

KENNEDALE CITY COUNCIL AGENDA

SPECIAL MEETING | JUNE 6, 2023 AT 5:30 PM
CITY HALL COUNCIL CHAMBERS | 405 MUNICIPAL DRIVE, KENNEDALE, TX 76060

MEMBERS OF THE PUBLIC MAY JOIN IN PERSON OR
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THE VIRTUAL OPTION DOES NOT ALLOW FOR PUBLIC COMMENT

I. CALL TO ORDER

To address the Kennedale City Council regarding an agenda item, submit a 'Request to Speak' form before the meeting begins. Speakers are allotted three (3) minutes, must limit their comments to the subject indicated on the form, and should address the Kennedale City Council as a whole, rather than individual members or staff. Pursuant to Texas Government Code §551.071, the Kennedale City Council reserves the right to adjourn into Executive (Closed) Session at any time during the meeting to seek legal advice from the City Attorney on any item posted on the agenda.

A. ROLL CALL

II. WORK SESSION

A. WORK SESSION REPORTS

1. Receive the independent auditor's Annual Comprehensive Financial Report (ACFR) for the fiscal year 2022 ending September 30, 2022.
Forvis LLP
2. Freese & Nichols present the Public Works needs for Tarrant County Transportation Bond.
3. Long term financial planning discussion.
Debbie Reed
4. Discussion of a bond for infrastructure in the City of Kennedale.
Andrew Friedman
5. Discussion of the design for sanitary sewer improvements for Basin B Interceptor project.
6. Update on Texas Raceway Project.

B. DISCUSSION AND/OR REQUESTS FOR CLARIFICATION OF ITEMS LISTED ON THE AGENDA

III. REGULAR SESSION

A. REPORTS AND ANNOUNCEMENTS

In addition to any items below, the Kennedale City Council, the presiding officer, and/or staff may give or receive reports regarding items of community interest, including, but not limited to, recognition of officials, citizens, staff, or departments; information regarding holiday schedules; and upcoming or attended events.

B. VISITOR AND CITIZEN FORUM

At this time, any person may address the Kennedale City Council about items not on the agenda. Rules and procedures for addressing the Kennedale City Council are included under "I. CALL TO ORDER". Neither formal action nor discussion may occur at this time. Those wishing, instead, to speak on an agenda item should indicate their desire to speak as the Kennedale City Council considers that item.

C. CONSENT AGENDA

These matters have appeared on previous agendas, require little or no deliberation, or are considered routine or ministerial tasks. If discussion is desired, items may be removed for separate consideration.

1. Approval of the minutes from the 05/25/2023 Special Meeting (Budget Workshop).
2. Update authorized account users with Frost Bank.

D. ITEMS FOR INDIVIDUAL CONSIDERATION

1. Discussion and Approval of moving payroll to ADP for bi-weekly payroll process.

IV. EXECUTIVE SESSION

The Kennedale City Council reserves the right to meet in Executive (Closed) Session at any time during the meeting pursuant to the below cited sections of the Texas Government Code:

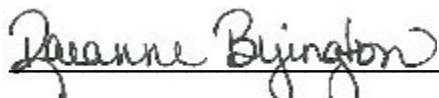
- A. ***PURSUANT TO §551.071*** — *Consultation with the City Attorney pertaining to any matter in which the duty of the City Attorney under the Texas Disciplinary Rules of Professional Conduct may conflict with the Open Meetings Act, including discussion of any item posted on the agenda, legal issues regarding the Open Meetings Act.*
- B. ***PURSUANT TO §551.072*** — *Deliberation regarding the purchase, exchange, lease, or value of real property.*
- C. ***PURSUANT TO §551.087*** — *(1) Deliberation regarding commercial or financial information that the governmental body has received from a business prospect that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations; or (2) to deliberate the offer of a financial or other incentive to a business prospect described by Subdivision.*
- D. ***PURSUANT TO §551.074*** — *Deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee.*

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

VI. ADJOURNMENT

CERTIFICATION

I DO HEREBY CERTIFY THAT THE JUNE 6, 2023 KENNEDALE CITY COUNCIL AGENDA WAS POSTED INSIDE THE MAIN ENTRANCE OF CITY HALL (405 MUNICIPAL DRIVE), IN A PLACE CONVENIENT AND READILY ACCESSIBLE TO THE GENERAL PUBLIC AT ALL TIMES; AND THAT SAID AGENDA WAS POSTED AT LEAST SEVENTY-TWO (72) HOURS PRECEDING THE SCHEDULED TIME OF SAID MEETING, IN ACCORDANCE WITH CHAPTER 551 OF THE TEXAS GOVERNMENT CODE.

A handwritten signature in dark ink, reading "Raeanne Byington", written over a horizontal line.

RAEANNE BYINGTON, CITY SECRETARY

In compliance with the Americans with Disabilities Act (ADA), the City of Kennedale will provide for reasonable accommodations for persons attending meetings. This facility is wheelchair accessible and accessible parking spaces are available. Requests for sign interpreter services must be made forty-eight (48) hours prior to the meeting by calling 817-985-2104 or (TTY) 1-800-735-2989.



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: WORK SESSION ITEM II.A.

SUBJECT
WORK SESSION REPORTS

ORIGINATED BY

SUMMARY

RECOMMENDATION

ATTACHMENTS

MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: WORK SESSION ITEM II.A.1.

SUBJECT

Receive the independent auditor's Annual Comprehensive Financial Report (ACFR) for the fiscal year 2022 ending September 30, 2022.
Forvis LLP

ORIGINATED BY

SUMMARY

RECOMMENDATION

ATTACHMENTS

1.	City of Kennedale, TX - Final ACFR with Signed T-Letter	City of Kennedale, TX - Final ACFR with Signed T-Letter.pdf
2.	Kennedale EDC 2022 Annual Report - FINAL	Kennedale EDC 2022 Annual Report - FINAL.pdf
3.	City of Kennedale, Texas 2022 GAGAS Opinion - FINAL	City of Kennedale, Texas 2022 GAGAS Opinion - FINAL.pdf
4.	City of Kennedale, Texas 2022 TCWG Report - FINAL	City of Kennedale, Texas 2022 TCWG Report - FINAL.pdf
5.	Kennedale City Council Presentation - FY22	Kennedale City Council Presentation - FY22.pptx

City of Kennedale, Texas

Annual Comprehensive Financial Report

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

Prepared by City of Kennedale, Texas Finance Department



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

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

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May 11, 2023

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

The City of Kennedale's (the "City") Financial Management Policies require that the Finance Department prepare a complete set of financial statements that are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Accordingly, the Annual Comprehensive Financial Report (ACFR) for the City of Kennedale, Texas, for the fiscal year ended September 30, 2022 is hereby issued.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making representations, the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable - rather than absolute - assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Forvis, independent Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2022, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2022, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

GOVERNMENTAL PROFILE

Incorporated in 1947, the City of Kennedale is a first-tier suburb of Fort Worth and is located adjacent to Arlington and Mansfield in southeast Tarrant County. The City currently occupies a land area of 6.2 square miles and serves a population of 9,200. The City is empowered to levy property tax on both real and business personal properties located within its boundaries. It also is empowered by statute to extend its corporate limits by annexation, which occurs periodically, when deemed appropriate by the City Council.

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

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

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

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

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

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

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROL. The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when goods or services are received and when liabilities are incurred. Accounting records for the City's utilities are, instead, maintained on an accrual basis. In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable - but not absolute - assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

LONG-TERM FINANCIAL PLANNING

CURRENT YEAR PROJECTS. The City of Kennedale leverages its resources by working with TxDOT and Tarrant County to enhance its transportation network. Road projects may be funded with the City purchasing road material and Tarrant County Precinct 2 providing labor and equipment. The City has also partnered with the North Central Texas Council of Governments (NCTCOG) to construct sidewalks and crosswalks in the Crestdale neighborhood via the Safe Routes to School (SRTS) program; and TxDOT for an off-system bridge replacement on New Hope Road. The extension of Little School Road to New Hope Road was recently included in a voter-approved Tarrant County Transportation bond package. This extension will not only increase connectivity and traffic movement but will also strengthen public safety response by providing an above-grade railroad crossing to allow access to the western portion of the City and portions of the extraterritorial jurisdiction (ETJ).

An important element of the City's strategic plan - Imagine Kennedale 2015 - was to facilitate the closure of three racetracks in the southwestern portion of the City and to convert those properties primarily to residential use. The City began that process with an update of the Comprehensive Land Use Plan. The City created a Tax Increment Reinvestment Zone (TIRZ) to fund off-site infrastructure improvements, namely the extension of water and sewer service, reconstruction of New Hope Road, and the addition of hike and bike trails along Kennedale Branch. TIRZ participation agreements with Tarrant County, Tarrant County College District, and the Tarrant County Health District were completed in 2013. The City has not yet seen significant development in the TIRZ but continues cooperating with owners and prospective developers to convert those racetrack properties. A water and sewer study to plan for the extension of the utility services is complete. The site of the one track that is still in operation is identified in the Parks Master Plan as a future community park.

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

The preservation and restoration of Village Creek could require assistance from some or all of the following entities: the City of Arlington, the Army Corps of Engineers, the Trinity River Authority (TRA), the Tarrant Regional Water District (TRWD), the University of Texas at Arlington (UTA), the Environmental Protection Agency (EPA), the Texas Commission on Environmental Quality (TCEQ), and the Texas Water Development Board (TWDB). Flood control and water quality planning activity could prove essential to the City's efforts to continue encouraging the closure of salvage yards located within the Village Creek floodplain.

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

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

RELEVANT FINANCIAL POLICIES

The City will continue controlling expenditures, auditing existing contracts, and exploring new revenue opportunities to strengthen the General Fund balance. Efforts have been put in place to restore net working capital in both the Water and Sewer Fund and the General Fund. The City confirmed a bond rating of AA- from Standard & Poor's (S&P) in the current year despite being placed on a negative outlook by S&P in 2019 - which was lifted during fiscal year 2021.

AWARDS AND ACKNOWLEDGEMENTS

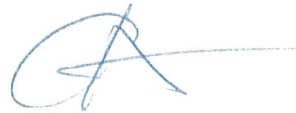
AWARDS. To be awarded a Certificate of Achievement by the Government Finance Officers Association (GFOA), a governmental unit must publish an easily readable and efficiently organized ACFR. This report must satisfy both GAAP and applicable legal requirements for a government to receive this prestigious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

ACKNOWLEDGMENTS. The preparation of this report would not be possible without the efficient and dedicated services of the Finance staff and our independent auditors. We would like to express our sincere appreciation to all who have made possible the publication of this report. We would also like to thank the Mayor and the members of the City Council for their support in planning and conducting the financial operations of the City.

Respectfully Submitted,



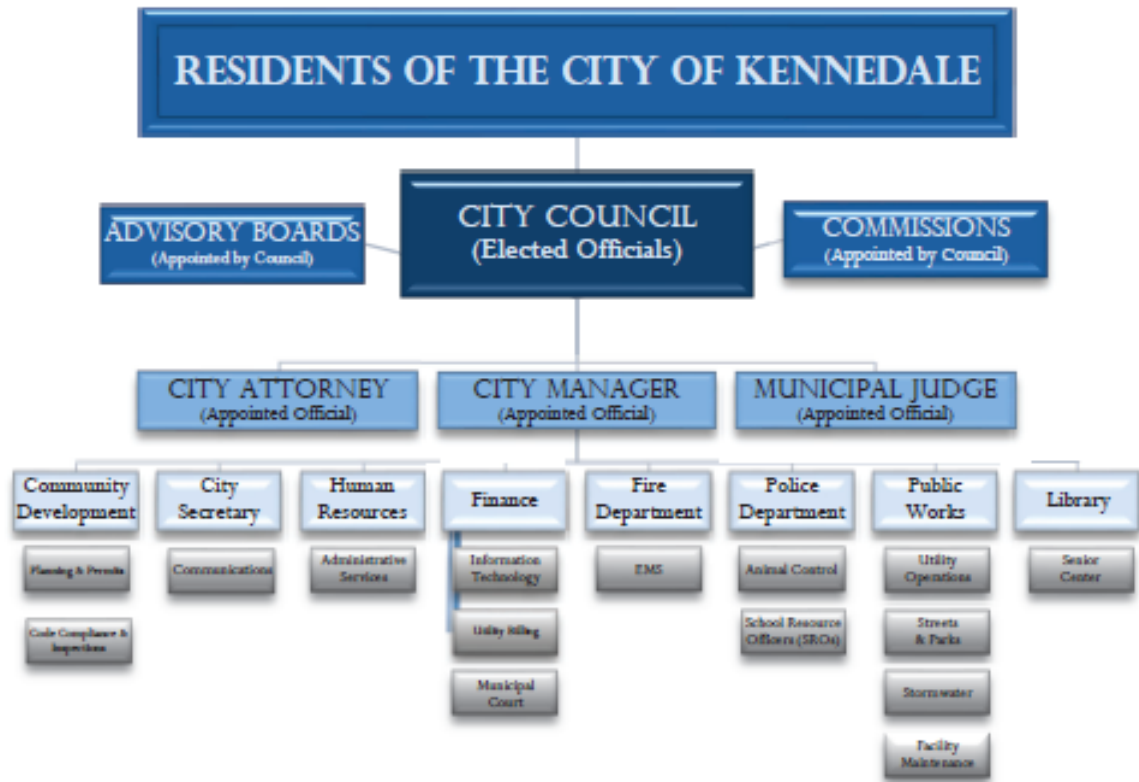
Darrell Hull
City Manager



Jonathan Horton, CPA
Director of Finance

City of Kennedale, Texas
Organizational Chart

ORGANIZATIONAL CHART



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

Elected Officials

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

Appointed & Key Officials

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

Economic Development Corporation (EDC)
Board of Directors

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



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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

Emphasis of Matters

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

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

Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

FORVIS, LLP

**Dallas, Texas
May 11, 2023**

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City of Kennedale, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2022

The Management's Discussion and Analysis (MD&A) section presents a narrative overview and analysis of the financial activities of the City of Kennedale, Texas (City) for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

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

Overview of the Financial Statements

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

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

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

City of Kennedale, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2022

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, for example uncollected taxes and earned, but not used, vacation leave. Both the statement of net position and the statement of activities are prepared utilizing the full accrual basis of accounting.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from the functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include most of the City's basic services such as fire, police, public works, culture, and recreation as well as general government activities. The business-type activities of the City include water and wastewater and storm water drainage.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. City of Kennedale, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Kennedale can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Kennedale maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Disaster Recovery Fund, TIRZ #1 New Hope Fund, and Capital Bond Fund which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Kennedale adopts an annual appropriated budget for its General Fund and Debt Service Fund. Budgetary comparison statements have been provided for the General Fund and the Debt Service Fund to demonstrate compliance with the budget.

City of Kennedale, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2022

Proprietary Funds: The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. There is one type of proprietary fund: Enterprise Fund. The City's Enterprise Fund is identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the financial section.

Other Information: The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2022, City assets and deferred outflows of resources exceeded its liabilities and deferred inflows resulting in \$45,912,442 of net position.

Statement of Net Position for Governmental and Business-type Activities

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

By far, the largest portion of the City's net position (85 percent) reflects its investment in capital and lease assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Kennedale, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2022

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

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

Revenues and Expenses for Governmental and Business-type Activities

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

Governmental Activities: Governmental activities increased the City's net position by \$1,089,334. Total revenue for the governmental activities decreased from the previous year by \$884,819. General revenue had a net increase of \$429,378. Property tax collections increased as a result of real property appraisals and new business and property additions which continues to grow the local economy. Program Revenues decreased as a result of a decrease in charges for services.

City of Kennedale, Texas

Management's Discussion and Analysis (Unaudited)

September 30, 2022

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

Financial Analysis of the City's Funds

Governmental Funds: The focus of the City's Governmental Funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

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

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

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net position of the Water and Wastewater Fund at the end of the fiscal year amounted to \$2,477,602 and the Storm Water Drainage Fund reported an unrestricted net position of \$613,359.

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

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

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

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

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

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

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

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

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

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

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

The City is currently exploring long term solutions for the water and sewer fund. Cash funded capital projects were largely put on hold for the coming year, as the City examines debt opportunities.

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

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

Requests for Information

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

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Basic Financial Statements

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City of Kennedale, Texas

Statement of Net Position

September 30, 2022

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

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

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

General Revenues and Transfers

General revenues:

Property taxes

Sales taxes

Franchise taxes

Interest on investments

Miscellaneous

Grants not restricted to a specific purpose

Transfers

Total general revenues and transfers

Change in Net Position

Net Position, Beginning of Year as Previously Report

Adjustments applicable to prior years due to an error correction

Net Position, Beginning of Year as Restated

Net Position, End of Year

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

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

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

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

Total fund balances – governmental funds	\$ 12,900,231
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Amounts reported for governmental activities in the statement of net position are different because:

Capital and lease assets (net of accumulated depreciation/amortization) used in governmental activities are not current financial resources and therefore are not reported in the funds.	31,266,875
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Interest payable on long-term debt in the City's governmental activities is not payable from current resources and therefore is not reported in the governmental funds balance sheet.	(36,315)
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Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.	220,166
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Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:

Deferred gain on refunding	\$ (172,404)	
Deferred loss on refunding	68,283	
Deferred outflows of resources – Pension	838,581	
Deferred outflows of resources – OPEB	64,221	
Deferred inflows of resources – Pension	(1,233,348)	
Deferred inflows of resources – OPEB	<u>(16,184)</u>	(450,851)

Long-term liabilities, including bonds payable, notes payable, compensated absences, net pension liability, OPEB liability, and lease liability are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.

Bonds payable	(10,666,262)	
Tax notes payable	(1,530,000)	
Issuance premium	(386,226)	
Lease liability	(145,422)	
Compensated absences	(544,304)	
Net pension liability	(833,929)	
Total OPEB liability	<u>(302,563)</u>	<u>(14,408,706)</u>

Total net position of governmental activities	<u><u>\$ 29,491,400</u></u>
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City of Kennedale, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2022

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

City of Kennedale, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2022

Net change in fund balances – total governmental funds \$ 6,059,616

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital outlay	896,568	
Depreciation/amortization	(1,324,651)	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(145,471)
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Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:

Payments on bonds	\$ 1,255,413		
Payments on tax notes	275,000		
Payments on leases	93,546		1,623,959

The issuance of long-term debt, such as bonds and related premiums provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Differences consist of the following:

Proceeds from bond issuance	(5,735,000)		
Premium on bonds issued	(408,296)		
Amortization of bond premiums	(22,070)		
Amortization of deferred loss on refunding bonds	(11,381)		
Amortization of deferred gain on refunding bonds	22,872		(6,153,875)

Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in net pension liability, deferred outflows of resources, and deferred inflow of resources balances.		109,772
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Current year OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in total OPEB liability, deferred outflows of resources and deferred inflow of resources balances.		59,752
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Current year change in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(10,540)
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Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(20,144)
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Change in net position of governmental activities		<u>\$ 1,094,986</u>
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City of Kennedale, Texas
Statement of Net Position
Proprietary Funds
September 30, 2022

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

City of Kennedale, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2022

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

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

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

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

Note 1: Summary of Significant Accounting Policies

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting and reporting policies:

Reporting Entity

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

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

Discretely Presented Component Unit: The Kennedale Economic Development Corporation (KEDC). KEDC is a legally separate entity incorporated on December 2, 1996. The Corporation's purpose is to promote economic development within the City, including, but not limited to, construction, operation, and administration, as permitted by Section 4B of the Act, as amended. The City Council appoints the governing board for this entity and is able to impose its will upon the Corporation.

A separately issued audited financial report is available for the Kennedale Economic Development Corporation. This report may be obtained by contacting the following office:

City of Kennedale, Texas
Director of Finance
405 Municipal Drive
Kennedale, Texas 76060

City of Kennedale, Texas

Notes to Basic Financial Statements

September 30, 2022

Blended Component Unit: On July 12, 2012, the City Council adopted an Ordinance designating an area Tax Increment Reinvestment Zone (TIRZ) #1 New Hope. The purpose for creation of the TIRZ was to finance and make certain public improvements, under the authority of the *Tax Increment Financing Act*. For reporting purposes, the TIRZ is a blended component unit. The Council appoints a majority of the TIRZ board members and approves recommendations from the Board in regard to administration, management, and operation of the TIRZ. The TIRZ is reported as a governmental fund and a separate unaudited financial report is available from the City's finance department.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. Program revenue includes: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Kennedale, Texas

Notes to Basic Financial Statements

September 30, 2022

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, pension and other postemployment benefit obligations are recorded when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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

The City reports the following major governmental funds:

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

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

The TIRZ #1 (New Hope) Fund is used to account for the construction of various capital improvements within the TIRZ that will be funded with the incremental property tax revenue within the TIRZ area. The City has designated this fund as major.

