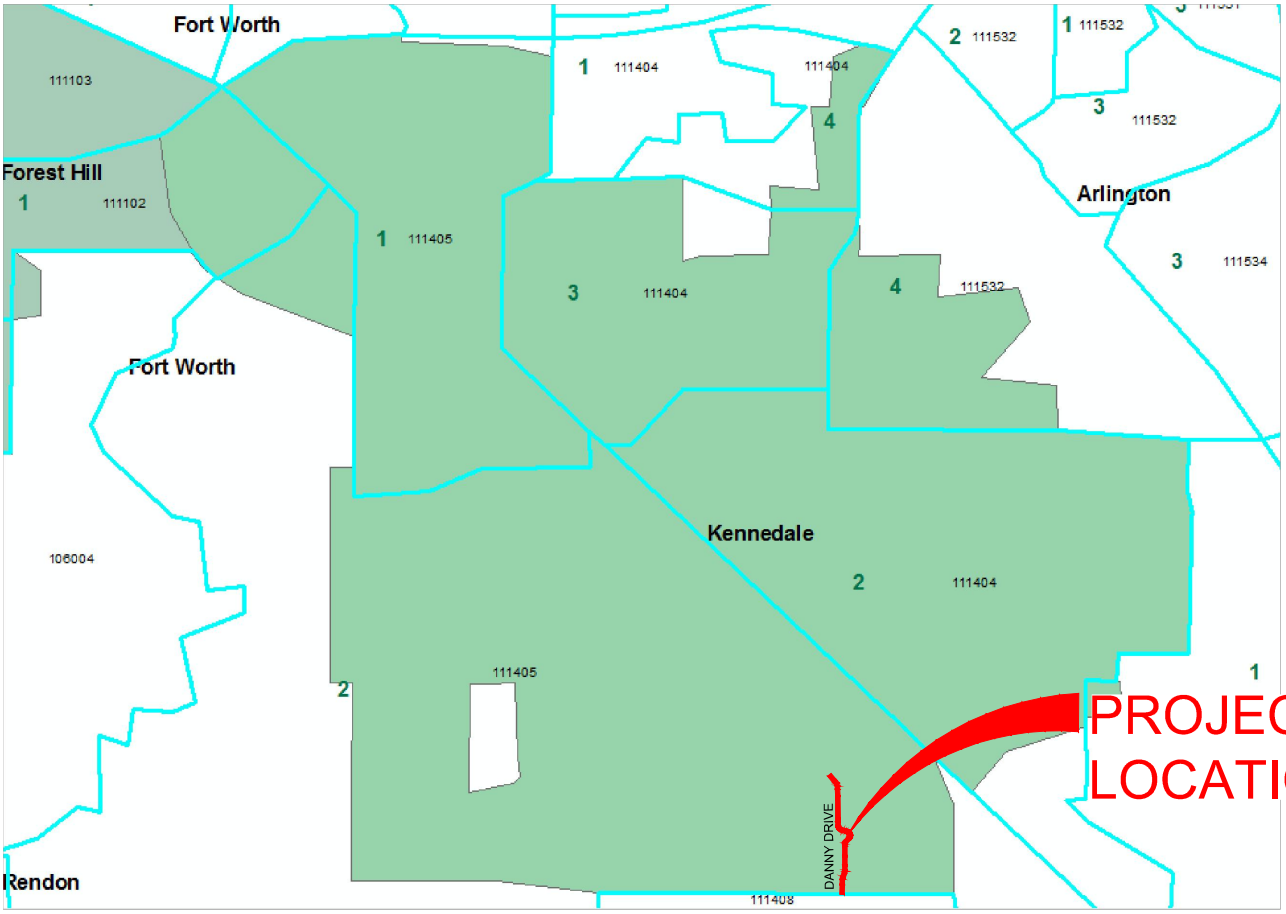
0' 400' 800'

SERVICE MAP

CITY OF KENNEDALE
2018 CDBG



2014 HUD LMISD *(effective July 1, 2014)*

1111.02 / 01	60.67%
1114.04 / 02	20.45%
1114.04 / 03	39.67%
1114.04 / 04	43.15%

1114.05 / 01	43.84%
1114.05 / 02	49.47%
1114.08 / 01	22.15%
1115.32 / 04	22.58%

*2010 Census data Geography, using 2006-2010 ACS data for HUD to calculate above 2014 LMI %

NOTE: for PY2014, **Eligible area must be 47.28% or higher** for Tarrant County Consortium Cities. *Please use www.dfwmaps.com in conjunction to above to further assess whether a project is now eligible.*

*The LMISD are derived from special data tabulations provided to HUD by the U.S. Census Bureau. The special tabulations include data on family income, which were based on the Decennial Census in previous years and are now based upon the American Community Survey (ACS). HUD anticipates receiving these special tabulations of ACS data every five years. As always, the LMISD will be slightly revised each year for changes to grantee jurisdictions and Entitlement CDBG program participations. However, the family income data from ACS, upon which the LMISD are based, will only be fully updated upon receipt of the special tabulations every five years.