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

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

The City reports the following major proprietary fund:

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

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

City of Kennedale, Texas

Notes to Basic Financial Statements

September 30, 2022

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Deposits and Investments

The City pools substantially all cash and investments except for separate cash and investment accounts, which are maintained in accordance with legal restrictions. Investments in government pools are recorded at amortized cost or net asset value.

For purpose of presenting the proprietary fund cash flow statement, cash and cash equivalents include demand deposits and investments with a maturity date within three months of the date acquired by the City.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type in the government-wide financial statements as "internal balances."

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied each October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. The Tarrant County Tax Assessor/Collector bills and collects the City's property taxes. Any uncollected property taxes as of September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred inflows of resources.

As a City that operates under a home-rule charter, the City has a tax rate limitation of \$2.50 per \$100 assessed valuation. For the year ended September 30, 2022, the City had a tax rate of \$0.764085 per \$100 of which \$0.572949 was allocated for general government and \$0.191136 was allocated for payment of principal and interest on general long-term debt.

City of Kennedale, Texas

Notes to Basic Financial Statements

September 30, 2022

Prepaid Items

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

Restricted Assets

Certain cash and cash equivalent balances are restricted by various legal and contractual obligations. Customer deposits and impact fees are, by law, to be considered restricted assets. These activities are included in the Water and Wastewater Fund.

Capital and Lease Assets

Capital and lease assets, which include property, plant, equipment, right to use leased equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital and lease assets as assets with an initial, individual cost of more than \$5,000 and \$15,000, respectively, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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

Property, plant and equipment are depreciated using the straight-line method over the following useful lives or the lease term, whichever is shorter.

Buildings	20 years
Machinery and equipment	4 – 10 years
Infrastructure (streets and drainage)	35 - 125 years
Other structures	50 years

Deferred Outflows/Inflows of Resources

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

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- Deferred loss on refunding – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and recognized over the shorter of the life of the refunded or refunding debt.
- Pension & OPEB contributions/benefit payments subsequent to the measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions related to the OPEB plan – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Differences between expected and actual experience – Pension and OPEB plans – These amounts represent the differences with regard to economic and demographic factors. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

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

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

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

Compensated Absences

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

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

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

Long-term Obligations

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

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

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Lease Liability

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

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

Pensions

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

Other Postemployment Benefits Plans

The City has a single-employer defined benefit other postemployment benefit (OPEB) plan (Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between assets, deferred inflows/outflows of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

City of Kennedale, Texas

Notes to Basic Financial Statements

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Fund Balance

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

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

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

Net Position Flow Assumption

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

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Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows and inflows of resources and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual amounts could differ from those estimates.

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

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

Prior Period Adjustment

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

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

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Deficit Fund Balance

At year-end the TIRZ #1 New Hope Fund had a deficit fund balance of \$21,022. It is anticipated that this deficit fund balance will be funded with incremental property tax revenue within the TIRZ in subsequent years. The Library Building Fund also had a deficit fund balance of \$1,867. It is anticipated this deficit fund balance will be funded by future charges.

Excess of Expenditures over Appropriations

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

Note 2: Deposits and Investments

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

City of Kennedale, Texas

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

- (A) **Custodial Credit Risk:** Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2022, the City's deposit balance was collateralized with securities held by the pledging financial institution in the City's name or covered by FDIC insurance. The balances held at financial institutions at year-end were \$1,147,373 (with a book value of \$777,212).
- (B) **Credit Risk:** It is the City's policy to limit investments to investment types with an investment quality rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The City's investments were rated AAA-m by Standard and Poor's Investors Services.
- (C) **Interest Rate Risk:** In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 90 days or less, dependent on market conditions.
- (D) **Concentration of Credit Risk:** The government's investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

As of September 30, 2022, the City held the following investments:

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

City of Kennedale, Texas

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During the fiscal year, the City managed the investments of the KEDC. The KEDC investments are categorized in the same manner as the City's.

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

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

Note 3: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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

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

Note 4: Receivables

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

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

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

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Note 5: Property Taxes

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on October 1 and are due and payable on or before January 31, of the following year. All unpaid taxes become delinquent February 1 of the following year. Tax collections for the year ended September 30, 2022, were 99 percent of the levy. Tarrant County bills and collects property taxes for the City. Any uncollected property taxes at September 30, that are collected within 60 days, are recognized as revenue and recorded as taxes receivable. Any uncollected property taxes at September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred inflow of resources in governmental funds. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable, and their validity seems certain.

The statutes of the state of Texas do not prescribe a legal debt limit, nor does the City's charter provide for a debt limit. However, provision of Article XI, Section 5 of the Texas Constitution applicable to cities with populations greater than 5,000 limits the ad-valorem tax rate to \$2.50 per \$100 assessed valuation. However, as a city operating under a Home Rule Charter, the City has a debt limit of \$1.50 per \$100 assessed valuation. For the year ended September 30, 2022, the City had a tax rate of \$0.764085 per \$100 assessed valuation, of which \$0.572949 was allocated for general government and \$0.0191136 was allocated for the payment of principal and interest on general obligation debt.

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

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

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

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

Note 6: Interfund Receivables, Payables, and Transfers

Due To/Due From

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

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

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

Interfund Transfers

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

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

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

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

Note 7: Capital and Lease Assets

Governmental Activities

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

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

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

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

Business-type Activities

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

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

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

Water and wastewater	\$ 461,865
Storm water drainage	<u>20,300</u>
Total depreciation expense – business-type activities	<u>\$ 482,165</u>

Discretely Presented Component Unit

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

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 845,292	\$ -	\$ -	\$ 845,292
Construction in progress	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Totals capital assets not being depreciated	<u>845,292</u>	<u>25,000</u>	<u>-</u>	<u>870,292</u>
Capital assets, being depreciated				
Buildings	4,917,189	-	-	4,917,189
Improvements	1,084,193	-	-	1,084,193
Infrastructure	<u>209,707</u>	<u>-</u>	<u>-</u>	<u>209,707</u>
Totals capital assets being depreciated	<u>6,211,089</u>	<u>-</u>	<u>-</u>	<u>6,211,089</u>
Less accumulated depreciation for:				
Buildings	2,384,439	245,859	-	2,630,298
Improvements	543,085	54,210	-	597,295
Infrastructure	<u>28,858</u>	<u>4,195</u>	<u>-</u>	<u>33,053</u>
Total accumulated depreciation	<u>2,956,382</u>	<u>304,264</u>	<u>-</u>	<u>3,260,646</u>
Total capital assets, being depreciated, net	<u>3,254,707</u>	<u>(304,264)</u>	<u>-</u>	<u>2,950,443</u>
Capital assets, net	<u>\$ 4,099,999</u>	<u>\$ (279,264)</u>	<u>\$ -</u>	<u>\$ 3,820,735</u>

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

Note 8: Long-term Liabilities

Changes in Long-term Liabilities

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

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 5,561,675	\$ -	\$ 745,413	\$ 4,816,262	\$ 756,588
Certificates of obligation	625,000	5,735,000	510,000	5,850,000	425,000
Tax notes	1,805,000	-	275,000	1,530,000	370,000
Lease liability	238,968	-	93,546	145,422	92,858
Premiums on bonds	-	408,296	22,070	386,226	15,307
Compensated absences	533,764	200,200	189,660	544,304	108,861
Total governmental activities	<u>\$ 8,764,407</u>	<u>\$ 6,343,496</u>	<u>\$ 1,835,689</u>	<u>\$ 13,272,214</u>	<u>\$ 1,768,614</u>
Business-type Activities					
General obligation bonds	\$ 233,322	\$ -	\$ 74,588	\$ 158,734	\$ 78,413
Certificates of obligation	1,130,000	-	170,000	960,000	175,000
Notes payable	923,206	-	117,222	805,984	121,748
Total business-type activities	<u>\$ 2,286,528</u>	<u>\$ -</u>	<u>\$ 361,810</u>	<u>\$ 1,924,718</u>	<u>\$ 375,161</u>
Discretely Presented Component Unit					
Revenue bonds	\$ 535,000	\$ -	\$ 75,000	\$ 460,000	\$ 80,000
Texas leverage fund loan	253,105	-	51,809	201,296	48,345
Total	<u>\$ 788,105</u>	<u>\$ -</u>	<u>\$ 126,809</u>	<u>\$ 661,296</u>	<u>\$ 128,345</u>

General Obligation Bonds and Certificates of Obligation

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

City of Kennedale, Texas

Notes to Basic Financial Statements

September 30, 2022

Early in fiscal year 2022, the City issued \$5,735,000 of the City of Kennedale, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2021, for the purpose of acquiring, constructing, or equipping street, sidewalk and related drainage improvements, as well as acquiring public safety equipment including a fire truck and ambulance, as well as paying the costs associated with the issuance of the Certificates. The bonds mature over a 20-year period and have interest rates ranging from 1.50 percent to 4.00 percent.

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

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

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

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

<u>Tax Notes</u>	<u>Governmental Activities</u>	<u>Total Primary Government</u>
\$2,000,000, 2019 Tax Notes due in annual installments through February 1, 2026, 1.90%	\$ 1,530,000	\$ 1,530,000
	<u>\$ 1,530,000</u>	<u>\$ 1,530,000</u>

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

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

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

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

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

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

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

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

Notes Payable

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

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

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

Lease Liability

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

City of Kennedale, Texas

Notes to Basic Financial Statements

September 30, 2022

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

Governmental Activities

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

Note 9: Employee Benefit Plans

Plan Description

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

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

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

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

Benefits Provided

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

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

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

At the December 31, 2021, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	59
Inactive employees entitled to but not yet receiving benefits	129
Active employees	<u>60</u>
	<u><u>248</u></u>

Contributions

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

Employees for the City were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.39 percent and 14.01 percent in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$624,339, and were equal to the required contributions.

Net Pension Liability

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

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

Actuarial Assumptions

The Total Pension Liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation
Asset valuation method	10 year smoothed market; 12% soft corridor
Retirement age	Experience-based table of rates that are specific to the City's plan benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully general basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Salary increases were based on a service-related table. Mortality rates for active members, retirees and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5 percent and 3 percent minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

City of Kennedale, Texas

Notes to Basic Financial Statements

September 30, 2022

Actuarial assumptions used in the December 31, 2021 valuation was based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Real Return	12.00%	7.22%
Real Estate	12.00%	6.85%
Absolute Return	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	<u>100.00%</u>	

Discount Rate

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

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

Changes in the Net Pension Liability

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

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

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

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

	1% Decrease (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
City's net pension liability (asset)	\$ 4,548,773	\$ 833,929	\$ (2,111,771)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained at www.tmrs.com.

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

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

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

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

\$451,112 reported as deferred outflows of resources, related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Amortization of Net Deferred Outflows (Inflows) of Resources
2023	\$ 34,652
2024	(387,507)
2025	(260,776)
2026	<u>(232,248)</u>
	<u><u>\$ (845,879)</u></u>

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

Deferred Compensation Plan

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

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

Note 10: Other Postemployment Benefits

Supplemental Death Benefit Fund

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

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

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

The following employees were covered by the benefit terms at December 31, 2021, (measurement date):

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>60</u>
Total employees	<u><u>110</u></u>

City of Kennedale, Texas

Notes to Basic Financial Statements

September 30, 2022

Total OPEB Liability

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

Actuarial Assumptions

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

	December 31, 2021
Discount Rate	1.84% as of December 31, 2021 (2.00% as of December 31, 2020)
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retiree of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In additions, a 3.5% and 3% minimum mortality rates will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

Discount Rate

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees, and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 1.84 percent based on the 20-Year Municipal GO AA Index published by bondbuyer.com is used as of the measurement date of December 31, 2021.

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

Changes in Total OPEB Liability

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

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

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

The total OPEB liability of the City has been calculated using a discount rate of 1.84 percent. The following presents the total OPEB liability using a discount rate one percent higher and one percent lower than the current discount rate.

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

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

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

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

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

Benefit payments subsequent to the measurement date and before fiscal year-end will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2023.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Amortization of Net Deferred Outflows (Inflows) of Resources
2023	\$ 10,545
2024	9,000
2025	12,061
2026	5,837
2027	1,843
	<u>\$ 39,286</u>

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

Note 11: Commitments and Contingencies

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk-Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in TML is limited to payment of premiums. During the year ended September 30, 2022, the City paid premiums to TML for provisions of various liability, property and casualty insurance. The City has various deductible amounts ranging from \$500 to \$5,000 on various policies. At year-end, the City did not have any significant claims.

The City also provides workers' compensation insurance on its employees through TML. Workers' compensation is subject to change when audited by TML. At year-end, September 30, 2022, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

Contingent Liabilities

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

General Litigation

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

Required Supplementary Information

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City of Kennedale, Texas

Schedule of Changes in the City's Net Pension Liability and Related Ratios

Texas Municipal Retirement System (Unaudited)

	Measurement Year							
	2014	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability								
Service cost	\$ 589,507	\$ 648,581	\$ 675,284	\$ 697,041	\$ 712,721	\$ 734,380	\$ 769,790	\$ 880,878
Interest (on the Total Pension Liability)	794,485	865,430	912,020	989,009	1,071,891	1,144,812	1,231,286	1,353,316
Differences between expected and actual experience	(102,280)	(168,052)	(109,980)	(52,740)	(205,171)	(90,293)	369,096	457,263
Changes in assumptions	-	113,774	-	-	-	15,333	-	-
Benefit payments, including refunds of employee contributions	(274,797)	(320,705)	(329,210)	(366,034)	(460,511)	(559,415)	(522,263)	(713,470)
Net change in total pension liability	1,006,915	1,139,028	1,148,114	1,267,276	1,118,930	1,244,817	1,847,909	1,977,987
Total pension liability – Beginning	11,192,430	12,199,345	13,338,373	14,486,487	15,753,763	16,872,693	18,117,510	19,965,419
Total pension liability – Ending (a)	<u>\$ 12,199,345</u>	<u>\$ 13,338,373</u>	<u>\$ 14,486,487</u>	<u>\$ 15,753,763</u>	<u>\$ 16,872,693</u>	<u>\$ 18,117,510</u>	<u>\$ 19,965,419</u>	<u>\$ 21,943,406</u>
Plan Fiduciary Net Position								
Contributions – employer	\$ 397,779	\$ 525,561	\$ 540,075	\$ 565,061	\$ 558,900	\$ 580,085	\$ 591,844	\$ 666,382
Contributions – employee	239,832	254,774	265,860	276,603	279,969	295,491	305,299	348,370
Net investment income	548,705	15,487	740,899	1,687,364	(429,406)	2,207,757	1,274,858	2,404,252
Benefit payments, including refunds of employee contributions	(274,797)	(320,705)	(329,210)	(366,034)	(460,511)	(559,415)	(522,263)	(713,470)
Administrative expense	(5,727)	(9,432)	(8,365)	(8,740)	(8,292)	(12,459)	(8,239)	(11,108)
Other	(471)	(466)	(451)	(443)	(432)	(375)	(321)	77
Net change in plan fiduciary net position	905,321	465,219	1,208,808	2,153,811	(59,772)	2,511,084	1,641,178	2,694,503
Plan fiduciary net position – Beginning	9,589,325	10,494,646	10,959,865	12,168,673	14,322,484	14,262,712	16,773,796	18,414,974
Plan fiduciary net position – Ending (b)	<u>\$ 10,494,646</u>	<u>\$ 10,959,865</u>	<u>\$ 12,168,673</u>	<u>\$ 14,322,484</u>	<u>\$ 14,262,712</u>	<u>\$ 16,773,796</u>	<u>\$ 18,414,974</u>	<u>\$ 21,109,477</u>
City’s net pension liability – Ending (a) – (b)	<u>\$ 1,704,699</u>	<u>\$ 2,378,508</u>	<u>\$ 2,317,814</u>	<u>\$ 1,431,279</u>	<u>\$ 2,609,981</u>	<u>\$ 1,343,714</u>	<u>\$ 1,550,445</u>	<u>\$ 833,929</u>
Plan fiduciary net position as a percentage of the total pension liability	86.03%	82.17%	84.00%	90.91%	84.53%	92.58%	92.23%	96.20%
Covered payroll	\$ 3,426,174	\$ 3,639,622	\$ 3,797,997	\$ 3,951,478	\$ 3,999,556	\$ 4,177,363	\$ 4,361,416	\$ 4,976,712
City’s net pension liability as a percentage of covered payroll	49.76%	65.35%	61.03%	36.22%	65.26%	32.17%	35.55%	16.76%

Note: The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for ten years. However, until a full ten-year trend is compiled in accordance with the provision of GASB No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27* only periods for which such information is available are presented.

City of Kennedale, Texas

Schedule of Contributions

Texas Municipal Retirement System (Unaudited)

	Fiscal Year								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 391,136	\$ 483,133	\$ 555,231	\$ 560,038	\$ 566,892	\$ 586,411	\$ 640,350	\$ 686,761	\$ 624,339
Contributions in relation to the actuarially determined contribution	391,136	483,133	555,231	560,038	566,892	586,411	640,350	686,761	624,339
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,396,046	\$ 3,575,054	\$ 3,932,717	\$ 3,919,319	\$ 4,058,043	\$ 4,232,531	\$ 4,636,444	\$ 4,885,183	\$ 4,468,337
Contributions as a percentage of covered payroll	12%	13.51%	14.12%	14.29%	13.97%	13.85%	13.81%	14.06%	13.97%

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Amortization Method Remaining Amortization Period Asset Valuation Method Inflation Salary Increases Investment Rate of Return Retirement Age	Entry Age Normal Level Percentage of Payroll, Closed 23 years 10 Year smoothed market; 12% soft corridor 2.50% 3.50% to 11.50%, including inflation 6.75% Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table use for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes: There were no benefit changes during the year

City of Kennedale, Texas

Schedule of Changes in the City's Total OPEB Liability and Related Ratios Supplemental Death Benefit Fund (Unaudited)

	Measurement Year			
	2018	2019	2020	2021
Total OPEB Liability				
Service cost	\$ 17,998	\$ 14,203	\$ 19,626	\$ 21,400
Interest cost	5,765	6,271	6,105	5,483
Difference between expected and actual experience of the total OPEB liability	(13,157)	(6,021)	(7,744)	4,520
Changes of assumptions	(12,621)	37,090	36,148	9,963
Benefit payments	(1,200)	(1,253)	(1,308)	(4,479)
Net change in total OPEB liability	(3,215)	50,290	52,827	36,887
Total OPEB Liability (Beginning)	165,774	162,559	212,849	265,676
Total OPEB Liability (Ending)	<u>\$ 162,559</u>	<u>\$ 212,849</u>	<u>\$ 265,676</u>	<u>\$ 302,563</u>
Covered-employee payroll	\$ 3,999,556	\$ 4,177,363	\$ 4,361,416	\$ 4,976,712
Total OPEB liability as a percentage of covered-employee payroll	4.06%	5.10%	6.09%	6.08%

Notes to Schedule:

Changes of benefit term: None

Changes of assumption:

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

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

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

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

City of Kennedale, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual (Unaudited)
General Fund
For the Year Ended September 30, 2022

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

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

Budgets and Budgetary Accounting

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

1. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.
4. Expenditures may not legally exceed appropriations at the division level for legally adopted operating budgets. The City Manager has the authority to transfer appropriation balances from one department, the primary subunits of each fund, or division and the primary subunit of each department, to another within a single fund of the City. Department heads may approve amendments of amounts between line items within a division so long as the transfers do not significantly change the work program contemplated in the approved budget.
5. Annual budgets are only adopted for the General and Debt Service Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. During 2022, there were no amendments to the original budget.

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Combining and Individual Fund Statements and Schedules

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

Special Revenue Funds

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

LEOSE – to account for grant revenue that is legally restricted to expenditures for LEOSE program.

Police Seizure – to account for funds forfeited from and by federal, state and/or city civil and/or criminal courts, resulting from seizures of assets of narcotics violators.

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

Capital Projects Funds

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of general major capital facilities. Financing is provided primarily by the sale of general obligation bonds and developer contributions.

Park Dedication – to account for the acquisition, improvement and maintenance of park areas funded by neighborhood park land dedication fees.

Capital Projects – to account for various constructions within the city from funds contributed by third parties.

Roadway Impact Fee – to account for the assessments to developers on projects identified in the roadway impact fee study that was adopted by the City Council on May 9, 2002.

Library Building – to account for the construction of a new library from funds contributed by third parties.

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

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

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

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

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

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

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

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

Statistical Section

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Statistical Section

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

Contents Tables

Financial Trends A – D

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity E – G

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

Debt Capacity H – J

These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.

Economic and Demographic Indicators K – L

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information M – O

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

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

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

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

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

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Expenses					
Governmental activities					
General government	\$ 1,338,046	\$ 1,242,021	\$ 1,348,921	\$ 1,340,991	\$ 1,460,659
Public safety	4,216,559	4,274,108	4,521,511	4,658,016	4,494,080
Public works	1,338,143	1,476,670	1,638,428	1,838,124	1,743,770
Culture and recreation	358,251	358,226	339,328	370,519	397,477
Interest and fiscal charges	558,639	510,355	478,440	521,675	348,741
Total governmental activities expenses	7,809,638	7,861,380	8,326,628	8,729,325	8,444,727
Business-type activities					
Water, wastewater, and storm water drainage	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 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

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

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

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Business-type Activities					
Charges for services					
Water, wastewater, and storm water drainage	\$ 3,138,201	\$ 3,775,546	\$ 3,683,542	\$ 4,782,055	\$ 5,086,486
Capital grants and contributions	-	-	-	1,479,937	374,296
Total business-type activities program revenues	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 (Expenses) 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 expenses	\$ (6,285,850)	\$ (5,904,146)	\$ (6,819,255)	\$ (1,879,396)	\$ (5,002,836)
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property	\$ 3,951,116	\$ 4,143,977	\$ 4,274,752	\$ 4,521,765	\$ 4,703,870
Franchise	817,733	871,351	910,886	545,140	537,454
Sales	1,008,875	1,093,946	1,491,342	1,253,391	1,208,557
Investment earnings	724	389	887	3,986	13,272
Miscellaneous	426,068	509,287	690,772	308,179	143,633
Grants not restricted to a specific purpose	-	-	-	-	-
Transfers	-	-	49,178	953,377	748,617
Total governmental activities	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
Table B – Changes in Net Position (Continued)
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

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

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

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

Source: Annual Comprehensive Financial Report

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

City of Kennedale, Texas

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

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

Source: Annual Comprehensive Financial Report

City of Kennedale, Texas

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

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

Source: Annual Comprehensive Financial Report

City of Kennedale, Texas
Table E – Assessed Value and Estimated
Actual Value of Taxable Property
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2013	\$ 363,808,684	\$ 121,802,411	\$ 60,407,246	\$ 70,604,766	\$ 475,413,575	\$ 0.72250	\$ 475,413,575	100.00%
2014	\$ 369,809,150	\$ 122,562,814	\$ 62,617,391	\$ 74,529,874	\$ 480,459,481	\$ 0.74750	\$ 480,459,481	100.00%
2015	\$ 418,964,219	\$ 135,862,868	\$ 43,604,299	\$ 69,044,161	\$ 529,387,225	\$ 0.74750	\$ 529,387,225	100.00%
2016	\$ 423,074,019	\$ 133,607,106	\$ 42,937,171	\$ 50,198,154	\$ 549,420,142	\$ 0.76750	\$ 549,420,142	100.00%
2017	\$ 434,127,908	\$ 137,328,197	\$ 21,506,171	\$ 25,203,051	\$ 567,759,225	\$ 0.76750	\$ 567,759,225	100.00%
2018	\$ 479,936,919	\$ 147,896,807	\$ 35,746,004	\$ 33,925,413	\$ 629,654,317	\$ 0.77750	\$ 629,654,317	100.00%
2019	\$ 517,326,245	\$ 155,373,286	\$ 29,734,655	\$ 11,730,455	\$ 690,703,731	\$ 0.72571	\$ 690,703,731	100.00%
2020	\$ 584,136,210	\$ 111,486,922	\$ 23,929,984	\$ 57,395,099	\$ 690,703,731	\$ 0.73497	\$ 690,703,731	100.00%
2021	\$ 610,463,688	\$ 114,757,038	\$ 25,308,936	\$ 55,313,812	\$ 695,215,850	\$ 0.77409	\$ 695,215,850	100.00%
2022	\$ 738,320,131	\$ 141,805,669	\$ 26,707,811	\$ 73,032,853	\$ 833,800,758	\$ 0.76409	\$ 833,800,758	100.00%

Source: Tarrant Appraisal District Totals Report (September).

City of Kennedale, Texas
Table F – Direct and Overlapping
Property Tax Rates
Last Ten Fiscal Years (Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates			
	City Rate	General Obligation Debt Service	Total Direct	Kennedale Independent School District	Tarrant County	Tarrant County College District	Tarrant County Hospital District
2013	0.549582	0.172918	0.72250	1.512068	0.264000	0.148970	0.227897
2014	0.560454	0.187046	0.74750	1.492068	0.264000	0.149500	0.227897
2015	0.551216	0.196284	0.74750	1.514717	0.264000	0.149500	0.227897
2016	0.575204	0.192296	0.76750	1.486724	0.264000	0.149500	0.227897
2017	0.581711	0.185789	0.76750	1.486724	0.254000	0.144730	0.227897
2018	0.578750	0.198750	0.77750	1.480000	0.244000	0.140060	0.224429
2019	0.535219	0.190495	0.72571	1.451694	0.234000	0.136070	0.224429
2020	0.544429	0.190541	0.73497	1.350000	0.234000	0.130170	0.224429
2021	0.582686	0.191399	0.77409	1.336400	0.234000	0.130170	0.224429
2022	0.572949	0.191136	0.76409	1.226400	0.224000	0.130170	0.224429

Source: Tarrant Appraisals District (2020 Tax Rates).

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

City of Kennedale, Texas
Table G – Ad-Valorem Tax Levies and Collections
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	\$ 3,937,340	\$ 3,880,817	98.56%	\$ 55,921	\$ 3,936,738	100%
2014	\$ 4,083,024	\$ 4,015,994	98.36%	\$ 98	\$ 4,016,092	98%
2015	\$ 4,231,865	\$ 4,174,320	98.64%	\$ 306	\$ 4,174,626	99%
2016	\$ 4,501,716	\$ 4,464,778	99.18%	\$ 238	\$ 4,465,016	99%
2017	\$ 4,644,955	\$ 4,589,538	98.81%	\$ 410	\$ 4,589,948	99%
2018	\$ 5,086,080	\$ 5,045,734	99.21%	\$ (984)	\$ 5,044,750	99%
2019	\$ 5,219,526	\$ 5,169,354	99.04%	\$ 2,920	\$ 5,172,274	99%
2020	\$ 5,949,183	\$ 5,798,463	97.47%	\$ 3,606	\$ 5,802,069	98%
2021	\$ 6,521,122	\$ 6,063,561	92.98%	\$ 36,808	\$ 6,100,369	94%
2022	\$ 7,123,299	\$ 6,824,573	95.81%	\$ -	\$ 6,824,573	96%

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

Fiscal Year	Governmental Activities				Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita	Population
	General Obligation/ Certificates of Obligation	Premium on Bonds	Leases Obligations	Tax Notes	General Obligation/ Certificates of Obligation	Notes Payable				
2013	\$ 13,240,601	\$ -	\$ 221,065	\$ -	\$ 3,411,325	\$ 1,721,658	\$ 18,594,649	0.40%	2,562	7,063
2014	\$ 12,469,623	\$ -	\$ 140,436	\$ -	\$ 3,191,875	\$ 1,629,163	\$ 17,431,097	0.42%	2,357	7,257
2015	\$ 11,655,557	\$ -	\$ 99,701	\$ -	\$ 2,965,512	\$ 1,539,241	\$ 16,260,011	0.45%	2,035	7,394
2016	\$ 11,001,843	\$ -	\$ 424,473	\$ -	\$ 2,728,413	\$ 1,445,849	\$ 15,600,578	0.47%	1,943	7,992
2017	\$ 10,026,300	\$ -	\$ 600,557	\$ -	\$ 2,475,575	\$ 1,350,209	\$ 14,452,641	0.50%	1,738	8,031
2018	\$ 9,024,582	\$ -	\$ 554,114	\$ -	\$ 2,213,912	\$ 1,254,570	\$ 13,047,178	0.56%	1,565	8,315
2019	\$ 8,099,682	\$ -	\$ 722,846	\$ 2,575,000	\$ 1,941,512	\$ 1,149,939	\$ 14,488,979	0.52%	1,696	8,543
2020	\$ 7,178,035	\$ -	\$ 451,985	\$ 2,275,000	\$ 1,660,288	\$ 1,035,195	\$ 12,600,503	0.64%	1,526	8,255
2021	\$ 6,186,673	\$ -	\$ 559,180	\$ 1,805,000	\$ 1,363,322	\$ 923,206	\$ 10,837,381	0.73%	1,272	8,517
2022	\$ 10,666,262	\$ 386,226	\$ 154,010	\$ 1,530,000	\$ 1,118,734	\$ 805,984	\$ 14,661,216	0.70%	1,758	8,342

Source: Notes to the financial statements and Table N

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

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds/ Certificates of Obligation	Premium on Bonds	Total		
2013	\$ 13,240,601	\$ -	\$ 13,240,601	2.79%	\$ 1,825
2014	\$ 12,469,623	\$ -	\$ 12,469,623	2.60%	\$ 1,686
2015	\$ 11,655,557	\$ -	\$ 11,655,557	2.20%	\$ 1,458
2016	\$ 11,001,843	\$ -	\$ 11,001,843	2.00%	\$ 1,370
2017	\$ 10,026,300	\$ -	\$ 10,026,300	1.77%	\$ 1,206
2018	\$ 9,024,582	\$ -	\$ 9,024,582	1.43%	\$ 1,082
2019	\$ 8,099,682	\$ -	\$ 8,099,682	1.17%	\$ 948
2020	\$ 7,178,035	\$ -	\$ 7,178,035	1.04%	\$ 870
2021	\$ 6,186,673	\$ -	\$ 6,186,673	0.89%	\$ 726
2022	\$ 10,666,262	\$ 386,226	\$ 11,052,488	1.33%	\$ 1,325

Source: Table E, I, and N

City of Kennedale, Texas
Table J – Legal Debt Margin Information
Last Ten Fiscal Years (Unaudited)

The city charter of the City of Kennedale (section 6.05), Texas does not provide for a debt limit. The debt portion of the overall tax rate may rise as high as necessary to retire debt for the coming year without triggering the threat of rollback. Under the provision of Texas State law, the maximum tax rate is limited to \$2.50 per \$100 assessed valuation. The tax rate for fiscal year 2022 was established at \$0.764085 per \$100 assessed valuation based on 100 percent of net taxable value.

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

Year	Estimated Population	Median Household Income	Per Capita Median Household Income	Unemployment Rate
2013	7,257	\$ 73,909	\$ 31,163	6.9%
2014	7,394	\$ 73,909	\$ 31,163	5.7%
2015	7,992	\$ 73,909	\$ 31,163	4.3%
2016	8,031	\$ 73,909	\$ 31,163	4.1%
2017	8,315	\$ 71,875	\$ 31,904	5.3%
2018	8,338	\$ 72,461	\$ 31,335	4.5%
2019	8,543	\$ 75,000	\$ 32,435	3.5%
2020	8,255	\$ 80,565	\$ 35,350	3.3%
2021	8,517	\$ 79,575	\$ 36,588	6.9%
2022	8,342	\$ 102,217	\$ 40,477	3.3%

Sources: Population: United States Census Bureau, 2022

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

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

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

Source: Survey responses from employers and Economic Development Department.

Note: Employees listed by employers are estimates

City of Kennedale, Texas

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

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Management services	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Finance	2.5	2.5	2.5	3.0	2.5	2.5	3.0	3.0	3.7	3.5
Planning	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Building	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Municipal court	2.0	2.0	3.0	2.0	2.0	2.0	1.5	1.0	1.0	2.0
Police										
Officers	19.0	16.0	19.0	20.0	20.0	21.0	21.0	21.0	21.0	21.0
Civilians	7.5	7.5	2.5	2.5	2.1	2.5	2.5	2.5	2.7	3.0
Fire										
Firefighters and officers	16.0	16.0	16.0	16.0	16.0	16.0	20.0	17.0	19.0	19.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other public works										
Streets & Parks	6.0	8.0	8.0	8.0	8.0	8.0	8.0	11.0	10.8	10.4
Library	3.5	3.5	3.5	3.5	4.0	4.0	4.0	4.0	4.0	4.0
Water/Wastewater	12.5	11.5	11.5	11.5	11.5	11.5	11.5	-	-	-
Total	<u>77.5</u>	<u>76.0</u>	<u>75.00</u>	<u>75.5</u>	<u>75.1</u>	<u>76.5</u>	<u>80.5</u>	<u>68.5</u>	<u>71.1</u>	<u>71.9</u>

Sources: FY2021-22 Adopted Budget.

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

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

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

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

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1	1
Patrol units	13	14	17	17	8	8	8	8	9	9
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	-	-	42	42	46	46	46	46	49	49
Streetlights	-	-	332	332	346	346	346	346	376	376
Parks and recreation										
Acreage	28	28	28	28	27	27	27	27	27	28
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	3	3	3	3	3	3	3	3	3	3
Community centers	1	1	1	1	1	1	1	1	1	1
Water and Wastewater										
Water mains (miles)	-	-	48	48	49	49	49	67	68	68
Fire hydrants (thousands)	5	5	5	5	5	5	5	5	5	5
Storage (thousands of gallons)	3,350	3,350	3,350	3,350	3,350	3,350	3,350	3,325	3,300	2,820
Elevated	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,145	1,250	1,720
Ground	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,180	2,150	1,100
Sanitary sewers (miles)	-	-	48	48	50	50	50	47	48	48
Storm sewers (miles)	-	-	4	4	4	4	4	5	6	6

**Kennedale Economic
Development
Corporation**
(Component Unit of the City of
Kennedale, Texas)

Annual Financial Report

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



Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
For the Fiscal Year Ended September 30, 2022

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Independent Auditor's Report

The Honorable Mayor and
Members of the Board of Directors
City of Kennedale, Texas

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Kennedale Economic Development Corporation (KEDC), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the KEDC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above preset fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the KEDC, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matters

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

As discussed in *Note 2* to the financial statements, beginning of the year net position for the governmental activities and fund balance for the general fund has been restated for an error correction.

Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the KEDC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the KEDC's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

FORVIS, LLP

**Dallas, Texas
May 11, 2023**

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Management's Discussion and Analysis

(Unaudited)

As management of the Kennedale Economic Development Corporation (KEDC), we offer readers of the KEDC's financial statements, this narrative overview and analysis of the financial activities of the KEDC for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the KEDC exceeded its liabilities at the close of the most recent fiscal year by \$5,283,929.
- The KEDC's restated net position increased by \$211,303.
- As of the close of the current fiscal year, the KEDC's governmental fund reports restated fund balance of \$2,132,096, an increase of \$357,586 in comparison with the prior year.
- At the end of the current fiscal year, the restricted fund balance for the General Fund was \$2,122,096.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the KEDC's basic financial statements. The Corporation'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 KEDC's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the KEDC's assets and liabilities, with the difference between the two 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 KEDC 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). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

Governmental Activities: The KEDC's basic expenditures are reported here, including administrative and incentive grants. Sales taxes, rent, and investment earnings finance these activities.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Management's Discussion and Analysis
(Unaudited)

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. The KEDC uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The KEDC uses the following fund type:

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 decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The KEDC maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the KEDC's annual budget. The KEDC adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

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.

The KEDC adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided in required supplementary information for General Fund to demonstrate compliance with the budget.

Government-Wide Financial Analysis

As noted earlier, over time, net position may serve as a useful indicator of the KEDC's financial position. In the case of the KEDC, assets exceeded liabilities by \$5,283,929 at the close of the most recent fiscal year.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Management's Discussion and Analysis
(Unaudited)

Kennedale Economic Development Corporation's Statement of Net Position

	Governmental Activities	
	2022	2021*
Assets		
Cash and cash equivalents	\$ 2,011,221	\$ 1,197,045
Receivables (net of allowance)	128,468	214,016
Prepaid items	10,000	10,000
Capital assets (net of depreciation)	<u>3,820,735</u>	<u>4,099,999</u>
Total assets	<u>5,970,424</u>	<u>5,521,060</u>
Liabilities		
Accounts payable	141	10,455
Accrued interest	7,606	13,778
Accrued liabilities	33,899	33,188
Bond and loan payable	<u>661,296</u>	<u>788,105</u>
Total liabilities	<u>702,942</u>	<u>845,526</u>
Net Position		
Net investment in capital assets	3,159,439	3,311,894
Restricted for economic development	<u>2,124,490</u>	<u>1,363,640</u>
Total net position	<u>\$ 5,283,929</u>	<u>\$ 4,675,534</u>

The KEDC's restated net position increased by \$211,303 during the current fiscal year. The increase was due to operations and was consistent with results in 2021.

*The 2021 balances have not been adjusted for the error correction discussed at *Note 2*.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Management's Discussion and Analysis
(Unaudited)

Kennedale Economic Development Corporation's Changes in Net Position

	Governmental Activities	
	2022	2021*
General/Program Revenues		
Sales tax	\$ 619,749	\$ 687,092
Leases	312,171	251,500
Miscellaneous	35,103	37,799
Investment earnings	11,002	426
Total revenues	<u>978,025</u>	<u>976,817</u>
Expenses		
Economic development	726,319	706,167
Interest and other	40,403	47,655
Total expenses	<u>766,722</u>	<u>753,822</u>
Change in Net Position	<u>211,303</u>	<u>222,995</u>
Net Position, Beginning as Previously Reported	4,675,534	-
Adjustment applicable to prior years due to an error correction	397,092	-
Net Position, Beginning	<u>5,072,626</u>	<u>4,452,539</u>
Net Position, Ending	<u>\$ 5,283,929</u>	<u>\$ 4,675,534</u>

*The 2021 balances have not been adjusted for the error correction discussed at *Note 2*.

The KEDC's revenues increased by \$1,208 from last year. The increase was due to increased rental revenue, but offset by a reduction in sales tax revenue.

General Fund Budgetary Highlights: The actual expenditures for the year were \$620,439, as compared to the budgeted amount of \$625,073. The budget overage in economic development was offset by debt service coming in under budget.

For fiscal year 2022, the actual revenues were \$978,025, as compared to the budgeted amount of \$800,048 as all revenue sources exceeded projections as the economy continues to recover from the pandemic.

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Management's Discussion and Analysis
(Unaudited)

Capital Asset and Debt Administration

Capital Assets: The investment in capital assets for the governmental activities as of September 30, 2022, amounts to \$3,820,735 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and infrastructure.

Additional information on the capital assets can be found in the notes to the financial statements on page 21.

Long-term Debt: At year-end, the KEDC had revenue bonds and a loan in the amount of \$460,000 and \$201,296, respectively. No new debt was issued in fiscal year 2022.

Additional information on the long-term debt can be found in the notes to the financial statements on page 22.

Discussion of Currently Known Facts, Decisions, or Conditions in Fiscal Year 2023

The Kennedale Economic Development Corporation's projects for the fiscal year and beyond include: 1) Opening a "sit-down" restaurant in the Oak Crest development, 2) building a hotel in the Oak Crest development, 3) continuing the development of the Kennedale Town Center, and 4) identifying potential tracts of land to acquire, consolidate, clear and resell for light manufacturing uses.

Request for Information

This financial report is designed to provide a general overview of the Corporation'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, Kennedale Economic Development Corporation, 405 Municipal Dr., Kennedale, Texas 76060.