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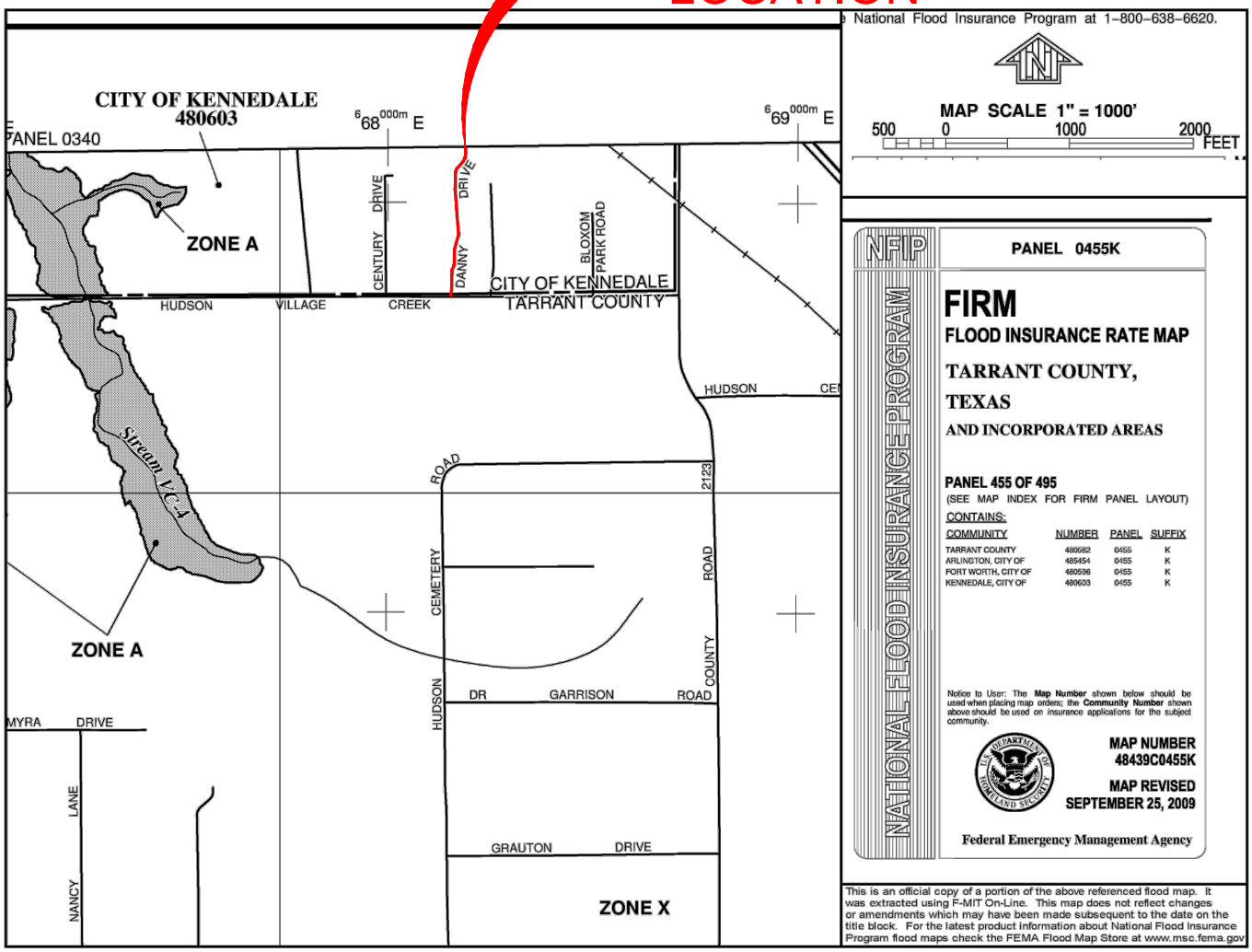
HUD LOW/MODERATE INCOME DATA

CITY OF KENNEDALE
2018 CDBG

FEMA MAPS

PROJECT LOCATION



City of KENNEDALE Texas EST. 1887
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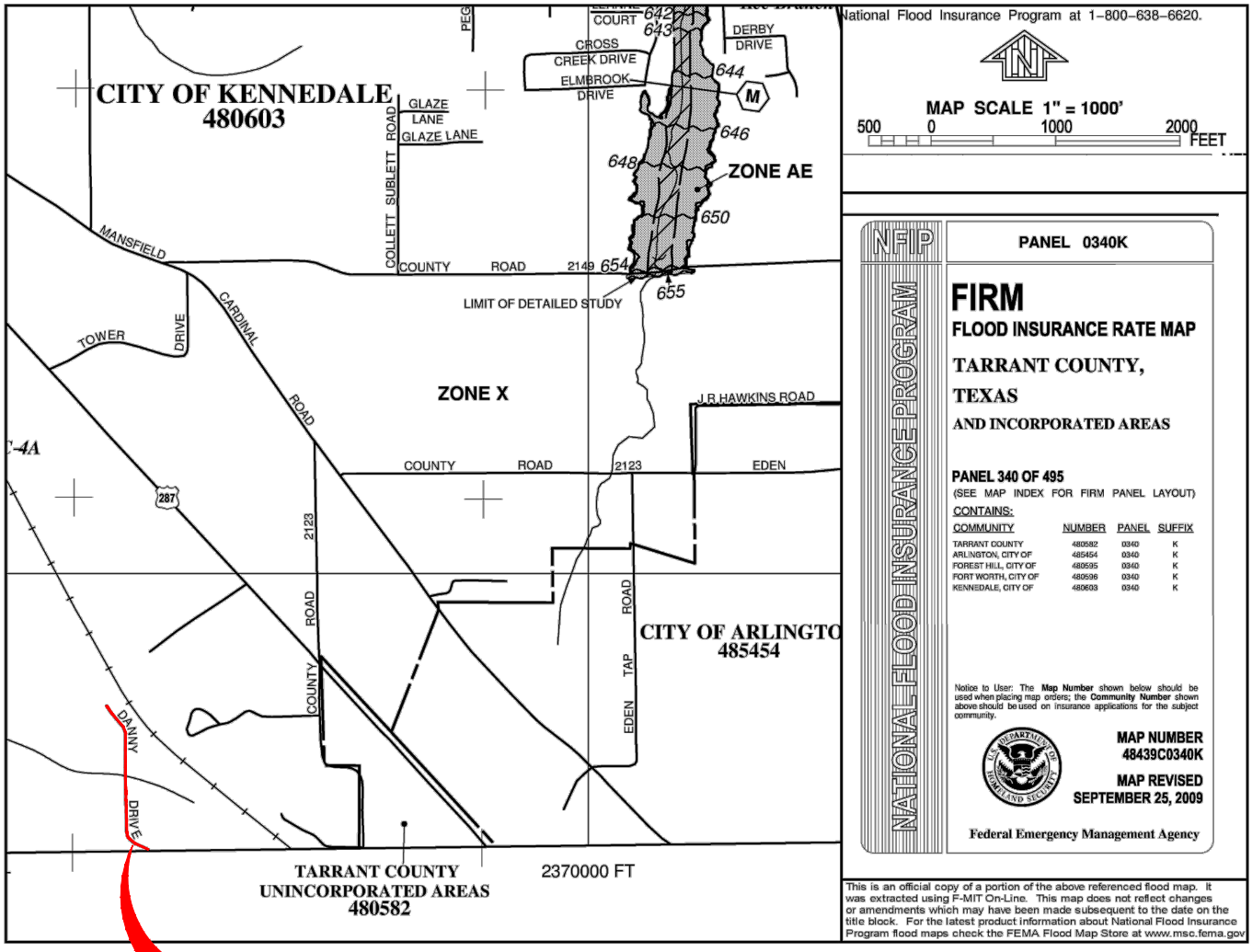
FEMA MAP

CITY OF KENNEDALE
2018 CDBG



PROJECT LOCATION

City of KENNEDALE Texas EST. 1887
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FEMA MAP