Basic Financial Statements

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)

Statement of Net Position

Government-wide
September 30, 2022

Assets

Cash and cash equivalents	\$ 2,011,221
Receivables	
Accounts	22,766
Sales tax	105,702
Leases	594,841
Prepaid items	10,000
Capital assets	
Nondepreciable	870,292
Depreciable, net of accumulated depreciation	<u>2,950,443</u>
Total assets	<u>6,565,265</u>

Liabilities

Accounts payable	141
Customer deposits	33,899
Accrued interest	7,606
Current portion of bond and loan payable	128,345
Noncurrent liabilities	
Bond and loan payable	<u>532,951</u>
Total liabilities	<u>702,942</u>

Deferred Inflows of Resources

Lease related	<u>578,394</u>
Total deferred inflows of resources	<u>578,394</u>

Net Position

Net investment in capital assets	3,159,439
Restricted for	
Economic development	<u>2,124,490</u>
Total net position	<u>\$ 5,283,929</u>

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)

Statement of Activities

Government-wide

For the Year Ended September 30, 2022

	Program Revenue	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Position
Functions/Program				
Governmental Activities				
Economic development		\$ 726,319	\$ 312,171	\$ (414,148)
Interest and other		<u>40,403</u>	<u>-</u>	<u>(40,403)</u>
Total governmental activities		<u>\$ 766,722</u>	<u>\$ 312,171</u>	<u>(454,551)</u>
General Revenues				
Sales taxes				619,749
Investment earnings				11,002
Miscellaneous				<u>35,103</u>
Total general revenues				<u>665,854</u>
Change in Net Position				<u>211,303</u>
Net Position, Beginning as Previously Reported				4,675,534
Adjustment applicable to prior years due to an error correction				<u>397,092</u>
Net Position, Beginning of Year, as Restated				<u>5,072,626</u>
Net Position, End of Year				<u>\$ 5,283,929</u>

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)

Balance Sheet
General Fund
September 30, 2022

Assets

Cash and cash equivalents	\$ 2,011,221
Receivables	
Accounts	105,702
Other	22,766
Lease	594,841
Prepaid items	<u>10,000</u>
Total assets	<u><u>\$ 2,744,530</u></u>

Liabilities

Accounts payable	\$ 141
Customer deposits	<u>33,899</u>
Total liabilities	<u>34,040</u>

Deferred Inflows of Resources

Lease related	<u>578,394</u>
Total deferred inflows of resources	<u>578,394</u>

Fund Balances

Nonspendable	10,000
Restricted for economic development	<u>2,122,096</u>
Total fund balances	<u>2,132,096</u>
Total liabilities, deferred inflows, and fund balances	<u><u>\$ 2,744,530</u></u>

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)

**Reconciliation of the Balance Sheet of the
Governmental Fund to the Statement of Net Position
September 30, 2022**

Total Fund Balance	\$ 2,132,096
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Amounts reported in the statement of net position are different because:

Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the balance sheet.	(7,606)
---	---------

Capital assets used in governmental activities are not financial resources; therefore, are not reported as assets in fund financial statements. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	3,820,735
---	-----------

Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	<u>(661,296)</u>
--	------------------

Total Net Position	<u><u>\$ 5,283,929</u></u>
---------------------------	-----------------------------------

Kennedale Economic Development Corporation
(Component Unit of the City of Kennedale, Texas)
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
For the Year Ended September 30, 2022

Revenues	
Sales taxes	\$ 619,749
Leases	312,171
Investment earnings	11,002
Miscellaneous	<u>35,103</u>
Total revenues	<u>978,025</u>
Expenditures	
Current	
Economic development	447,055
Debt service	
Principal	126,809
Interest	<u>46,575</u>
Total expenditures	<u>620,439</u>
Increase of Revenues Over Expenditures	<u>357,586</u>
Net Change in Fund Balance	<u>357,586</u>
Fund Balance, Beginning of Year, as Previously Reported	1,377,418
Adjustment applicable to prior years due to an error correction	<u>397,092</u>
Fund Balance, Beginning of Year, as Restated	<u>1,774,510</u>
Fund Balance, End of Year	<u><u>\$ 2,132,096</u></u>

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Fund to the Statement of Activities

For the Year Ended September 30, 2022

Net Change in Fund Balance	\$ 357,586
Amounts reported in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	25,000
Depreciation	(304,264)
Current year changes in accrued interest payable do require the use of current financial resources; therefore, are reported as expenditures in the fund financials.	
	6,172
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements.	
	<u>126,809</u>
Change in Net Position	<u>\$ 211,303</u>

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2022

Note 1: Summary of Significant Accounting Policies

The financial statements of Kennedale Economic Development Corporation (Corporation or KEDC) have been prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB's jurisdiction includes nonprofit corporations that are in substance part of a governmental unit. The most significant accounting and reporting policies of the Corporation are described in the following notes to the financial statements.

Reporting Entity

The Corporation was incorporated on December 2, 1996. The Corporation is a nonprofit corporation organized and operating under the laws of the State of Texas, particularly Section 4B of the *Development Corporation Act of 1979*, as amended and Article 5190.6, Vernon's Texas Civil Statutes (Act), as amended. The Corporation was created following an election held by the City of Kennedale, Texas (City), on August 10, 1996, to levy 0.5 percent local sales and use tax in the City for the benefit of the Corporation. The Corporation, as currently organized, 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 Corporation is a discretely presented component unit of the City.

As required by generally accepted accounting principles, these financial statements present the Corporation and do not include any component units, entities for which the Corporation is considered to be financially accountable. The Corporation did not have any entities which meet the component unit criteria. Therefore, the reporting entity is limited to those departments which comprise the Corporation's legally adopted jurisdiction. However, the Corporation is considered to be, and is reported as, a component unit of the City.

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 government. Governmental activities are supported by taxes, rent, and investment revenue.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as general revenue.

The government-wide and fund financial statements are provided for the governmental fund of the Corporation with a reconciliation between the two provided.

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2022

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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Sales tax and interest income associated with the current fiscal period is considered to be susceptible to accrual and so has 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 Corporation.

The Corporation reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the Corporation. There are no other funds of the Corporation.

Assets, Liabilities, and Net Position or Fund Balance

Cash and Investments

The Corporation's cash and investments are pooled with the City of Kennedale's cash and investments to maximize earnings. Investment income is allocated to the Corporation based upon its pro rata participation in the Pool.

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

Capital Assets

Capital assets, which include buildings, improvements, and infrastructure are reported in the government-wide financial statements. The Corporation 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.

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2022

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:

Buildings	20 years
Infrastructure	35 - 125 years

Long-term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Lease Receivable

The KEDC is a lessor for noncancellable leases of buildings and recognized a related lease receivable and a deferred inflow of resources. At the commencement of a lease, the KEDC initially measures the lease receivable at the present value of lease payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured at the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The KEDC monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2022

Net Position

Net position represents the difference between assets 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 improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Corporation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Nature and Purpose of Classifications on Fund Balances

Governmental funds fund balances classified as restricted can only be used for specific purposes pursuant to constraints imposed by state law for Type A development corporations. Fund balances classified as nonspendable include amounts that cannot be spent because they are not in a spendable form.

Net Position/Fund Balance Flow Assumption

It is the KEDC's policy to consider restricted net position/fund balances to have been depleted before unrestricted net position/fund balances is applied.

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 deferred inflows of resources, and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue.

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

In 2022, the KEDC adopted GASB 87. The Statement establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. The adoption of GASB 87 resulted in a lease receivable, related deferred inflow of resources, and related disclosure in the notes to the financial statements. The adoption of GASB 87 had no impact on the KEDC's beginning net position.

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2022

Note 2: Detail Notes on Funds and Activities

Cash, Cash Equivalents, and Investments

The *Public Funds Investment Act*, Government Code Chapter 2256 (Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Corporation 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 Corporation 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 Corporation to have independent auditors perform test procedures related to investment practices as provided by the Act. The Corporation is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Act, the Corporation 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. As of September 30, 2022, all of the Corporation's deposits were in the TexPool and TexStar accounts held by the City.
- (B) ***Credit Risk:*** It is the Corporation'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.
- (C) ***Interest Rate Risk:*** In accordance with the Corporation's investment policy, the Corporation 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 Corporation's investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements September 30, 2022

At September 30, 2022, the carrying amounts of the Corporation's deposits were as follows:

TexPool	\$ 1,798,442
TexStar	31,583
Money market investments	<u>181,196</u>
Total investments	<u>\$ 2,011,221</u>

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the *Interlocal Cooperation Act* (Act), Chapter 79 of the Texas Government Code, and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

All investments are measured using amortized cost or net asset value per share (or its equivalent). The carrying value amounts included above approximate amortized cost or net asset value for all related external investment pool balances. Balances held in Pools are readily available and are recorded as cash equivalents for financial statement purposes.

Risk Management

The Corporation carries its general insurance risks with a public entity risk pool by transferring all risks to the insurance carrier except for small deductible amounts. There has been no significant reduction in coverage from 2021 to 2022; nor have settlement amounts exceeded coverage for each of the past three years.

Lease Receivable

The KEDC leases building space to third parties, the terms of which expire over various years through 2028. The KEDC recognized approximately \$203,000 in lease revenue and interest revenue during the current fiscal year related to these leases. As of September 30, 2022, the KEDC's receivable for lease payments was \$594,841 and the balance of the deferred inflow of resources related to this lease was \$578,394. The KEDC recognized lease revenue of approximately \$109,000 for the year ended September 30, 2022, for variable payments related to common area maintenance, not previously included in the measurement of the lease receivable.

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2022

Agreement with City

The Corporation has no employees. The personnel duties for the Corporation are performed by employees of the City of Kennedale, and the Corporation is charged for expenses related to these duties.

Capital Assets

Capital assets activity for year ended September 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 845,292	\$ -	\$ -	\$ 845,292
Construction in progress	-	25,000	-	25,000
Totals capital assets not being depreciated	845,292	25,000	-	870,292
Capital assets, being depreciated				
Buildings	4,917,189	-	-	4,917,189
Improvements	1,084,193	-	-	1,084,193
Infrastructure	209,707	-	-	209,707
Totals capital assets being depreciated	6,211,089	-	-	6,211,089
Less accumulated depreciation for:				
Buildings	2,384,439	245,859	-	2,630,298
Improvements	543,085	54,210	-	597,295
Infrastructure	28,858	4,195	-	33,053
Total accumulated depreciation	2,956,382	304,264	-	3,260,646
Total capital assets, being depreciated, net	3,254,707	(304,264)	-	2,950,443
Capital assets, net	<u>\$ 4,099,999</u>	<u>\$ (279,264)</u>	<u>\$ -</u>	<u>\$ 3,820,735</u>

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2022

Long-term Debt

During fiscal year 2011, a loan was issued for \$1,700,000 at 3.25 percent for the purpose of financing new projects. Revenue bonds were issued in fiscal year 2007 for \$1,200,000 at 6.95 percent also for the purpose of financing new projects. Revenue bonds and loans outstanding at year end are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely Presented Component Unit					
Revenue bonds	\$ 535,000	\$ -	\$ 75,000	\$ 460,000	\$ 80,000
Texas leverage fund loan	253,105	-	51,809	201,296	48,345
Total	<u>\$ 788,105</u>	<u>\$ -</u>	<u>\$ 126,809</u>	<u>\$ 661,296</u>	<u>\$ 128,345</u>

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

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2023	128,345	38,497	166,842
2024	135,065	31,218	166,283
2025	141,845	23,529	165,374
2026	153,689	15,431	169,120
2027	102,352	7,311	109,663
Total	<u>\$ 661,296</u>	<u>\$ 115,986</u>	<u>\$ 777,282</u>

Prior Period Adjustment

Subsequent to the issuance of the September 30, 2021 financial statements, an error was identified relating to an allocation of sales tax revenue between the City and KEDC. As a result of this error, beginning net position and fund balance of the governmental activities and the General Fund was increased by \$397,092.

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

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Notes to Basic Financial Statements

September 30, 2022

Note 3: Future Change in Accounting Principle

The GASB also issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Arrangements*. This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The KEDC expects to first apply GASB 94 during the year ending September 30, 2023, using the facts and circumstances in place at the time of adoption. The impact of applying the Statement has not been determined.

The GASB also issued Statement No. 96, *Subscription-Based Information Technology Agreements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This statement will become effective for KEDC's fiscal year ending September 30, 2023. The impact of applying the Statement has not been determined.

Required Supplementary Information

Kennedale Economic Development Corporation

(Component Unit of the City of Kennedale, Texas)

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget to Actual (Unaudited)

For the Year Ended September 30, 2022

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales taxes	\$ 550,000	\$ 550,000	\$ 619,749	\$ 69,749
Rent taxes	243,848	243,848	312,171	68,323
Miscellaneous income	4,200	4,200	35,103	30,903
Investment earnings	2,000	2,000	11,002	9,002
Total revenues	800,048	800,048	978,025	177,977
Expenditures				
Current				
Economic development	316,075	316,075	447,055	(130,980)
Debt service				
Principal	308,998	308,998	126,809	182,189
Interest	-	-	46,575	(46,575)
Total expenditures	625,073	625,073	620,439	4,634
Excess (deficiency) of revenues over (under) expenditures	174,975	174,975	357,586	182,611
Net Change in Fund Balances	174,975	174,975	357,586	182,611
Fund Balance, Beginning of Year, as Restated	1,774,510	1,774,510	1,774,510	-
Fund Balance, End of Year	\$ 1,949,485	\$ 1,949,485	\$ 2,132,096	\$ 182,611

Kennedale Economic Development Corporation

Notes to Required Supplementary Information

For the Year Ended September 30, 2022

Budgetary Information

The Economic Development Board of Directors and the City Council of the City of Kennedale, Texas, follow these procedures in establishing budgets reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the Executive Director submits a proposed budget to the Corporation's Board of Directors for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and 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 Corporation's Board of Directors and ratified by the City Council of the City.
4. The Board of Directors and the City Council must approve any budget amendments. At the end of each fiscal year, all appropriations lapse.
5. Annual budgets adopted for the Economic Development Fund are adopted on a basis consistent with generally accepted accounting principles.
6. The legal level of budgetary control is maintained at the fund level.



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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kennedale, Texas (City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 11, 2023, which contained *Emphasis of Matter* paragraphs regarding a change in accounting principle and correction of an error. The financial statements of Kennedale Economic Development Corporation (KEDC) a component unit included in the financial statements of the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with KEDC.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

FORVIS, LLP

Dallas, Texas
May 11, 2023

City of Kennedale, Texas
Schedule of Findings and Responses
Year Ended September 30, 2022

Reference Number	Finding
2022-001	Criteria or Specific Requirement: Management is responsible for the timely preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Condition: The City's financial statements required prior period adjustments for proper financial statement presentation. In previous years, the City did not properly allocate sales tax from the primary government's general fund to its discretely presented component unit. Effect: The beginning net position of the 2022 government wide governmental activities and discretely presented component unit and beginning fund balances of the general fund were restated in order to conform with GAAP. Cause: Internal controls and review processes were not in place to ensure all financial activity was properly recorded in the annual financial report. Recommendation: Management should review procedures to help ensure that controls are in place that will allow for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Views of Responsible Officials: Upon receiving the advice of the auditor to bring all aspects of accounting into more generally accepted practices, the City immediately took corrective action. In addition, year-end procedures in each future year will comply with these guidelines.



Report to the City Council and Management

City of Kennedale, Texas

**Results of the 2022 Financial Statement
Audit, Including Required Communications**

Dallas, Texas

September 30, 2022

forvis.com



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Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

The following matters are required communications we must make to you, including these responsibilities:

Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	This report covers audit results related to your financial statements and supplementary information: • As of and for the year ended September 30, 2022 • Conducted in accordance with our contract dated April 26, 2022
Our Responsibilities	FORVIS is responsible for forming and expressing opinions about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).
Audit Scope & Inherent Limitations to Reasonable Assurance	An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States (GAGAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the opinion unit being audited and did not include a detailed audit of all transactions.

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Matter	Discussion
Extent of Our Communication	In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.
Independence	The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.
Distribution Restriction	This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties: • City Council and Management • Others within the City

FORV/S

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Government Audit Standards

Matter	Discussion
Additional GAGAS Reporting	We also provided reports as of September 30, 2022, on the following as required by GAGAS: • Internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with GAGAS
Reporting Limitations	Our consideration of internal control over financial reporting and our tests of compliance were not designed with an objective of forming an opinion on the effectiveness of internal control or on compliance, and accordingly, we do not express such an opinion.

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Qualitative Aspects of Significant Accounting Policies & Practices

The following matters are detailed in the following pages and included in our assessment:

Significant Accounting Policies

Significant accounting policies are described in *Note 1* of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topic detailed in the following pages:

- GASB 87, *Leases*

Unusual Policies or Methods

No matters are reportable.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Accounts receivable and related allowance for doubtful accounts
- Other post-employment benefit liability and related deferred outflows/inflows of resources
- Net pension liability and related deferred outflows/inflows of resources
- Key estimates related to leases – lease discount rate, lease term and lease payments

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Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Total OPEB liability
- Net pension liability
- Leases

Our Judgment About the Quality of the City's Accounting Principles

No matters are reportable.

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Significant Accounting Policies & Alternative Treatments – Details

GASB 87, Leases

Effective October 1, 2022, the City adopted GASB 87, *Leases*. GASB 87 creates one model for recognizing leases for both lessees and lessors. Substantially all leases are recognized on the lessee's statement of net position.

In the activity statement, lessees no longer report rent expense for the previously classified operating leases but instead report interest expense on the liability and amortization expense related to the asset. Lessors recognize a lease receivable and corresponding deferred inflow of resources. Interest income associated with the receivable are recognized using the effective interest method.

Adoption of GASB 87 required significant time to identify a complete list of lease contracts for consideration of adoption and measure the lease assets and liabilities for recognition. In addition, due to adoption of the standard, the City's key performance indicators related to the statement of net position (such as the current ratio) are likely not comparable to historical results.

Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.



Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- Various reclassification entries for reporting purposes – outsourced to FORVIS
- Year-end entries related to Governmental Accounting Standards Board Statements 68, 75 and 87 – outsourced to FORVIS
- Entries to convert modified accrual statements to full accrual statements – outsourced to FORVIS
- Adjustment to roll forward fund balance of the general fund
- Entry to record bond issuance costs
- Restatement of beginning net position/fund balance of impacted opinion units for correction of an error
- Entry to reduce construction in progress in the water and sewer fund

Uncorrected Misstatements

Some adjustments proposed were **not recorded** because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Uncorrected audit misstatements pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole are included as an attachment to this communication.

While these uncorrected misstatements were deemed to be immaterial to the current-year financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.

Nature of Uncorrected Misstatements

- To correct improperly taken depreciation expense related to PY

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Other Required Communications

Significant Issues Discussed with Management

During the Audit Process

During the audit process, the following issue was discussed with management:

- Implementation of GASB 87

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachments)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.



Required Communications Regarding Internal Control (AU-C 265)

Consideration of Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of City of Kennedale, Texas as of and for the year ended September 30, 2022, in accordance with GAAS, we considered the City's internal control over financial reporting (internal control).

This consideration served as a basis for designing audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements.

However, this consideration was **not** for the purpose of expressing an opinion on the effectiveness of the City's internal control.

Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

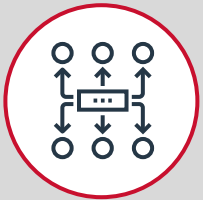
Our consideration of internal control was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.



Categorizing Deficiencies by Severity

Deficiency

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.



Significant Deficiency

A significant deficiency is a deficiency, or 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.



Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the City's financial statements will not be prevented or detected and corrected on a timely basis.



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Identified Deficiency

We identified a certain deficiency in internal control that we consider to be a material weakness.

Material Weakness

- Refer to the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Other Matters

We also observed other matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of compliance. Our audit procedures are designed primarily to enable us to form an opinion on compliance and, therefore, may not bring to light all weaknesses in policies and procedures that may exist.

However, these other matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving compliance practices and procedures.

We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

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- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94)

- This statement provides uniform guidance on accounting and financial reporting for public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use an infrastructure or other nonfinancial asset (the underlying PPP asset) for a period of time in an exchange or exchange-like transaction. Statement 94 also addresses APAs, which are arrangements where a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying infrastructure or other nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement requires governments to report assets and liabilities related to PPPs consistently and disclose information about PPP transactions.
- The requirements of this Statement are effective for the City's fiscal year ending September 30, 2023, and all reporting periods thereafter. The changes would be applied retrospectively, if practicable, for all prior fiscal years presented. PPPs would be recognized and measured using the facts and circumstances that exist at the beginning of the implementation period or, if applicable to earlier periods, the beginning of the earliest period restated. In the year of adoption, the financial statement notes should disclose the nature of the restatement and its effect or the reason for not restating prior years presented.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96)
 - The standard defines a subscription-based information technology arrangements (SBITA), establishes that a SBITA would result in a right-to-use (RTU) asset and a corresponding liability, provides capitalization criteria and requires new note disclosures. The statement's language and concepts closely mirror the lease guidance provided in Statement 87, *Leases*. This statement requires governments report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.
 - The requirements of this Statement are effective for the City's fiscal year ending September 30, 2023, and all reporting periods thereafter. The changes should be applied retroactively by restating financial statements, if practicable, for all prior fiscal years presented. If restatement is not practicable, the cumulative effect, if any, should be reported as a restatement of beginning net position for the earliest fiscal year restated. In the first fiscal year the amendments are applied, note disclosure is required for the nature of the restatement and its effect, as well as the reason for not restating prior fiscal years presented, if applicable. SBITA assets and liabilities should be recognized and measured using the facts and circumstances at the beginning of the fiscal year of implementation. If applied to earlier fiscal years, those assets and liabilities should be recognized and measured using the facts and circumstances at the beginning of the earliest fiscal year restated. Governments are permitted—but not required—to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation.

- Environmental, Social, and Governance (ESG)
 - ESG performance has become a hot topic for many organizations. ESG performance, reporting, and investment practices are coming under closer scrutiny from regulators, investors, and other watchdog groups. New regulations are expected from the SEC for organizations subject to their regulation. Furthermore, numerous national associations have recommended ESG best practices. We encourage you to increase corporate governance awareness through education of ESG topics, including regulatory developments, standard ESG metrics used for reporting performance, and ESG-related risks that could impact the City's strategy and objectives.
- Meeting the Increasing Challenges of Cybersecurity
 - Cybersecurity refers to the process of identifying, protecting, detecting, responding, and recovering from attacks against a computer system and its information.
 - The increasing value of electronic personally identifiable information (PII), payment card data and intellectual property (e.g. trade secrets) is driving more organizations of all sizes to prepare for the potential of a cyberattack. Hackers and cyber-thieves have become adept at pilfering confidential information, using ransomware to extort money, and leveraging social engineering techniques to trick employees into wiring funds.
 - As a first step to improving their cyber-readiness, companies need to perform a cybersecurity risk assessment to determine the current state of cybersecurity processes, controls, and technology. This effort can determine how well the organization can prevent, detect, and respond to cyber-attacks.
 - The key to the assessment process is choosing an appropriate framework against which the organization may be evaluated. In fact, several nationally recognized organizations have developed cybersecurity frameworks and best practices for organizations of all sizes to utilize to determine their overall preparedness for an attack.