CITY OF KENNEDALE
2018 CDBG

FINANCIAL SUMMARY

REVENUE SUMMARY BY FUND

REVENUES	FY15-16 ACTUAL	FY16-17 ADOPTED	FY16-17 AMENDED	FY16-17 YTD MAY	FY16-17 ESTIMATED	PROJECTED VS BUDGET	FY17-18 ADOPTED	$$ CHANGE	% CHANGE
GENERAL FUNDS									
GENERAL FUND	6,360,884	6,201,455	6,201,455	4,886,697	6,097,661	(103,794)	6,386,642	185,186	3%
CAPITAL REPLACEMENT FUND	444,555	670,631	670,631	10,673	270,196	(400,435)	119,941	(550,690)	-82%
COURT SECURITY FUND	4,876	4,500	4,500	2,647	3,931	(569)	4,530	30	1%
COURT TECHNOLOGY FUND	6,502	5,104	5,104	3,507	5,191	87	5,516	412	8%
STREET IMPROVEMENT FUND	1,094,579	969,057	969,057	578,641	983,269	14,212	835,695	(133,362)	-14%
JUVENILE CASE MANAGER FUND	9,310	7,010	7,010	4,987	7,266	256	7,265	255	4%
PARK REC/OTHER DONATION FUND	3,816	-	4	32	(127)	(131)	25	21	543%
TREE REFORESTATION FUND	96	80	80	145	190	110	150	70	88%
UNCLAIMED PROPERTY FUND	-	-	-	-	-	-	-	-	
GENERAL DEBT SERVICE FUND	**5,080,493**	**1,370,311**	**1,370,311**	**1,233,573**	**1,348,740**	**(21,572)**	**1,665,933**	**295,622**	**22%**
WATER AND SEWER FUNDS								-	
WATER/SEWER FUND	4,609,259	4,991,835	4,991,835	2,953,894	4,796,755	(195,080)	4,479,449	(512,387)	-10%
STORMWATER UTILITY FUND	238,055	316,186	492,186	260,763	495,638	3,452	256,664	(235,522)	-48%
WATER IMPACT FUND	186,468	68,658	68,658	101,048	145,550	76,892	120,450	51,792	75%
SEWER IMPACT FUND	58,300	28,315	28,315	21,302	32,480	4,165	28,625	310	1%
WATER IMPROVEMENT FUND	-	-	-	-	-	-	-	-	
EDC FUNDS								-	
EDC4B FUND	627,405	933,007	933,007	302,774	603,819	(329,188)	605,597	(327,410)	-35%
EDC4B CAPITAL BOND FUND	85	60	60	109	190	130	-	(60)	
EDC4B BOND RESERVE FUND	170	160	160	257	450	290	300	140	88%
CAPITAL PROJECT FUNDS								-	
CAPITAL PROJECTS FUND	82,919	72,050	72,050	39,375	88,580	16,530	78,250	6,200	9%
CAPITAL BOND FUND	459,416	-	-	-	-	-	-	-	
PARK DEDICATION FUND	164,157	14,060	14,060	869	39,610	25,550	30,800	16,740	119%
LIBRARY BUILDING FUND	2,791	2,660	2,660	4,577	5,345	2,685	3,135	475	18%
ROADWAY IMPACT FEE FUND	151,372	35,250	35,250	33,339	52,450	17,200	50,350	15,100	43%
SPECIAL REVENUE FUNDS								-	
TIF #1 (NEW HOPE) FUND	297,064	149,456	149,456	91,792	93,590	(55,866)	23,300	(126,156)	-84%
HOTEL/MOTEL TAX FUND	-	-	-	-	-	-	-	-	
POLICE SEIZURE FUND	1,258	-	-	-	-	-	-	-	
LEOSE FUND	1,768	1,767	1,767	1,802	1,803	33	1,767	-	
TOTAL REVENUES	**$ 19,885,597**	**$ 15,841,613**	**$ 16,017,617**	**$ 10,532,804**	**$ 15,072,577**	**$ (945,043)**	**$ 14,704,383**	**$ (1,313,233)**	**-8%**