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- The National Institute of Standards and Technology (NIST) has developed a Cybersecurity Framework (CSF) to assist organizations manage cybersecurity-related risk more effectively. The NIST CSF provides a prioritized, flexible, repeatable, and a cost-effective approach that can be used in any industry or organization.
 - The Center for Internet Security (CIS) also provides a structured set of controls and implementation groups as prescriptive guidelines for addressing cybersecurity risks. This framework really dives into the technical controls needed to defend against most cyber threats.
 - Once the framework has been chosen, we recommend management consider performing a gap assessment to gauge the overall readiness and maturity of existing controls and perform appropriate testing of the IT infrastructure and employee awareness. This is the first of many steps you will need to take in order to adequately protect your organization from a cyber-attack.



Attachments

Management Representation Letter

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

Schedule of Uncorrected Misstatements

The detail of uncorrected misstatements identified as a result of our engagement are included herein.

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Representation of:

City of Kennedale, Texas
405 Municipal Drive
Kennedale, Texas 76060

Provided to:

FORVIS, LLP

Certified Public Accountants
14241 Dallas Parkway, Suite 1100
Dallas, Texas 75254

The undersigned ("We") are providing this letter in connection with FORVIS' audit of our financial statements as of and for the year ended September 30, 2022.

Our representations are current and effective as of the date of FORVIS' report: May 11, 2023.

Our engagement with FORVIS is based on our contract for services dated: April 26, 2022.

Our Responsibility & Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to FORVIS' report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

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 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. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

Confirmation of Matters Specific to the Subject Matter of FORVIS' Report

We confirm, to the best of our knowledge and belief, the following:

Broad Matters

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
 - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
 - b. Internal control to prevent and detect fraud.

City of Kennedale, Texas
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3. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of City Council meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the City Council, if applicable, and maintained as part of our records.
 - e. All significant contracts and grants.
4. We have responded fully and truthfully to all your inquiries.

Government Auditing Standards

5. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.
6. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
7. We have identified and disclosed to you any violations or possible violations of laws, regulations, including those pertaining to adopting, approving, and amending budgets, and provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
8. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.
11. We have provided our views on any findings, conclusions, and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.

Misappropriation, Misstatements, & Fraud

12. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
 - a. Misappropriation of assets.
 - b. Misrepresented or misstated assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position or fund balance.
13. We have no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management or employees who have significant roles in internal control over financial reporting, or
 - b. Others when the fraud could have a material effect on the financial statements.
14. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the financial statements not to be presented in conformity with accounting principles generally accepted in the United States of America.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, customers, analysts, regulators, citizens, suppliers, or others.
16. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.
17. We have no knowledge of illegal acts that may materially misstate the financial statements.

Ongoing Operations

18. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, declines in the volume of business, contributions, constraints on liquidity, difficulty obtaining financing or bonding, etc. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts receivable, etc., that could negatively impact the entity's ability to meet debt covenants or maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the entity's financial statements. Further, management and governance are solely responsible for all aspects of managing the entity, including questioning the quality and valuation of investments other assets; evaluating assumptions regarding defined benefit pension plan obligations, reviewing allowances for uncollectible amounts; evaluating capital needs and liquidity plans; etc.

Related Parties

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

In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

20. We understand that the term related party refers to:

- Affiliates
- Council members and members of their immediate families
- Management and members of their immediate families
- Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

Litigation, Laws, Rulings, & Regulations

21. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
22. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
23. We have disclosed to you all known instances of violations or noncompliance or possible violations or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements or as a basis for recording a loss contingency.
24. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

City of Kennedale, Texas
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25. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

Nonattest Services

26. You have provided nonattest services, including the following, during the period of this engagement:

- Preparing a draft of the financial statements and related notes and supplementary information.
- Preparing entries to convert from modified accrual to full-accrual basis statements.
- Preparing entries related to Governmental Accounting Standards Board (GASB) Statements No. 68, 75, and 87.

27. With respect to these services:

- a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
- b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
- c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
- d. We have evaluated the adequacy of the services performed and any findings that resulted.
- e. Established and maintained internal controls, including monitoring ongoing activities.
- f. We have received the deliverables from you and have stored these deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

Financial Statements & Reports

28. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

29. The entity has restated the 2021 financial statements to conform with accounting principles generally accepted in the United States of America. Management has provided you with all relevant information regarding the restatement. We are not aware of any other known matters that required correction in the financial statements.

30. With regard to supplementary information:

- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
- b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.

- c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
 - e. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.
31. With regard to other information that is presented in the form of our annual comprehensive financial report:
- a. We confirm that the annual comprehensive financial report (ACFR) comprise the annual report for the entity.
 - b. We have reviewed and approved the final draft of the ACFR.

Transactions, Records, & Adjustments

32. All transactions have been recorded in the accounting records and are reflected in the financial statements.
33. The City has appropriately reconciled its general ledger accounts to their related supporting information. All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements.
34. We have everything we need to keep our books and records.
35. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.
36. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.

We believe the effects of the uncorrected financial statement misstatements and omitted disclosures summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the financial statements
Governmental Accounting & Disclosure Matters

37. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
38. With regard to deposit and investment activities:
- a. All deposit and investment transactions have been made in accordance with legal and contractual requirements.
 - b. Investments are properly valued.

- c. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - d. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
- 39. The financial statements include all component units and properly disclose other related organizations.
- 40. We have identified and evaluated all potential fiduciary activities and have concluded there are no fiduciary activities required to be reported by GASB Statement No. 84, *Fiduciary Activities*, as amended.
- 41. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.
- 42. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, and No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus—an amendment of GASB Statements No. 21 and No. 34*, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 43. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 44. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 45. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 46. Capital assets, including infrastructure, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 47. We have appropriately disclosed the entity's 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 is available and have determined that net position is properly recognized under the policy.
- 48. We have appropriately disclosed that the entity is following either its established accounting policy regarding which governmental fund resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or is following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes and have determined that fund balance is properly recognized under the policy.
- 49. We have identified and evaluated all potential tax abatements, and we believe there are no material tax abatements.

50. The entity's ability to continue as a going concern was evaluated and that appropriate disclosures are made in the financial statements as necessary under GASB requirements.
51. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, budgetary comparisons, pension, and other postemployment benefit information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions, and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.
52. We have exercised due care in the preparation of the introductory and statistical sections included in our annual comprehensive financial report (ACFR) and are not aware of any information contained therein that is inconsistent with the information contained in our basic financial statements.
53. With regard to pension and other postretirement benefits (OPEB):
 - a. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
 - b. We have provided you with the entity's most current pension and OPEB plan instrument for the audit period, including all plan amendments.
 - c. The participant data provided to you related to pension and OPEB plans are true copies of the data submitted or electronically transmitted to the plan's actuary.
 - d. The participant data that we provided the plan's actuary for the purposes of determining the actuarial present value of accumulated plan benefits and other actuarially determined amounts in the financial statements were complete.

Accounting & Disclosure

54. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements, or other arrangements (either written or oral) that are in place.
55. Except as reflected in the financial statements, there are no:
 - a. Plans or intentions that may materially affect carrying values or classifications of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, or fund balance.
 - b. Material transactions omitted or improperly recorded in the financial records.
 - c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - d. Events occurring subsequent to the balance sheet/statement of net position date through the date of this letter, which is the date the financial statements were available to be issued, requiring adjustment or disclosure in the financial statements.

- e. Agreements to purchase assets previously sold.
 - f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.
 - g. Guarantees, whether written or oral, under which the entity is contingently liable.
 - h. Known or anticipated asset retirement obligations.
56. Except as disclosed in the financial statements, the entity has:
- a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.
 - b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
57. We agree with the findings of specialists in evaluating the net pension liability and total OPEB liability and have adequately considered the qualification of the specialists 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 the 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 impact on the independence or objectivity of the specialists.

Revenue, Accounts Receivable, & Inventory

58. Adequate provisions and allowances have been accrued for any material losses from:
- a. Uncollectible receivables.
 - b. Sales commitments, including those unable to be fulfilled.
 - c. Purchase commitments in excess of normal requirements or at prices in excess of prevailing market prices.

Estimates

59. We have identified all accounting estimates that could be material to the financial statements, and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the financial statements.
60. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations, which refer to volumes of business, revenues, available sources of supply, or markets, existing at the date of the financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the financial statements.

Tax-Exempt Bonds

61. Tax-exempt bonds issued have retained their tax-exempt status.
62. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.

New Accounting Standards

63. We have not completed the process of evaluating the effect that will result from adopting the guidance in GASB Statement No. 94, *Public-Private and Public-Public Partnership and Availability Payment Arrangements* (GASB 94) and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), as discussed in the notes to the financial statements. We are therefore unable to disclose the effect of adopting such guidance in GASB 94 and GASB 96 will have on its financial position and the results of operations when such guidance is adopted.

GASB Statement 87, Leases

64. In connection with the adoption of GASB Statement No. 87, *Leases* (GASB 87), we represent the following:
- a. We have identified a complete population of potential leases as of the implementation date.
 - b. We have reviewed all significant contracts to identify lease and nonlease components as of the earliest date of adoption. Allocation of contract prices between lease and nonlease components are based upon standalone prices or other reasonable factors.
 - c. Measurements of the lease assets and liabilities are based upon facts and circumstances that existed at the beginning of the period of implementation.
 - d. The estimates related to any options to extend or terminate the lease terms within the measurement of lease assets and liabilities agree to management's plans for the leases.
 - e. The discount rates for each lease are based upon what would be obtained by the entity for similar loans as an incremental rate.
 - f. The classification and accounting of related-party leases between entities, for which separate financial statements are issued, have been modified to recognize the substance of the transaction rather than only its legal form.
 - g. We have adequate controls in place to prevent and/or detect errors in lease assets and liabilities on a recurring basis.
 - h. The footnotes to the financial statements appropriately describe the adoption of GASB 87 and include all additional disclosures required under the Statement.

DocuSigned by:



ASB5DCE7A319456...

Darrell Hull, City Manager
dhull@cityofkennedale.com

DocuSigned by:



905D4C325E34492

Tanisha Sherman, Interim Director of Finance
tsherman@cityofkennedale.com

City of Kennedale, TX
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

Business Type Activities (Government-Wide Statements)

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets & Deferred Outflows	20,534,418		20,534,418	
Total Liabilities & Deferred Inflows	(4,107,744)		(4,107,744)	
Total Net Position	(16,426,674)		(16,426,674)	
General Revenues & Transfers	(161,266)		(161,266)	
Net Program Revenues/ Expenses	926,487	132,569	1,059,056	14.31%
Change in Net Position	765,221	132,569	897,790	17.32%

Client: City of Kennedale, TX
Period Ending: September 30, 2022

Governmental Activities (Government-Wide Statements)
SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

													Net Effect on Following Year			
Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets		Liabilities		General Revenues & Transfers		Net Program Revenues/ Expenses		Net Position		Change in Net Position			
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
To correct depreciation expense in the current year related to overstated depreciation expense in FY		F		0		0		0		132,569		(132,569)		0		
	Water and wastewater expenses									132,569		(132,569)				
	Net Position											(132,569)				
Total passed adjustments			0		0		0		132,569		(132,569)		0			
													Impact on Change in Net Position		132,569	
													Impact on Net Position		0	

City of Kennedale, TX
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

Water & Wastewater Fund

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	5,336,619		5,336,619	
Non-Current Assets & Deferred Outflows	13,429,687		13,429,687	
Current Liabilities	(2,558,187)		(2,558,187)	
Non-Current Liabilities & Deferred Inflows	(1,549,557)		(1,549,557)	
Current Ratio	2.086		2.086	
Total Assets & Deferred Outflows	18,766,306		18,766,306	
Total Liabilities & Deferred Inflows	(4,107,744)		(4,107,744)	
Total Net Position	(14,658,562)		(14,658,562)	
Operating Revenues	(4,446,280)		(4,446,280)	
Operating Expenses	5,066,407	132,569	5,198,976	2.62%
Nonoperating (Revenues) Exp	423,912		423,912	
Change in Net Position	1,044,039	132,569	1,176,608	12.70%

Client: City of Kennedale, TX
Period Ending: September 30, 2022

Water & Wastewater Fund
SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

		Assets & Deferred Outflows				Liabilities & Deferred Inflows				Net Effect on Following Year							
Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Current		Noncurrent		Current		Noncurrent		Operating Revenues	Operating Expenses	Nonoperating (Revenues) Exp.	Net Position	Change in Net		
			DR	CR	DR	CR	DR	CR	DR	CR					DR	CR	DR
To correct depreciation expense in the current year related to overstated depreciation expense in PY		F	0		0		0		0		0	132,569		0	(132,569)	0	0
Depreciation Expense												132,569					
Net Position															(132,569)		
Total passed adjustments			0	0	0	0	0	0	0	0	0	132,569	0	0	(132,569)	0	0
Impact on Change in Net Position													132,569				
Impact on Net Position													0				

FORVISTM

City of
• KENNEDALE •
Texas
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YOUR HOME

City of Kennedale, Texas

FY2022 Audit Presentation

Introductions



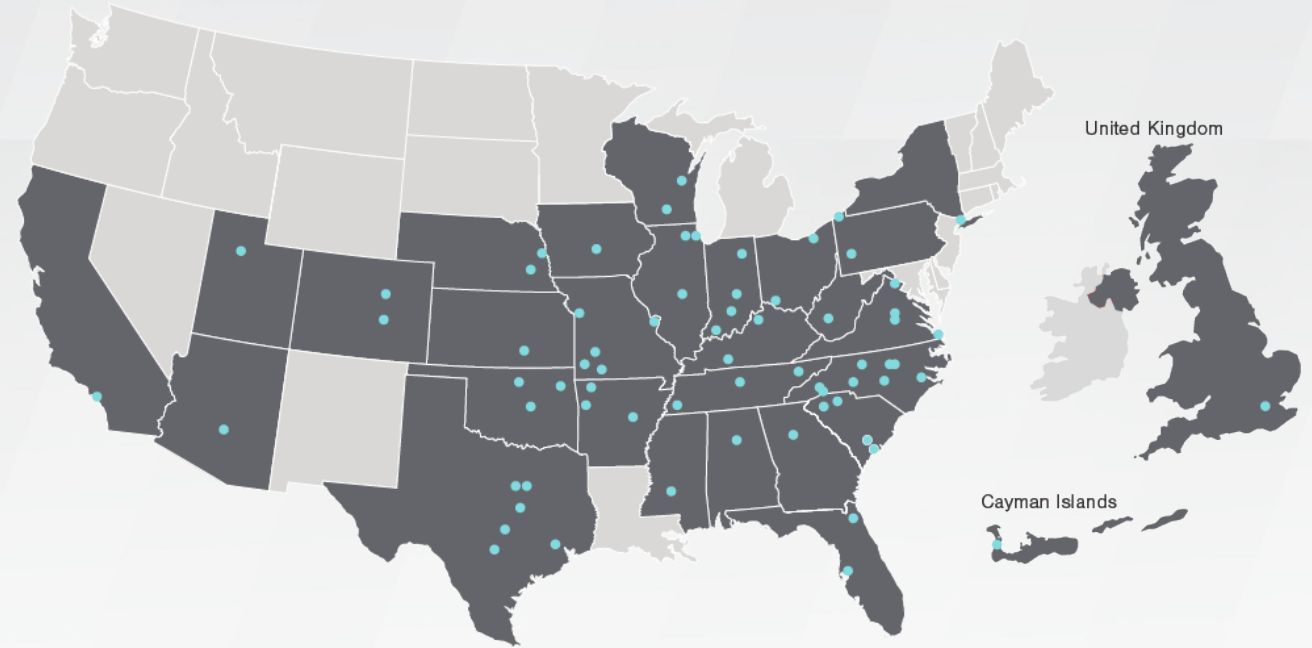
Kevin Kemp, CPA

Partner

Kevin.Kemp@forvis.com

FORVIS

As a top 10 firm with true national coverage, we're now exponentially stronger—for the benefit of our clients, our people, and the market of the future.



FORV/S



8th

Largest
U.S. Firm*

530+

Partners &
Principals

28

States + U.K. &
Cayman Islands**

10+

Industries

5,700+

Team Members

72

Markets

Agenda



Audit Scope and Results



Future Pronouncements and Other Matters



Questions

Audit Scope and Results

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Audit Scope and Results

- Unmodified “Clean” Opinions
 - Independent Auditor’s Report on Basic Financial Statements
 - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* – Independent Auditor’s Report

Audit Scope and Results (cont.)

- Qualitative Aspects of Significant Accounting Policies and Practices
 - Significant Accounting Policies
 - The City's significant accounting policies are described in *Note 1* of the audited financial statements.
 - Implementation of GASB 87, *Leases*
 - Unusual Policies or Methods
 - No matters are reportable
 - Alternative Accounting Treatments
 - No matters are reportable

Audit Scope and Results (cont.)

- Qualitative Aspects of Significant Accounting Policies and Practices (continued)
 - Management Judgments and Accounting Estimates
 - Accounts receivable and related allowance for doubtful accounts
 - Net pension liability and related deferred inflows and outflows of resources
 - Total other postemployment benefits (OPEB) liability and related deferred inflows and outflows of resources
 - Key estimates related to leases – lease discount rate, lease term, and lease payments
 - Financial Statement Disclosures
 - Net pension liability
 - Total OPEB liability
 - Leases

Audit Scope and Results (cont.)

- Proposed & Recorded Adjustments
 - Auditor-proposed and management-recorded entries include the following:
 - Various reclassification entries for reporting purposes – outsourced to FORVIS
 - Year-end entries related to Governmental Accounting Standards Board Statements 68, 75 and 87 – outsourced to FORVIS
 - Entries to convert modified accrual statements to full accrual statements – outsourced to FORVIS
 - Adjustment to roll forward fund balance of the general fund
 - Entry to record bond issuance costs
 - Restatement of beginning net position/fund balance of impacted opinion units for correction of an error
 - Entry to reduce construction in progress in the water and sewer fund
 - Nature of Uncorrected Misstatements:
 - To correct improperly taken depreciation expense related to prior year

Audit Scope and Results (cont.)

- Auditor's Judgments About the Quality of the City's Accounting Principles
 - No matters are reportable.
- Significant Issues Discussed with Management During the Audit Process
 - Implementation of GASB Statement No. 87, *Leases*

Audit Scope and Results (cont.)

- Internal Control Over Financial Reporting
 - Material Weakness
 - Prior period error correction
 - Deficiencies
 - We observed other matters that we consider to be deficiencies that we orally communicated to management.

Statement of Net Position for Governmental and Business-type Activities

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

Revenues and Expenses for Governmental and Business-type Activities

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

Future Pronouncements and Other Matters

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Accounting Updates - GASB Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

Summary

- Provides guidance on reporting public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs).
- PPPs: arrangement where government contracts with an operator to provide public services by conveying right to an asset
- APAs: arrangement where a government compensates an operator for services such as designing, constructing, financing, maintaining or operating an asset
- Statement's language and concepts closely mirror the lease guidance provided in GASB 87, *Leases*.
- GASB 94 is effective for the City's 2023 fiscal year.

Potential Impact

- Report a PPP asset and a corresponding PPP liability
- Disclose essential information about the arrangement

Accounting Updates - GASB Statement 96, *Subscription-Based Information Technology Arrangements*

Summary

- Addresses the accounting for the costs related to cloud computing agreements.
- Statement's language and concepts closely mirror the lease guidance provided in GASB 87, *Leases*.
- GASB 96 is effective for the City's 2023 fiscal year.

Potential Impact

- Report a subscription asset and a corresponding subscription liability
- Disclose essential information about the arrangement

Environmental, Social and Governance (ESG)

- Environmental, social and governance (ESG) performance has become a hot topic for many organizations. ESG performance, reporting, and investment practices are coming under closer scrutiny from regulators, investors, and other watchdog groups. New regulations are expected from the SEC for organizations subject to their regulation. Furthermore, numerous national associations have recommended ESG best practices. We encourage you to increase corporate governance awareness through education of ESG topics, including regulatory developments, standard ESG metrics used for reporting performance, and ESG-related risks that could impact the City's strategy and objectives.

Questions?