EXPENDITURE SUMMARY BY FUND

EXPENDITURES	FY15-16 ACTUAL	FY16-17 ADOPTED	FY16-17 AMENDED	FY16-17 YTD MAY	FY16-17 ESTIMATED	PROJECTED VS BUDGET	FY17-18 ADOPTED	$$ CHANGE	% CHANGE
GENERAL FUNDS									
GENERAL FUND	5,949,935	6,488,534	6,488,534	3,845,258	6,422,993	(65,541)	6,453,879	(34,655)	-1%
CAPITAL REPLACEMENT FUND	109,462	673,316	673,316	230,821	442,676	(230,641)	230,046	(443,270)	-66%
COURT SECURITY FUND	2,606	1,152	1,152	-	-	(1,152)	700	(452)	-39%
COURT TECHNOLOGY FUND	3,096	5,555	5,555	11,915	13,525	7,970	6,610	1,055	19%
STREET IMPROVEMENT FUND	1,240,349	1,194,893	1,194,893	467,682	1,127,423	(67,470)	920,034	(274,859)	-23%
JUVENILE CASE MANAGER FUND	11,200	12,680	12,680	7,464	12,097	(583)	12,795	115	1%
PARK REC/OTHER DONATION FUND	-	24,791	24,791	25,296	25,296	505	-	(24,791)	
TREE REFORESTATION FUND	-	-	-	-	-	-	-	-	
UNCLAIMED PROPERTY FUND	-	-	-	-	-	-	-	-	
GENERAL DEBT SERVICE FUND	**5,079,006**	**1,385,227**	**1,385,227**	**1,074,510**	**1,308,051**	**(77,176)**	**1,663,884**	**278,657**	**20%**
WATER AND SEWER FUNDS								-	
WATER/SEWER FUND	4,226,040	4,829,774	4,829,774	2,392,142	4,391,600	(438,175)	4,258,315	(571,459)	-12%
STORMWATER UTILITY FUND	129,689	395,157	571,157	225,370	432,727	(135,430)	271,303	(299,854)	-52%
WATER IMPACT FUND	171,200	154,415	154,415	-	154,415	-	153,573	(843)	-1%
SEWER IMPACT FUND	-	60,000	60,000	-	60,000	-	60,000	-	
WATER IMPROVEMENT FUND	-	-	-	-	-	-	-	-	
EDC FUNDS								-	
EDC4B FUND	718,004	803,880	803,880	474,249	693,197	(110,684)	563,244	(240,637)	-30%
EDC4B CAPITAL BOND FUND	-	-	-	-	-	-	29,719	29,719	
EDC4B BOND RESERVE FUND	-	-	-	-	-	-	-	-	
CAPITAL PROJECT FUNDS								-	
CAPITAL PROJECTS FUND	76,001	76,001	76,001	39,251	76,001	-	83,000	6,999	9%
CAPITAL BOND FUND	459,417	-	-	-	-	-	-	-	
PARK DEDICATION FUND	162	-	-	72	172	172	80,170	80,170	
LIBRARY BUILDING FUND	1,270	2,000	2,000	6,127	6,389	4,389	2,000	-	
ROADWAY IMPACT FEE FUND	297,060	138,238	138,238	83,630	83,630	(54,609)	10,000	(128,238)	-93%
SPECIAL REVENUE FUNDS								-	
TIF #1 (NEW HOPE) FUND	246,206	149,455	138,238	86,902	144,238	(5,217)	21,217	(117,021)	-85%
HOTEL/MOTEL TAX FUND	-	-	-	-	-	-	-	-	
POLICE SEIZURE FUND	6,544	-	-	-	-	-	-	-	
LEOSE FUND	1,768	1,767	1,767	-	1,803	(36)	1,767	-	
TOTAL EXPENDITURES	**$ 18,729,014**	**$ 16,396,837**	**$16,561,620**	**$ 8,970,688**	**$15,396,231**	**$ (1,173,678)**	**$ 14,822,255**	**$ (1,739,365)**	**-11%**

EXPENDITURE SUMMARY BY DEPARTMENT

GENERAL FUND	FY15-16 ACTUAL	FY16-17 ADOPTED	FY16-17 AMENDED	FY16-17 MAY	FY16-17 PROJECTED	PROJECTED VS BUDGET	FY17-18 PROPOSED	$$ CHANGE	% CHANGE
CITY MANAGER	291,243	283,623	283,623	232,987	361,640	78,017	352,423	68,800	24%
MAYOR/CITY COUNCIL	94,108	140,157	140,157	70,176	120,985	(19,172)	115,113	(25,044)	-18%
CITY SECRETARY	136,655	160,328	160,328	92,378	154,055	(6,274)	144,245	(16,083)	-10%
MUNICIPAL COURT	121,408	121,230	121,230	66,571	117,169	(4,061)	128,396	7,166	6%
HUMAN RESOURCES	119,141	122,616	122,616	81,087	123,879	1,262	128,583	5,967	5%
FINANCE	312,129	296,688	296,688	207,547	296,200	(488)	301,565	4,877	2%
POLICE	2,093,230	2,381,270	2,381,270	1,401,351	2,210,493	(170,777)	2,405,688	24,418	1%
FIRE	1,692,949	1,826,031	1,826,031	1,070,391	1,864,967	38,936	1,835,872	9,841	1%
COMMUNITY DEVELOPMENT	409,154	332,442	332,442	182,418	307,681	(24,761)	340,662	8,221	2%
SENIOR CITIZEN CENTER	48,148	54,612	54,612	29,102	51,061	(3,551)	52,439	(2,173)	-4%
LIBRARY	251,830	259,591	259,591	168,162	310,582	50,991	258,033	(1,558)	-1%
NONDEPARTMENTAL	379,941	509,946	509,946	243,087	504,282	(5,664)	390,859	(119,088)	-23%
TOTAL EXPENDITURES	**$5,949,935**	**$ 6,488,534**	**$6,488,534**	**$3,845,258**	**$ 6,422,993**	**$ (65,541)**	**$ 6,453,879**	**$ (34,655)**	**-1%**

WATER/SEWER FUND	FY15-16 ACTUAL	FY16-17 ADOPTED	FY16-17 AMENDED	FY16-17 MAY	FY16-17 PROJECTED	PROJECTED VS BUDGET	FY17-18 PROPOSED	$$ CHANGE	% CHANGE
UTILITY BILLING	1,210,463	1,704,197	1,704,197	583,030	1,184,116	(520,081)	1,237,042	(467,155)	-27%
WATER OPERATIONS	1,434,987	1,477,946	1,477,946	775,210	1,486,908	8,962	1,649,405	171,458	12%
DEBT	501,433	511,309	511,309	461,034	511,309	(0)	677,361	166,052	32%
CAPITAL	-	301,850	301,850	49,077	401,992	100,142	39,796	(262,054)	-87%
NONDEPARTMENTAL	1,079,157	834,472	834,472	523,791	807,275	(27,197)	654,711	(179,761)	-22%
TOTAL EXPENDITURES	**$4,226,040**	**$ 4,829,774**	**$4,829,774**	**$2,392,142**	**$ 4,391,600**	**$ (438,175)**	**$ 4,258,315**	**$ (571,459)**	**-12%**

STREET IMPROVEMENT FUND	FY15-16 ACTUAL	FY16-17 ADOPTED	FY16-17 AMENDED	FY16-17 MAY	FY16-17 PROJECTED	PROJECTED VS BUDGET	FY17-18 PROPOSED	$$ CHANGE	% CHANGE
STREETS	1,116,146	712,452	712,452	417,657	687,707	(24,745)	698,143	(14,309)	-2%
PARKS MAINTENANCE	124,202	116,409	116,409	50,025	108,000	(8,409)	161,368	44,959	39%
CAPITAL	-	366,032	366,032	281,935	331,716	(34,316)	60,523	(305,509)	-83%
TOTAL EXPENDITURES	**$1,240,349**	**$ 1,194,893**	**$1,194,893**	**$ 749,616**	**$ 1,127,423**	**$ (67,470)**	**$ 920,034**	**$ (274,859)**	**-23%**

EDC4B FUNDS	FY15-16 ACTUAL	FY16-17 ADOPTED	FY16-17 AMENDED	FY16-17 MAY	FY16-17 PROJECTED	PROJECTED VS BUDGET	FY17-18 PROPOSED	$$ CHANGE	% CHANGE
ADMINISTRATION	335,951	270,167	270,167	136,325	196,879	(73,287)	195,517	(74,650)	-28%
DEBT SERVICE	318,692	323,419	323,419	305,358	323,380	(38)	322,365	(1,054)	0%
TOWN SHOPPING CENTER	44,622	120,295	120,295	31,487	112,937	(7,358)	45,362	(74,933)	-62%
TOWNCENTER REDEVELOPMENT	-	90,000	90,000	1,080	60,000	(30,000)	-	(90,000)	
TX LEVERAGE	18,739	-	-	-	-	-	-	-	
TOTAL EXPENDITURES	**$ 718,004**	**$ 803,880**	**$ 803,880**	**$ 474,249**	**$ 693,197**	**$ (110,684)**	**$ 563,244**	**$ (240,637)**	**-30%**

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Staff Report to the Honorable Mayor and City Council

Date: March 19, 2018

Agenda Item No: DECISION ITEMS - C.

I. Subject:
Consider approval of Resolution 521 authorizing funding participation with Tarrant County Community Development and Housing for the 44th Year Community Development Block Grant (CDBG) Project for water line improvements on Danny Drive

II. Originated by:

Larry Ledbetter, Director of Public Works

III. Summary:
The City participates in an annual Public Works project that is funded, in part, by a HUD Community Development Block Grant (CDBG) and administered by Tarrant County. As part of the application process, the County requires the City to authorize the project and pledge any funds that may exceed the HUD grant for the design and construction.