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The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by FORVIS or the author(s) as to any individual situation as situations are fact specific. The reader should perform its own analysis and form its own conclusions regarding any specific situation. Further, the author(s) conclusions may be revised without notice with or without changes in industry information and legal authorities. FORVIS has been registered in the U.S. Patent and Trademark Office, which registration is pending.

FORV/S

Assurance / Tax / Advisory

Thank you!

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FORV/S

Assurance / Tax / Advisory

MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: WORK SESSION ITEM II.A.2.

SUBJECT

Freese & Nichols present the Public Works needs for Tarrant County Transportation Bond.

ORIGINATED BY: Kristian Sugrim

SUMMARY:

With development and growth comes a demand for infrastructure improvements. The City of Kennedale has been proactive with its transportation needs and as such, have contacted Freese and Nichols, FNI, to provide a project cost summary for the extension of Little School Road. Currently, Little School Road terminates at the intersection of Kennedale Parkway (BUS 287). We are proposing to extend Little School Road, approximately 5,300 LF, as a four-lane divided roadway between Linda Road and Kennedale Parkway. This extension of Little School Road will provide an alternate route and connection to Linda Road and New Hope Road. Furthermore, it will provide access for future development within the vicinity and subsequently improve the east-west mobility

RECOMMENDATION:

Staff recommends that the Kennedale's City Council authorize the approval of an engineering services agreement with FNI for the design of the Little School Road Extension project at the proposed sum of One Million Two Hundred Fifty-Eight Thousand Five Hundred Dollars, \$1,258,500.00.

ATTACHMENTS

1.	Little School Road Extension (Phase 1) - Project Costs - May 2023	Little School Road Extension (Phase 1) - Project Costs - May 2023.pdf
2.	KEN23311_5152023_OnePageReport	KEN23311_5152023_OnePageReport.pdf

OPINION OF PROBABLE CONSTRUCTION COST

MAY 31, 2023

ESTIMATOR	CHECKED BY	ACCOUNT NO
BF	STG	KEN23311

ITEM #	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
GENERAL ITEMS					
I-1	MOBILIZATION (5% MAX)	1	LS	\$556,100.00	\$556,100.00
I-2	PREPARING RIGHT OF WAY	30	STA	\$2,000.00	\$60,000.00
I-3	TRAFFIC CONTROL	12	MO	\$8,000.00	\$96,000.00
I-4	PREPARATION AND IMPLEMENTATION OF SWPPP	1	LS	\$10,000.00	\$10,000.00
I-5	PAVEMENT MARKINGS & SIGNAGE	1	LS	\$50,000.00	\$50,000.00
I-6	PROJECT SIGNS	2	EA	\$500.00	\$1,000.00
I-7	PROJECT CONTINGENCY	1	LS	\$50,000.00	\$50,000.00
GENERAL ITEM SUBTOTAL					\$823,100.00
PAVING ITEMS					
II-1	UNCLASSIFIED EXCAVATION	30,000	CY	\$20.00	\$600,000.00
II-2	EMBANKMENT	50,000	CY	\$15.00	\$750,000.00
II-3	HYDROMULCHING	30,000	SY	\$5.00	\$150,000.00
II-4	BLOCK SODDING	30,000	SY	\$8.00	\$240,000.00
II-5	8" TREATED STABILIZED BASE	18,000	SY	\$10.00	\$180,000.00
II-6	CEMENT OR LIME (30 LBS/SY)	270	TON	\$280.00	\$75,600.00
II-7	8" REINFORCED CONCRETE PAVEMENT (CRCP)	15,560	SY	\$80.00	\$1,244,800.00
II-8	6" TYPE II REINFORCED CONCRETE CURB (MONO)	12,000	LF	\$5.00	\$60,000.00
II-9	6" REINFORCED CONCRETE DRIVEWAY	200	SY	\$80.00	\$16,000.00
II-10	5" REINFORCED CONCRETE SIDEWALK	7,000	SY	\$55.00	\$385,000.00
II-11	BARRIER FREE PEDESTRIAN CURB RAMP	12	EA	\$2,000.00	\$24,000.00
PAVING ITEM SUBTOTAL					\$3,725,400.00
DRAINAGE ITEMS					
III-1	STORM DRAIN CURB INLETS	30	EA	\$8,000.00	\$240,000.00
III-2	4' X 4' MANHOLES	5	EA	\$6,000.00	\$30,000.00
III-3	STORM DRAIN LATERALS (CL III)(18" RCP)	1,080	LF	\$80.00	\$86,400.00
III-4	STORM DRAIN MAIN (CL III)(24" RCP)	2,400	LF	\$100.00	\$240,000.00
III-5	STORM DRAIN MAIN (CL III)(36" RCP)	300	LF	\$140.00	\$42,000.00
III-6	CONCRETE CULVERT BOX	200	LF	\$800.00	\$160,000.00
III-7	CONCRETE HEADWALLS	2	EA	\$15,000.00	\$30,000.00
DRAINAGE ITEM SUBTOTAL					\$828,400.00
BRIDGE LINE ITEMS					
IV-1	BRIDGE (200' x 90')	18,000	SF	\$160.00	\$2,880,000.00
IV-2	BRIDGE EMBANKMENT	30,000	CY	\$20.00	\$600,000.00
IV-3	BRIDGE MSE RETAINING WALLS	20,000	SF	\$80.00	\$1,600,000.00
BRIDGE ITEM SUBTOTAL					\$5,080,000.00
MISCELLANEOUS ITEMS					
V-1	ROUNDBOUT/TRAFFIC SIGNAL AT NEW HOPE ROAD	1	LS	\$600,000.00	\$600,000.00
V-2	TRAFFIC SIGNAL AT NEW HOPE RD AND 287	1	LS	\$500,000.00	\$500,000.00
V-3	LANDSCAPING / IRRIGATION SYSTEM	1	LS	\$120,000.00	\$120,000.00
MISCELLANEOUS ITEM SUBTOTAL					\$1,220,000.00
BASE BID SUBTOTAL					\$11,676,900
CONTINGENCY 20%					\$2,336,000
CONSTRUCTION COST ESTIMATE TOTAL					\$14,012,900

OTHER FINANCIAL DATA					
VI-1	RIGHT-OF-WAY/EASEMENTS				\$862,000.00
VI-2	ENGINEERING DESIGN SERVICES				\$1,258,500.00
VI-3	MANAGEMENT/INSPECTION/TESTING				\$821,000.00
OTHER FINANCIAL DATA SUBTOTAL					\$2,941,500.00
TOTAL COST					\$16,954,400

TARRANT COUNTY SHARE \$6,531,250

PROJECT NO.: KEN23311 **DATE:** May 15, 2023
PROJECT: Little School Road Extension (Phase 1) **UPDATE PERIOD:** April 2023
TO: Kristian Sugrim
CC: Darrell Hull
FROM: Sidney Green, P.E.

PROJECT UPDATES:

- Contract approved by City Council March 21st
- Received executed contract March 27th
- Completed project SUE and data collection effort (GIS contours, aerial, property boundaries) for project area (5/1)
- FNI began preparing initial analysis of potential alignment options
- City mentioned Little School Road crossing of New Hope Rd near propane tanks at Town Hall Meeting(5/4)

TASKS AND DELIVERABLES:

- Kick-Off Meeting with City
- Coordination Meeting with City on Alternative Alignment Options
- Preferred Alignment Conceptual Schematic

UPCOMING SUBMITTALS AND MEETINGS:

- Kick-Off Meeting/Site Visit – June 2023 (est.)
- Preparation of Alignment Options

PROJECT SCHEDULE:

- | | |
|--------------------------|-------------|
| ▪ Notice to Proceed | April 2023 |
| ▪ Alternative Analysis | July 2023 |
| ▪ Environmental Analysis | July 2023 |
| ▪ Drainage Analysis | August 2023 |

PENDING CLIENT ACTIONS:

- None at this time



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: WORK SESSION ITEM II.A.3.

SUBJECT

Long term financial planning discussion.
Debbie Reed

ORIGINATED BY

SUMMARY

RECOMMENDATION

ATTACHMENTS

1.	CITY OF KENNEDALE - Long Range Financial Plans 6.6.2023	CITY OF KENNEDALE - Long Range Financial Plans 6.6.2023.pdf
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CITY OF KENNEDALE

Long Range Financial Plans

LONG RANGE FINANCIAL PLANS

Five Year Plans

All Operating Funds

Apply certain assumptions

Project future funding needs

GENERAL FUND

CITY OF KENNEDALE Long Range Financial Plan - General Fund Fiscal Year 2023-2028

Assumptions:

Total Tax Rate	\$0.70619				
M&O Tax Rate <i>(for General Fund operations)</i>	\$0.56915				
I&S Tax Rate <i>(for debt service)</i>	\$0.13704				
General Property Tax revenue growth from values and new development	5.00%	5.00%	5.00%	5.00%	5.00%
Property Tax revenue from increased M&O tax rate <i>(one penny generates approx. \$95,000)</i>					
<i>One penny of M&O tax rate generates approx. \$95,000 in FY2023</i>	\$99,750	\$104,738	\$109,974	\$115,473	\$121,247
City Sales Tax revenue growth	1.50%	1.50%	1.50%	1.50%	1.50%
Expenditure growth in all departments	2.00%	2.00%	2.00%	2.00%	2.00%
All other revenues and expenditures are set numbers					

GENERAL FUND

CITY OF KENNEDALE								
Long Range Financial Plan - General Fund								
Fiscal Year 2023-2028								
Description	Fiscal Year Actual 2021-22	Fiscal Year Approved 2022-23	Fiscal Year Projected 2022-23	Fiscal Year Projected 2023-24	Fiscal Year Projected 2024-25	Fiscal Year Projected 2025-26	Fiscal Year Projected 2026-27	Fiscal Year Projected 2027-28
REVENUES								
Property Taxes	\$ 5,067,570	\$ 5,452,751	\$ 5,452,751	\$ 5,725,389	\$ 6,011,658	\$ 6,312,241	\$ 6,627,853	\$ 6,959,246
Sales Taxes	1,859,721	1,991,717	1,991,717	2,021,593	2,051,917	2,082,695	2,113,936	2,145,645
Grants and Contributions	43,601	895,000	895,000	45,000	45,000	45,000	45,000	45,000
Licenses and Permits	328,781	354,928	354,928	355,000	360,000	365,000	370,000	375,000
Fines and Fees	162,514	144,066	144,066	170,000	175,000	175,000	180,000	180,000
Charges for Services	291,150	307,250	307,250	310,000	315,000	315,000	320,000	320,000
Intergovernmental	166,796	161,590	161,590	161,590	161,590	161,590	161,590	161,590
All Other Revenues	103,175	41,676	41,676	75,000	75,000	75,000	75,000	75,000
Transfers In	606,207	1,193,374	1,193,374	1,193,374	1,193,374	1,193,374	1,193,374	1,193,374
Total Revenues	8,629,515	10,542,352	10,542,352	10,056,945	10,388,539	10,724,900	11,086,753	11,454,854
EXPENDITURES								
City Manager - Dept 01	199,237	327,672	327,672	334,225	340,910	347,728	354,683	361,776
Mayor/Council - Dept 02	198,588	185,500	185,500	189,210	192,994	196,854	200,791	204,807
City Secretary - Dept 03	72,336	168,463	168,463	171,832	175,269	178,774	182,350	185,997
Municipal Court - Dept 04	127,344	182,373	182,373	186,020	189,741	193,536	197,406	201,355
Human Resources - Dept 05	151,238	186,406	186,406	190,134	193,937	197,816	201,772	205,807
Finance - Dept 07	477,054	511,396	511,396	521,624	532,056	542,698	553,551	564,623
Police - Dept 09	3,153,124	3,483,034	3,483,034	3,552,695	3,623,749	3,696,224	3,770,148	3,845,551
Fire - Dept 10	2,552,059	3,522,918	3,522,918	3,593,376	3,665,244	3,738,549	3,813,320	3,889,586
Community Development - Dept 12	531,981	653,505	653,505	666,575	679,907	693,505	707,375	721,522
Senior Citizen Center - Dept 16	31,758	57,716	57,716	58,870	60,048	61,249	62,474	63,723
Library - Dept 17	285,405	365,199	365,199	372,503	379,953	387,552	395,303	403,209
Non Departmental - Dept 90	616,188	622,577	622,577	625,000	630,000	635,000	640,000	645,000
Transfers Out	182,521	275,593	275,593	275,593	275,593	275,593	275,593	275,593
Total Expenditures	8,578,833	10,542,352	10,542,352	10,737,659	10,939,400	11,145,076	11,354,766	11,568,549
Revenues Over (Under) Expenditures	50,682	-	-	(680,713)	(550,861)	(420,176)	(268,013)	(113,695)
Beginning Fund Balance	2,519,197	2,180,806	2,180,806	2,180,806	1,500,093	949,231	529,056	261,043
Prior Period Adjustment	(389,073)	-	-	-	-	-	-	-
Ending Fund Balance	\$ 2,180,806	\$ 2,180,806	\$ 2,180,806	\$ 1,500,093	\$ 949,231	\$ 529,056	\$ 261,043	\$ 147,348
Average Daily Annual Expenditures	\$ 23,504	\$ 28,883	\$ 28,883	\$ 29,418	\$ 29,971	\$ 30,534	\$ 31,109	\$ 31,695
Days of Working Capital	93	76	76	51	32	17	8	5
Days of Working Capital Goal = 75-100 days								

WATER SEWER FUND

CITY OF KENNEDALE Long Range Financial Plan - Water Sewer Fund Fiscal Year 2023-2028

Assumptions:

Water rate increase	0.00%	0.00%	0.00%	0.00%	0.00%
Sewer rate increase	0.00%	0.00%	0.00%	0.00%	0.00%
Water and Sewer volume increase	2.00%	2.00%	2.00%	2.00%	2.00%
Arlington fee increases	10.00%	10.00%	10.00%	5.00%	5.00%
Expenditure growth in all departments	2.00%	2.00%	2.00%	2.00%	2.00%
Debt Service costs from current debt service schedules					
All other revenues and expenditures are set numbers					

WATER SEWER FUND

CITY OF KENNEDALE Long Range Financial Plan - Water Sewer Fund Fiscal Year 2023-2028								
Description	Fiscal Year Actual 2021-22	Fiscal Year Approved 2022-23	Fiscal Year Projected 2022-23	Fiscal Year Projected 2023-24	Fiscal Year Projected 2024-25	Fiscal Year Projected 2025-26	Fiscal Year Projected 2026-27	Fiscal Year Projected 2027-28
REVENUES								
Water Services Sales 10-4010-00-00	\$ 2,753,116	\$ 2,419,578	\$ 2,819,578	\$ 2,875,970	\$ 2,933,489	\$ 2,992,159	\$ 3,052,002	\$ 3,113,042
Sewer Services Sales 10-4020-00-00	1,653,682	1,603,875	1,678,875	1,712,453	1,746,702	1,781,636	1,817,268	1,853,614
All other revenues	390,121	335,726	350,000	350,000	350,000	350,000	350,000	350,000
Transfer In 10-5963 thru 10-5965	187,525	187,525	187,525	187,525	187,525	187,525	187,525	187,525
Total Revenues	4,984,444	4,546,704	5,035,978	5,125,947	5,217,716	5,311,319	5,406,795	5,504,181
EXPENDITURES								
Utility Billing - Dept 01	665,564	430,355	430,355	438,962	447,741	456,696	465,830	475,147
Arlington Admin Charge 10-5594-01-01	678,697	1,200,000	1,400,000	1,540,000	1,694,000	1,863,400	1,956,570	2,054,399
Operations - Dept 02	267,308	279,759	279,759	285,354	291,061	296,882	302,820	308,877
Arlington Operations Charge 10-5599-01-02	2,406,594	1,200,000	1,500,000	1,650,000	1,815,000	1,996,500	2,096,325	2,201,141
Debt Service - Dept 03	51,468	293,930	293,930	295,312	210,705	212,710	214,305	-
Debt Service from proposed bond sales	-	-	-	-	-	-	-	-
Capital Projects - Dept 04	10,640	448,800	448,800	448,800	448,800	448,800	448,800	448,800
Non Departmental - Dept 90	1,941,145	697,279	697,279	711,225	725,449	739,958	754,757	769,852
Transfers Out 10-5707-00-00	83,334	-	-	-	-	-	-	-
Total Expenditures	6,104,750	4,550,123	5,050,123	5,369,653	5,632,757	6,014,947	6,239,407	6,258,215
Revenues Over (Under) Expenditures	(1,120,306)	(3,419)	(14,145)	(243,706)	(415,041)	(703,627)	(832,612)	(754,035)
Beginning Working Capital	3,444,589	2,324,283	2,324,283	2,310,138	2,066,432	1,651,391	947,764	115,151
Prior Period Adjustment	-	-	-	-	-	-	-	-
Ending Working Capital	\$ 2,324,283	\$ 2,320,864	\$ 2,310,138	\$ 2,066,432	\$ 1,651,391	\$ 947,764	\$ 115,151	\$ (638,883)
Average Daily Annual Expenditures	\$ 16,725	\$ 12,466	\$ 13,836	\$ 14,711	\$ 15,432	\$ 16,479	\$ 17,094	\$ 17,146
Days of Working Capital	139	186	167	140	107	58	7	(37)
Days of Working Capital Goal = 120-200 days								



QUESTIONS



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: WORK SESSION ITEM II.A.4.

SUBJECT

Discussion of a bond for infrastructure in the City of Kennedale.
Andrew Friedman

ORIGINATED BY

SUMMARY

RECOMMENDATION

ATTACHMENTS

1.	KENNEDALE CITY OF_2023_FINANCING DISCUSSION	KENNEDALE CITY OF_2023_FINANCING DISCUSSION.pptx
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Kennedale, City of

DISCUSSION ON POTENTIAL CAPITAL IMPROVEMENT FINANCING

June 6, 2023

Mark M. McIney
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Types of Municipal Debt

General Obligation Bonds

- Authorized by a successful bond election or multiple bond elections for multiple projects
- If voters turn down a bond election the City is prohibited from issuing COs for the same project for 3 years
- Secured by an ad valorem tax levy
- Typically used for general improvements in the City (street improvements, drainage improvements, municipal facilities, etc.)
- NOT typically used to fund enterprise fund improvements (i.e. utility system improvements)
 - Main reason for not seeking voter approval for a utility system improvement (as an example) is that utility system improvements are often necessary or in many cases mandatory and IF voters turned down the project at an election, the City may be forced (by TCEQ administrative order or otherwise) to proceed with a financing to make such improvements to the System
- Bond Elections alone carry an added cost (renting election machines, legal fees for drafting election ordinance, etc.) typically around \$15,000 - \$30,000 regardless of election success
- Lead time for issuing General Obligation Bonds (once approved by the voters) is roughly 60 days

Types of Municipal Debt

Certificates of Obligation

- No election required, but voters retain the right of referendum
- City Council must adopt a Notice of Intent (“NOI”) Resolution and publish the notice in its paper of record for two consecutive weeks, as well as the City’s website so citizens are aware of the upcoming financing
 - Notice of Intention includes the maximum amount of debt to be borrowed (financing can always be less but never more than the amount set in the NOI), the purposes of the financing and the Council meeting date that CO’s will be considered for sale
- Sale can only proceed once 45 days has elapsed since the publication of the Notice and no valid petition has been filed with the City
- Ad valorem taxes and utility system revenues may be pledged in repayment of the Obligations depending on which fund(s) supports the project
- Allows the City to finance multiple projects with multiple sources of repayment together to create economies of scale and reduce issuance costs
- Lead time for issuance is roughly 90 days

Types of Municipal Debt

Pros and Cons of Certificates of Obligation

Pros:

- Less costly than issuing general obligation bonds (no election cost);
- Cheaper (lower interest rate) than issuing revenue bonds and less restrictive bond covenants;
- Quicker process than having a bond election and issuing GO Bonds;
- Fund multiple projects at one-time
 - i.e. can fund general fund projects and utility system projects together rather than issue two separate bonds and incurring twice the cost

Cons:

- Less perceived input from the voters
 - Voters are made aware of the City's intention to sell debt and retain the right of referendum
 - Very low threshold (5% of qualified voters) to stop a CO issuance and force an election
- Potential public perception that you are circumventing the voters
 - Elected officials are tasked with directing the City based upon their insight of the various issues facing the City

Water and Sewer System Rates and Charges

The Utility System **does not** currently generate sufficient revenues to support its ongoing operations.

SAMCO recommends that the City engage an independent rate consultant to produce a rate study for the City including a recommendation for rates and charges to support its operation and fund necessary capital improvements within the System.

Rate consultants generally examine the System's operation and its customer base and usage to determine an optimal rate structure to ensure the ratepayers (single family residential, multi-family residential, commercial and industrial users) are charged for service equitably.

A rate consultant may take between 3-6 months to conduct the Study and then provide the Study for Council's adoption. A resulting recommendation for water and sewer rate adjustments would then be adopted by the Council at their prerogative.

Water and Sewer System Proforma

The following proforma details the impact of issuing \$12,000,000 in Certificates of Obligation to support utility system projects this summer.

As discussed on a previous slide, the City's utility rates **must** be adjusted to generate sufficient revenues to support its **continued operations, regardless of whether debt is issued**, and support needed capital improvements.

IF the City wishes to proceed with borrowing funds to begin the project prior to implementing rates from a forthcoming rate study, the City may consider using I&S revenues to make the first year's debt service payment until new rates can be implemented. Such strategy would require the City to issue Certificates of Obligation before the adoption of the Tax Rate this summer.

The Proforma Analysis on the next slide contemplates new revenues generated through water and sewer rate increases over the next 3 years of roughly 30% in aggregate*.

** SAMCO can determine how much additional revenues must be generated overall to support existing operations and capital projects but would rely upon a rate consultant to advise the City as to the exact rate changes that must be implemented to generate sufficient revenues to meet the City's needs.*

Water and Sewer System Proforma

FYE (9/30)	Operating Revenues ⁽¹⁾	Operating Expenses ⁽¹⁾	Available for Debt Service	Existing Debt	Certificates of Obligation, Series 2023			Total Debt Service	Less: I&S	Net Total Debt Service	Surplus/ (Deficiency) of Revenues
					Principal	Interest ⁽²⁾	Total		Supported		
									Portion of CO ⁽³⁾		
2022	\$ 4,603,783	\$ 4,604,542	\$ (759)	\$ 295,215				\$ 295,215		\$ 295,215	\$ (295,974)
2023	5,035,978	4,756,193	279,785	293,930				293,930		293,930	(14,145)
2024	5,620,777	5,074,341	546,436	295,312	\$ 650,000	\$ 525,375	\$ 1,175,375	1,470,687	\$ (1,175,375)	295,312	251,124
2025	6,281,600	5,422,052	859,548	210,705	-	510,750	510,750	721,455	-	721,455	138,093
2026	6,970,889	5,802,237	1,168,652	212,710	400,000	501,750	901,750	1,114,460	-	1,114,460	54,192
2027	7,099,556	6,025,102	1,074,453	214,305	300,000	486,000	786,000	1,000,305	-	1,000,305	74,148
2028	7,230,796	6,258,215	972,581	-	465,000	468,788	933,788	933,788	-	933,788	38,794
2029	7,230,796	6,258,215	972,581	-	485,000	447,413	932,413	932,413	-	932,413	40,169
2030	7,230,796	6,258,215	972,581	-	510,000	425,025	935,025	935,025	-	935,025	37,556
2031	7,230,796	6,258,215	972,581	-	530,000	401,625	931,625	931,625	-	931,625	40,956
2032	7,230,796	6,258,215	972,581	-	555,000	377,213	932,213	932,213	-	932,213	40,369
2033	7,230,796	6,258,215	972,581	-	580,000	351,675	931,675	931,675	-	931,675	40,906
2034	7,230,796	6,258,215	972,581	-	610,000	324,900	934,900	934,900	-	934,900	37,681
2035	7,230,796	6,258,215	972,581	-	635,000	296,888	931,888	931,888	-	931,888	40,694
2036	7,230,796	6,258,215	972,581	-	665,000	267,638	932,638	932,638	-	932,638	39,944
2037	7,230,796	6,258,215	972,581	-	695,000	237,038	932,038	932,038	-	932,038	40,544
2038	7,230,796	6,258,215	972,581	-	730,000	204,975	934,975	934,975	-	934,975	37,606
2039	7,230,796	6,258,215	972,581	-	765,000	171,338	936,338	936,338	-	936,338	36,244
2040	7,230,796	6,258,215	972,581	-	800,000	136,125	936,125	936,125	-	936,125	36,456
2041	7,230,796	6,258,215	972,581	-	835,000	99,338	934,338	934,338	-	934,338	38,244
2042	7,230,796	6,258,215	972,581	-	875,000	60,863	935,863	935,863	-	935,863	36,719
2043	7,230,796	6,258,215	972,581	-	915,000	20,588	935,588	935,588	-	935,588	36,994
Total				\$ 1,522,177	\$ 12,000,000	\$ 6,315,300	\$ 18,315,300	\$ 19,837,477			

⁽¹⁾ Reflects Audited information for FYE 2022 and FYE 2023-2028 reflect City's estimates based upon Long Range Financial Plan as of May 30, 2023 adjusted to include (3) 10.67% W&S rate increases. Includes Transfers In and excludes Transfers Out, Capital Contributions and Depreciation.

⁽²⁾ Preliminary, subject to change. Interest calculated at an assumed rate of 4.50% for illustrative purposes only.

⁽³⁾ Reflects the portion of the CO to be supported by the I&S rate while the City works to implement new rates for the System.

Tax Rate Considerations and Debt Capacity

Taxable Assessed Value and Tax Rate History					
Tax Year	TAV	Growth %	M&O	I&S	Total Tax Rate
2014	\$ 529,387,225.00		\$ 0.5512	\$ 0.1963	\$ 0.7475
2015	549,420,142.00	3.78%	0.5752	0.1923	0.7675
2016	657,759,225.00	19.72%	0.5817	0.1857	0.7674
2017	629,654,317.00	-4.27%	0.5788	0.1988	0.7776
2018	690,703,731.00	9.70%	0.5352	0.1905	0.7257
2019	662,158,017.00	-4.13%	0.5444	0.1905	0.7349
2020	761,160,967.00	14.95%	0.5827	0.1914	0.7741
2021	882,072,608.00	15.89%	0.5729	0.1911	0.7640
2022	974,064,302.00	10.43%	0.5692	0.1370	0.7062
2023	1,216,653,865.36	24.90%			

10-Year Average Growth 10.11%

5-Year Average Growth 12.41%

Due to Senate Bill 2, implemented after the 2021 Legislative Session, the City is capped at increasing its M&O rate by 3.5% of the prior year's levy. As the City's growth exceeds 3.5%, the M&O tax rate will be forced lower. The City's I&S tax rate is not subject to such cap.

Due to growth in the TAV, the City's Voter Approval M&O Tax Rate is likely to decline by 7.5 cents (assuming the implementation of a Tax Freeze) this coming year.

Tax Rate Impact Analysis

The City is in a position, due to growth, that it can support new capital projects while still decreasing its total tax rate by shifting some of its lost M&O tax rate to the I&S tax rate to support new projects AND adopting a rate at or below the prior year.

The Tax Rate Impact Analysis detailed on the next slide demonstrates the City's capacity to support up to \$25,000,000 in general fund projects (streets, police, fire, etc.) while maintaining the existing total tax rate of \$0.7062/\$100 beginning next year.

As discussed regarding the Utility System, the analysis assumes that the I&S rate is set at a level sufficient to repay the first year's debt payment on the Utility System Certificate of Obligation before reverting to being supported by the Utility System.

Tax Rate Impact Analysis

FYE (9/30)	Freeze Adjusted Taxable Assessed Valuation ⁽¹⁾	Existing Debt	Portion of 2023 Supported by I&S ⁽²⁾	Future Debt, Series 2024			New Total Debt Service	Less: Excess Debt Collections	Less: Use of Fund Balance and Other Sources ⁽⁴⁾	Less: TIRZ Revenues ⁽⁵⁾	New Total Net Debt Service	I&S Tax Rate Required ⁽⁶⁾	M&O Rate	Total Rate
				Principal	Interest ⁽³⁾	Total								
2023	\$ 974,064,302	\$ 1,669,327					\$ 1,669,327	\$ 24,351	\$ 304,800		\$ 1,340,176	\$ 0.1370	\$ 0.5692	\$ 0.7062
2024	1,216,653,865	1,635,280	\$ 1,175,375				2,810,655	24,351	-	\$ 228,229	2,558,075	0.2103	0.4956	0.7059
2025	1,276,349,925	1,319,421	-	\$ 560,000	\$ 1,359,600	\$ 1,919,600	3,239,021	24,351	-	239,640	2,975,030	0.2331	0.4733	0.7064
2026	1,276,349,925	1,343,249	-	565,000	1,328,663	1,893,663	3,236,911	24,351	-	239,640	2,972,920	0.2329	0.4733	0.7063
2027	1,276,349,925	865,540	-	800,000	1,291,125	2,091,125	2,956,665	24,351	-	239,640	2,692,674	0.2110	0.4733	0.6843
2028	1,276,349,925	866,721	-	845,000	1,245,888	2,090,888	2,957,609	24,351	-	239,640	2,693,617	0.2110	0.4733	0.6844
2029	1,276,349,925	540,222	-	890,000	1,198,175	2,088,175	2,628,397	24,351	-	239,640	2,364,405	0.1852	0.4733	0.6586
2030	1,276,349,925	546,070	-	940,000	1,147,850	2,087,850	2,633,920	24,351	-	239,640	2,369,928	0.1857	0.4733	0.6590
2031	1,276,349,925	545,457	-	995,000	1,094,638	2,089,638	2,635,094	24,351	-	239,640	2,371,103	0.1858	0.4733	0.6591
2032	1,276,349,925	334,950	-	1,050,000	1,038,400	2,088,400	2,423,350	24,351	-	239,640	2,159,359	0.1692	0.4733	0.6425
2033	1,276,349,925	335,713	-	1,110,000	979,000	2,089,000	2,424,713	24,351	-	239,640	2,160,721	0.1693	0.4733	0.6426
2034	1,276,349,925	336,038	-	1,170,000	916,300	2,086,300	2,422,338	24,351	-	239,640	2,158,346	0.1691	0.4733	0.6424
2035	1,276,349,925	335,550	-	1,240,000	850,025	2,090,025	2,425,575	24,351	-	239,640	2,161,584	0.1694	0.4733	0.6427
2036	1,276,349,925	334,600	-	1,310,000	779,900	2,089,900	2,424,500	24,351	-	239,640	2,160,509	0.1693	0.4733	0.6426
2037	1,276,349,925	333,550	-	1,385,000	705,788	2,090,788	2,424,338	24,351	-	239,640	2,160,346	0.1693	0.4733	0.6426
2038	1,276,349,925	332,400	-	1,460,000	627,550	2,087,550	2,419,950	24,351	-	-	2,395,599	0.1877	0.4733	0.6610
2039	1,276,349,925	331,150	-	1,545,000	544,913	2,089,913	2,421,063	24,351	-	-	2,396,712	0.1878	0.4733	0.6611
2040	1,276,349,925	334,750	-	1,630,000	457,600	2,087,600	2,422,350	24,351	-	-	2,397,999	0.1879	0.4733	0.6612
2041	1,276,349,925	328,250	-	1,725,000	365,338	2,090,338	2,418,588	24,351	-	-	2,394,237	0.1876	0.4733	0.6609
2042	1,276,349,925	-	-	1,820,000	267,850	2,087,850	2,087,850	24,351	-	-	2,063,499	0.1617	0.4733	0.6350
2043	1,276,349,925	-	-	1,925,000	164,863	2,089,863	2,089,863	24,351	-	-	2,065,512	0.1618	0.4733	0.6352
2044	1,276,349,925	-	-	2,035,000	55,963	2,090,963	2,090,963	24,351	-	-	2,066,612	0.1619	0.4733	0.6353
Total		\$12,668,236	\$ 1,175,375	\$25,000,000	\$16,419,425	\$41,419,425	\$55,263,036				\$51,078,960			

⁽¹⁾ Assumes annual growth rate as shown in TNT Model and 0% thereafter. City is contemplating the implementation of a tax freeze in TY 2023/FY2024 and beyond.

⁽²⁾ Assumes the I&S rate supports the CO to be issued for utility system projects in FYE 2024 and then reverts to being supported by the Utility System in FYE 2025 and beyond.

⁽³⁾ Preliminary, subject to change. Interest calculated at an assumed rate of 5.50% for illustrative purposes only.

⁽⁴⁾ City used \$200,000 in unencumbered fund balance and \$104,800 in other available sources to reduce annual debt service payment in FYE 2023, according to Truth-In-Taxation.

⁽⁵⁾ Represents 75% of TIRZ revenues as 75% of the project is within the bounds of the TIRZ 1. TIRZ 1 will expire on December 31, 2037. Participation in TIRZ is City @100%, County @ 75%, Health District @ 50% and College

⁽⁶⁾ Assumes 100% tax collections in FYE 2024 and beyond.

[BOLD DENOTES VALUES FROM TNT MODEL]

Summer 2023 Timetable for CO Issuance

Date	Item
June 20th	City Council adopts a Notice of Intention Resolution for the issuance of Certificates of Obligation • Sets a 'Not-to-Exceed' borrowing amount, • Defines the approved use of proceeds, • Defines a maximum maturity date,
June 26th	The notice is posted in the City's paper of general circulation
July 10th	The notice is posted in the City's paper of general circulation
August 15th	Price the Obligations; City Council authorizes the sale of COs
September 13th	Closing; funds delivered to the City

MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: INDIVIDUAL CONSIDERATION ITEM III.E.2.

SUBJECT

Consider the approval of the design for sanitary sewer improvements for Basin B Interceptor project.

ORIGINATED BY: Kristian Sugrim

With development and growth comes a demand for infrastructure improvements. The City of Kennedale has been aware of the sewer capacity issues, identified over the past years, and to resolve our sanitary sewer capacity problems, improvements to our collection system are needed. The Basin B Interceptor project, located on the northwest sector of the City, will involve the rehabilitation of approximately 10,000 LF of sewer pipelines; the existing 6", 8" and 12" lines along North Road and Valley Lane will be upsized to a 15"; the 15" line from Valley lane to Gillman Road will be increased to an 18" and the existing 18" within Gilman Road to I-20 W will be upsized to a 24". We believe that this improvement will resolve some of the current sewer capacity issues. This improvement project can be accomplished as a single construction project or it can be done through multiple phases. However, phasing would involve an additional \$1.9M expense from design, mobilization and construction costs versus a single phase, one design, one mobilization and bid/contract. Staff has contacted a consultant, Freese and Nichols (FNI), to provide a project cost summary, \$11,224,400 (single project), \$13,188,600 (phased projects). With today's vulnerable construction market, we feel comfortable with locking-in today's cost and anticipate that this would be a three-year project, from design to construction completion.

RECOMMENDATION

Staff recommends that the Kennedale's City Council authorize the approval of an engineering services agreement with FNI for the design of the northwest sector sanitary sewer interceptor project at the proposed sum of Four Hundred Fifty-Four Thousand Three Hundred Sixty-Five Dollars, \$454,365.00.

ATTACHMENTS

Power Point Presentation

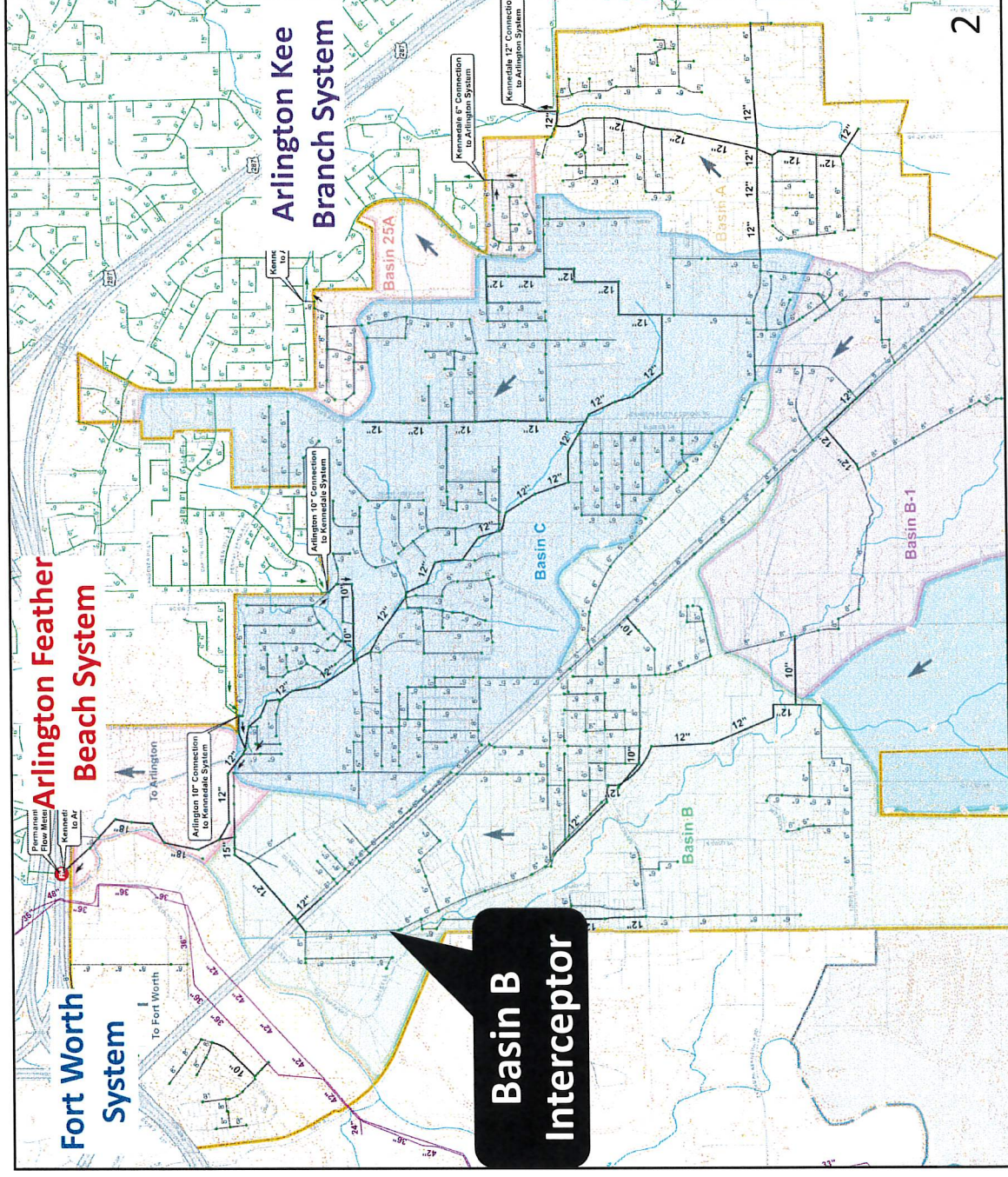


KENNEDALE
You're Here, Your Home

Wastewater CIP Projects 1-3 Design Proposal Options

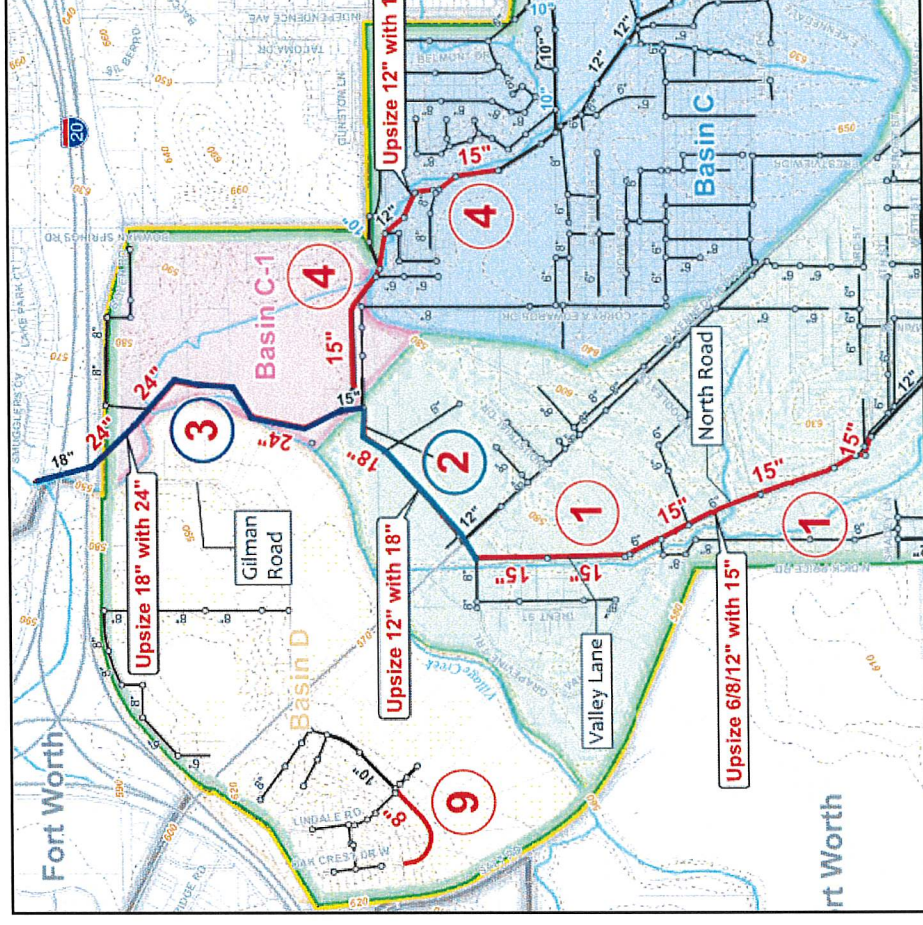
Project Background

- Approximately **80%** served by Arlington Feather Beach System
- Sewer capacity issues identified in the past are still present today
- In order to resolve identified sewer capacity issues, improvements to the collection system are needed