The recommended 2018 (44th-year CDBG) project is waterline improvements for 4000-4405 Danny Drive. **The project includes the replacement of 2,700 LF of approximately 70-year-old 6" asbestos-cement waterline along Danny Drive with 8" PVC.** The existing 6" pipe will be abandoned in place and the new 8" line will be located within the existing right-of-way.

The estimated Engineering and Construction cost of the project is $341,965, of which it is estimated that the City of Kennedale will provide $201,965 (noted in the proposal as the "City Leverage Amount"). The assumed CDBG Award amount is $140,000.

IV. Fiscal Impact Summary:
The estimated cost to the City of Kennedale for this project will be $201,965.00, and will need to be included in the FY18/19 Budget.

V. Legal Impact:

VI. Recommendation:
Approve

VII. Alternative Actions:

VIII. Attachments:

1.	R521_44th CDBG_2018	R521_44th CDBG_2018_TOASE.pdf

RESOLUTION NO. 521

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS AUTHORIZING FUNDING PARTICIPATION WITH TARRANT COUNTY COMMUNITY DEVELOPMENT AND HOUSING FOR THE 44th YEAR COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROJECT FOR WATER LINE IMPROVEMENTS WITHIN THE CITY OF KENNEDALE, TEXAS AND PROVIDING AN EFFECTIVE DATE

WHEREAS, in the City Council meeting of March 19, 2018, the City Council of the City of Kennedale held a public hearing and approved the 44th Year Community Development Block Grant (CDBG) Project to replace 2,700 linear feet of 6" asbestos-cement waterline with 8" PVC waterline at 4000-4405 Danny Drive, in the City of Kennedale; and

WHEREAS, the budget for the project approved on March 19, 2018, reflected an estimated engineering and construction cost in the amount of $341,965.00, with the City of Kennedale pledging funds in the amount of $201,965.00; and

WHEREAS, the City funds shall be budgeted in the 2018/19 fiscal year budget and will be utilized for project costs in excess of the CDBG funds available for the project.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:

SECTION 1. That all matters stated in the preamble of this resolution are true and correct and are incorporated herein as if copied in their entirety.

SECTION 2. That the City of Kennedale pledges to fund $201,965.00 to Tarrant County for the 44th Year CDBG Project for the Danny Drive water line replacement.

SECTION 3. That this resolution shall be effective upon its passage.

PASSED, ADOPTED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS, THIS THE 19TH DAY OF MARCH, 2018.

APPROVED:

_____
MAYOR, BRIAN JOHNSON

[CITY SEAL]

ATTEST:

_____
CITY SECRETARY, LESLIE GALLOWAY

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Staff Report to the Honorable Mayor and City Council

Date: March 19, 2018

Agenda Item No: DECISION ITEMS - D.

I. Subject:
Consider appointment of Chair and Vice Chair of the Planning and Zoning Commission

II. Originated by:

III. Summary:
Pursuant to the City Code, the City Council appoints both the Chair and Vice Chair of the Planning and Zoning Commission. This item is placed on the agenda for Council consideration to make such appointments.

At their meeting on Tuesday, Feburary 20, the Planning & Zoning Commission made the following recommendations for Chair and Vice-Chair:

Chris Pugh, Chair
Lary Adkins, Vice Chair

Board Members
- Lary Adkins, Place 1
- Chris Pugh, Place 2
- Daniel Medina, Place 3
- VACANT, Place 4 (Tom Pirtle resigned on Tuesday, February 20)
- Sheldon Gerron, Place 5
- Jadey James, Place 6
- John Hivale, Place 7
- Horace Young, Place 8 (Alternate)
- Kayla Hughes, Place 9 (Alternate)

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: March 19, 2018

Agenda Item No: DECISION ITEMS - E.

I. Subject:
Consider adoption of Resolution 519, adopting a policy for the calling of Regular and Special Meetings of the City Council and for the placement of items on the Council's Regular Agenda

II. Originated by:

III. Summary:
The first draft of this policy (via Resolution 519) was presented to City Council at their Monday, March 5 Special Meeting. After some discussion, it was clear that multiple edits were desired by Council, which have now been completed by City Attorney Wayne Olson (TOASE), and the updated version is attached for Council's current consideration.