Projects Overview

- **Project #1**
 - Along North Road & Valley Lane
 - Upsize 6/8/12" with 4,400 LF 15" SS
- **Project #2**
 - From Valley Lane, near Gilman Road
 - Upsize 15" with 2,000 LF 18" SS
- **Project #3**
 - Near Gilman Road across I20
 - Upsize 18" with 3,500 LF 24" SS



Proposal Option A

- All Projects designed together
- Pros
 - Lower fee than if they are designed separately
 - Creates options for the City to bid projects as one or separately as funds are available
 - One construction contract = mobilization savings
- Cons
 - Immediate design funds may be unavailable

COST SUMMARY – PROJECTS COMBINED	
<i>Design</i>	\$ 178,200
<i>Survey</i>	\$ 66,600
<i>Environmental/Geotechnical</i>	\$ 78,600
<i>Easements</i>	\$ 32,400
<i>Bid/Construction</i>	\$ 39,300
Design Subtotal	\$ 395,100
<i>OPCC (2024 Cost)</i>	<i>\$ 10,829,300</i>
Grand Total	\$ 11,224,400

Proposal Option B

- All Projects designed separately
- Pros
 - Immediate design funds available for Project #1
- Cons
 - Grand total design fee higher by ~\$100k
 - Grant total OPCC costs higher by ~\$1.8M

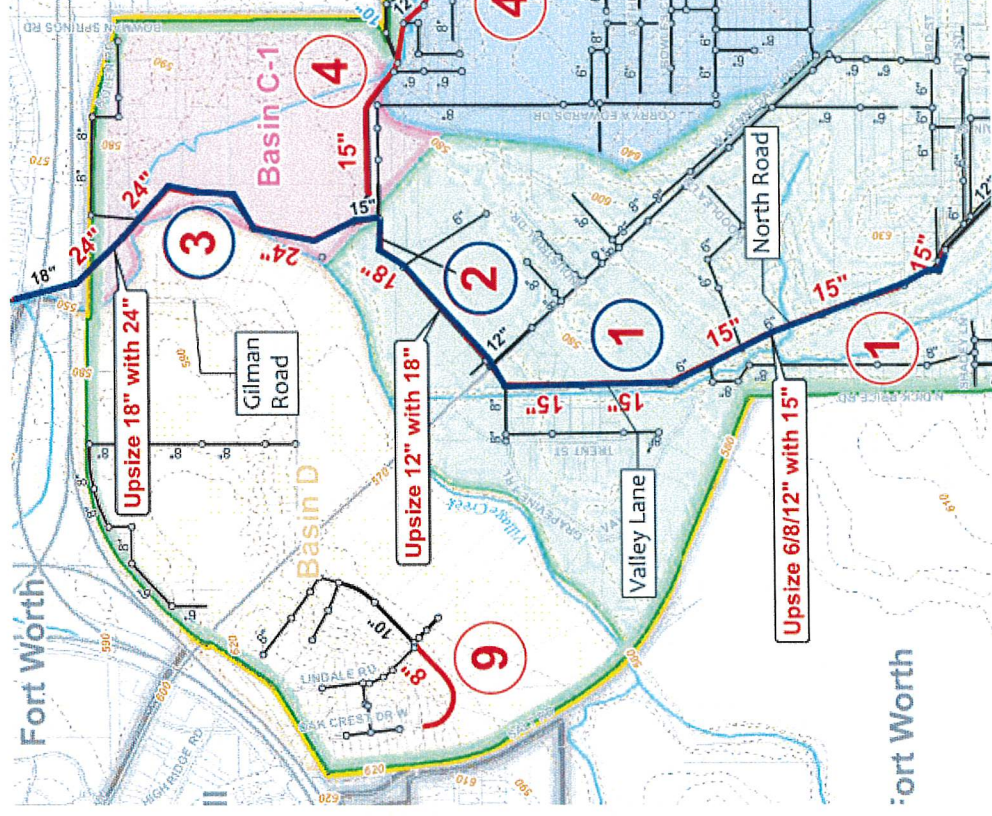
COST SUMMARY – SEPARATE PROJECTS				
	<u>Project #1</u>	<u>Project #2</u>	<u>Project #3</u>	<u>Grand Total</u>
<i>Design</i>	\$ 77,900	\$ 40,000	\$ 101,200	\$219,100
<i>Survey</i>	\$ 30,900	\$ 16,100	\$ 30,900	\$77,900
<i>Environmental/Geotechnical</i>	\$ 45,200	\$ 42,900	\$ 41,600	\$129,700
<i>Easements</i>	\$ 3,300	\$ 13,000	\$ 16,200	\$32,500
<i>Bid/Construction</i>	\$ 21,700	\$ 13,500	\$ 27,200	\$62,400
Design Subtotal	\$ 179,000	\$ 125,500	\$ 217,100	\$521,600
<i>OPCC</i>	\$ 4,731,000 ¹	\$ 1,789,500 ²	\$ 6,146,500 ³	\$12,667,000
Grand Total	\$ 4,910,000	\$ 1,915,000	\$ 6,363,600	\$13,188,600

¹ Project #1 based on 2024 costs, ² Project #2 based on 2026 costs, ³ Project #3 based on 2029 costs

Recommendation

- FNI's recommendation is to design the Projects as one FNI contract (Proposal Option A)

COST SUMMARY COMPARISON	
Option A	\$ 11,224,400
Option B	\$13,188,600
Estimated Cost Savings	\$1.9 M



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER:

SUBJECT:

Update on the Texas Raceway Sewer Line and Easement.

ORIGINATED BY:

Nathan Gonzales

SUMMARY:

As City Council is aware, the city has a development agreement with HM Real Estate Management, Ltd and Cynthia McMillian for the 109-acre former Texas Raceway property. Freese and Nichols (FNI) was tasked with providing a design and study for a sewer line expansion, however, work was stopped in 2016 at the request of City Manager, Bob Hart. A previous rezone from C-2 to R-4 of the property was unsuccessful. To date, the remaining question regarding the development of this project has hovered around the location of a sewer line and the undetermined limits of its expansion to serve this property. Staff recently met with FNI to discuss the history of the project, the status of the study and design, and next steps. FNI recommended and provided an updated exhibit to show a proposed sewer easement in relation to the existing floodplain in lieu of a proposal to update and complete the study. Doing so provides the developer an updated snapshot of where the city would need to install the sewer line so that platting and site design can begin. Staff agreed with this recommendation.

Per the development agreement, the city is to enter into a contract for the engineering and design of the sewer line within 90 days once the developer indicate their intent to develop via a preliminary plat application. This is noted in Article II, Section 2.3 (c). Staff has received an email from the owner, however, a plat application has yet to be submitted.

Staff will provide the property owner with this updated exhibit and return to City Council once more information becomes available. Included in the staff report is copy of the signed development agreement, updated sewer exhibit, and estimated cost for construction.

RECOMMENDATION:

No action requested.

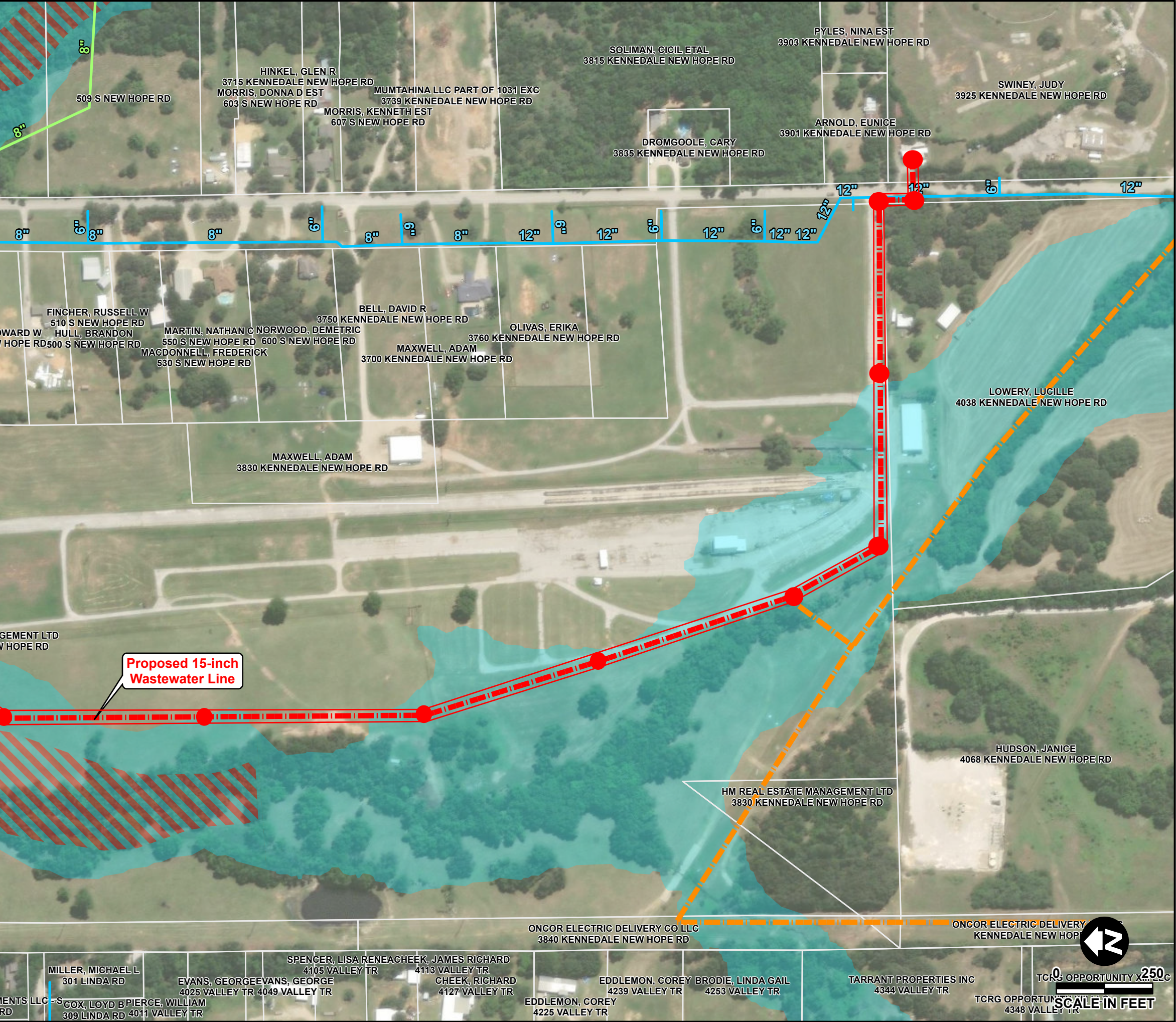
ATTACHMENTS:

Texas Raceway DA
Updated Sewer Exhibit by FNI
FNI OPCC

DRAFT FIGURE
CITY OF KENNEDALE
TEXAS SPEEDWAY SEWER

LEGEND

- Proposed 15" SS
- Future Sewer Line
- 100-Yr Floodplain
- Floodway
- Proposed Permanent Easement
- Existing Gas Line
- Existing Water Line
- Existing Wastewater Line
- Stream



0 250
SCALE IN FEET



Innovative approaches
Practical results
Outstanding service

OPINION OF PROBABLE CONSTRUCTION COST

PROJECT NAME	Texas Speedway Sewer	DATE	5/24/2023
CLIENT	City of Kennedale	GROUP	1112
% SUBMITTAL	Conceptual	PM	Amanda Johnson

ESTIMATED BY	QC CHECKED BY	FNI PROJECT NUMBER
Alisa Pjetrovic	Amanda Johnson/Aaron Conine	-

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
1	15" PVC (SDR-26) Sewer Pipe by Open Cut	4000	LF	\$ 240.00	\$ 960,000
2	Trench Safety	4000	LF	\$ 5.00	\$ 20,000
3	Standard 4-Foot Diameter Sewer Manhole	11	EA	\$ 12,500.00	\$ 137,500
4	Connection to Existing SSMH	1	EA	\$ 5,000.00	\$ 5,000
5	Hydromulch	3	AC	\$ 4,000.00	\$ 12,000

SUBTOTAL	\$	1,134,500
CONTINGENCY	30%	\$ 340,350
SUBTOTAL	\$	1,474,850
MOBILIZATION	5%	\$ 73,743
SUBTOTAL	\$	1,548,593
PROFESSIONAL SERVICES (ENGINEERING, SURVEY, GENERAL REPRESENTATION)	10%	\$ 154,859
SUBTOTAL	\$	1,703,452
OH&P	18%	\$ 306,621

PROJECT TOTAL (2023 COSTS)	\$	2,010,073
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COST ESCALATION FACTOR	8.2%	\$ 164,826
PROJECT TOTAL (2024 COSTS)	\$	2,174,899

The Engineer has no control over the cost of labor, materials, equipment, or over the Contractor's methods of determining prices or over competitive bidding or market conditions. Opinions of probable costs provided herein are based on the information known to Engineer at this time and represent only the Engineer's judgment as a design professional familiar with the construction industry. The Engineer cannot and does not guarantee that proposals, bids, or actual construction costs will not vary from its opinions of probable costs.

NOTES:

- 1 FNI OPCC classified as an AACE Class 4 Estimate with accuracy range or -20 to + 30.
- 2 FNI OPCC does not include costs associated with engineering fees, permits, surveying, etc.
- 3 FNI assumes that no existing pavement restoration is needed since the line will be followed by a development.

DEVELOPMENT AGREEMENT

This Development Agreement (this "Agreement") is executed between HM Real Estate Management, Ltd. and Cynthia McMillan (collectively, the "Owner") and the City of Kennedale, Texas (the "City"), each a "Party" and collectively the "Parties," to be effective June 3, 2014 (the "Effective Date").

ARTICLE I RECITALS

WHEREAS, the City is a home rule municipality; and

WHEREAS, the property governed by this Agreement is an approximately 109.512-acre tract of land described and depicted on Exhibit A (the "Property"); and

WHEREAS, Cynthia McMillan owns the approximately 17.92-acre tract of land described on Exhibit A, and HM Real Estate Management, Ltd. owns the remainder of the Property; and

WHEREAS, the Owner is currently operating on the Property a drag racing track, which is a legally permitted nonconforming use under the City's zoning regulations (the "Nonconforming Use"); and

WHEREAS, under the City's zoning regulations, the Property is subject to amortization and termination of the Nonconforming Use after a reasonable period of time that gives the Owner an opportunity to recover its investment in the Nonconforming Use; and

WHEREAS, the Parties agree that it is reasonable for the Nonconforming Use to terminate by October 31, 2016 in consideration for the City's agreement not to cause, or attempt to cause, the earlier termination of the Nonconforming Use and the City's agreement to construct and fund certain sewer infrastructure improvements, as further described in this Agreement; and

WHEREAS, the City anticipates the development of uses on the Property that could include single family residences, townhomes, and neighborhood village uses, as described by the City's comprehensive land use plan; and

WHEREAS, the City acknowledges that the residential development and densities illustrated on the schematic development plan for the Property attached as Exhibit B conform to the City's comprehensive land use plan; and

WHEREAS, Exhibit B is attached for informational purposes only to illustrate the type of development and density contemplated by the City's comprehensive land use plan, and development in accordance with Exhibit B is not required by this Agreement; and

WHEREAS, the Parties anticipate the future rezoning of the Property consistent with the City's comprehensive land use plan prior to the redevelopment of the Property; however, nothing in this Agreement is intended to require redevelopment of the Property or rezoning of the Property; and

WHEREAS, it is understood and agreed by the Parties that nothing in this Agreement is intended to require the City to construct and fund sewer infrastructure improvements until the Property is redeveloped in accordance with this Agreement; and

WHEREAS, concurrently with the approval and execution of this Agreement, the City Council has approved and entered into that certain TIRZ Development Agreement with the Owner related to reimbursement of certain New Hope Road improvement costs, as well as certain sewer costs as further described below.

NOW THEREFORE, for and in consideration of the mutual covenants of the Parties set forth in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are acknowledged and agreed by the Parties, the Parties agree as follows:

ARTICLE II
PROVISIONS RELATING TO USE AND DEVELOPMENT OF THE PROPERTY

2.1 Termination of Nonconforming Use. The Owner's right to operate the Nonconforming Use shall terminate on October 31, 2016. Subject to the Owner not being in default under this Agreement, the City agrees to refrain from taking any action to cause, or attempt to cause, the Nonconforming Use to terminate prior to October 31, 2016. The City shall not require the removal of existing structures on the Property based solely on the termination of the Nonconforming Use. If the Owner applies for the rezoning of all or a portion of the Property, or the City rezones all or a portion of the Property, prior to October 31, 2016, such actions shall not affect the Owner's rights under this Section 2.1. The City agrees that it will not require the Owner to waive its rights under this Agreement in exchange for a rezoning of all or a portion of the Property.

2.2 Water. The future development of the Property will be served by the existing City-owned water lines running through or adjacent to the Property. The City agrees to reserve sufficient capacity in these water lines to serve a minimum of 200 single family equivalent units on the Property for the full term of this Agreement. This reservation shall not expire if the Property is under development at the end of the term of this Agreement. For purposes of this paragraph, the phrase "under development" includes grading and other site work, and construction of infrastructure or buildings, that is directly related to the redevelopment of the Property as contemplated by this Agreement.

2.3 Sewer.

(a) As consideration for the Owner's commitment to terminate the Nonconforming Use pursuant to Section 2.1, the City agrees to construct (to be repaid from the tax increment reinvestment zone that encompasses the Property) a sewer trunk line that is a minimum of ten inches in diameter and any related improvements necessary to connect the Property to the City's existing sewer infrastructure located immediately north of the Property (collectively, the "Sewer Project"), which currently includes a 12-inch diameter sewer line the City plans to upsize to a 15-inch diameter sewer line. The Sewer Project is generally shown on Exhibit C (see the area shown as "project 5" and encompassed by a blue cloud on Exhibit C).

(b) The City agrees to design the Sewer Project with sufficient capacity for the intended development of the Property with a minimum of 200 single family equivalent units, and to reserve such capacity in the Sewer Project for the future development of the Property. The term of the reservation shall be the same term provided for the reservation for water capacity in Section 2.2.

(c) The Owner agrees to complete and deliver to the City Manager a phase two environmental site assessment of the Property prepared by a licensed professional no later than 180 days after the Effective Date of this Agreement. The City agrees that the Owner shall have no liability or responsibility for the information included in the phase two environmental site assessment. If the phase two environmental site assessment demonstrates that the Property is developable, the Owner shall give notice to the City when it is ready to proceed with development of the Property. The City agrees to enter into a contract for the engineering and design of the Sewer Project within ninety (90) days after receipt of the notice. The filing of a preliminary plat application for the Property shall constitute delivery of notice to the City under this paragraph. The City's Engineer will coordinate the design of the Sewer Project with the design of the development of the Property as provided by the Owner's engineer. The City agrees to award a construction contract for the Sewer Project and to cause construction of the Sewer Project to be completed to coincide with the commencement of the development of the Property.

(d) Upon at least 30 days' prior written notice from the City to the Owner but not more than 90 days before the City solicits bids for construction of the Sewer Project, the Owner will dedicate a public sanitary sewer easement that is a minimum of 15 feet in width for the portion of the Sewer Project that will be located within the Property, as well as a temporary construction easement. The permanent easement and temporary construction easement will be located within the floodplain on the western portion of the Property at a location that minimizes impacts to developable portions of the Property and is approved by both Parties, with such approval not to be unreasonably withheld, conditioned, or delayed. The easement shall be in the form attached hereto as Exhibit D unless the City approves another form of easement at the request of the Owner.

(e) No tree mitigation shall be required in connection with the removal of trees to construct the Sewer Project within the Property. The City agrees to exercise all reasonable care to preserve existing trees in the vicinity of the Sewer Project, and will cause its contractor to do the same.

(f) If the City does not timely commence construction of the Sewer Project in accordance with the terms of this Section 2.3, the City agrees the Owner shall have the right, but not the obligation, to construct the Sewer Project in accordance with that certain TIRZ Development Agreement between the Owner and the City dated June 3, 2014 (the "TIRZ Agreement").

2.4 Public Improvement District. Upon petition by the Owner pursuant to Chapter 372 of the Texas Local Government Code, the City agrees to consider the creation of a public improvement district (PID) to reimburse costs eligible