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments:

1.	R519_Adopting Council Rules of Procedure for Calling Special Meetings and Agenda Setting_2018_Ver2	R519_Adopting Council Rules of Procedure for Calling Special Meetings and Agenda Setting_2018_Ver2.pdf

RESOLUTION NO. 519

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS, DESIGNATING REGULAR CITY COUNCIL MEETING DAYS AND TIMES; ADOPTING A PROCEDURE TO CALL SPECIAL MEETINGS; AND ADOPTING AN AGENDA SETTING POLICY FOR CITY COUNCIL MEETINGS.

WHEREAS, the City Council conducts City Council meetings pursuant to formal agendas that are posted in accordance with the Texas Open Meetings Act; and

WHEREAS, pursuant to Section 3.08 of the Kennedale City Charter ("Charter"), the City Council shall meet in regularly scheduled city council meetings at least once a month at such times as the members may prescribe by rule; and

WHEREAS, pursuant to Section 3.08 of the Charter, special meetings may be called on the request of the Mayor or three (3) City Council Members; and

WHEREAS, pursuant to Section 3.08 of the Charter, the City Council shall determine its own rules and order of business; and

WHEREAS, the City Council desires to designate the third Monday of each month as the day of the regularly scheduled Council meetings; designate regular work sessions of the City Council; adopt procedures to call a special meeting; adopt procedures that allow City Council members to request items to be placed on City Council agendas; and provide for the order of business on agendas.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS:

SECTION 1. The City Council hereby adopts the following rules to govern regular and special meetings of the City Council:

REGULAR MEETING SCHEDULE

In accordance with Section 3.08 of the City Charter, Regular Meetings of the City Council shall be routinely held at 7:00 p.m. on the third Monday of every month. A work session may be included on the agenda of any Regular Meeting at such time as is convenient. In addition, the City Council shall routinely hold work sessions at 7:00 p.m. on the first Monday of every month for discussion of upcoming agenda items. With the concurrence of three members of the City Council, the date or time of the routine Regular Meeting or work session may be moved to another date or time, or may be cancelled, due to holidays, scheduling conflicts, or other necessary business reasons.

AGENDA POSTING FOR REGULAR MEETINGS

The agenda for the Regular Meeting shall be prepared by the City Manager and the Mayor. If two City Council members make a written request to the Mayor to place specific items on the agenda for a Regular Meeting, the Mayor shall include such items on the agenda unless: i) the request does not allow sufficient time to post the items on the agenda in accordance with the Open Meetings Act; or ii) the Mayor determines that consideration of the items should be delayed, in which case the Mayor shall, within 24 hours, poll the remaining City Council

members explaining the reasons for desiring to delay consideration. If three or more City Council members are in favor of considering the item, it shall be placed on the agenda.

SPECIAL MEETINGS

A special meeting of the City Council may be called by the Mayor upon his own request or by the Mayor upon the request of three or more City Council members on a day other than the third Monday or a time other than the Regular Meeting. Upon written request of two City Council members, the Mayor, City Manager or City Secretary will poll the remainder of the City Council members to determine whether or not a special meeting is needed or desired on the date requested to include, at a minimum, the items requested. Upon the concurrence of three City Council members or two City Council members and the Mayor, a special meeting shall be called. Such concurrence will be considered if provided in writing (or email) to the Mayor, City Manager or City Secretary within twenty four (24) hours of notification to City Council members of the request and if received in time to properly post an agenda pursuant to state law. The Mayor may, at his/her discretion, place any additional item(s) on the agenda that he/she believes appropriate to conduct the City's business. The concurrence of not less than four members of the City Council (the Mayor can be included as one of the four) is required for an item to be listed on the agenda of a special meeting as an action item.

AGENDA ORDER

The order of the agenda items, whether for a regular or special meeting, is at the discretion of the Mayor as the presiding officer of the City Council. Upon the concurrence of three City Council members, the order of the agenda items may be changed.

SECTION 2. The Rules adopted in this Resolution may be amended by the City Council from time to time, in accordance with the City Charter.

SECTION 3. This Resolution shall become effective from and after its passage.

ADOPTED BY THE CITY COUNCIL, THIS 19th DAY OF MARCH, 2018.

APPROVED:

_____

MAYOR, BRIAN JOHNSON

[CITY SEAL]

ATTEST:

_____

CITY SECRETARY, LESLIE GALLOWAY

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Staff Report to the Honorable Mayor and City Council

Date: March 19, 2018

Agenda Item No: EXECUTIVE SESSION - A.

I. Subject:
Eric Elam v. Leslie Galloway (City of Kennedale); Cause # SC9342

II. Originated by:

III. Summary:

IV. Fiscal Impact Summary:

V. Legal Impact:

VI. Recommendation:

VII. Alternative Actions:

VIII. Attachments: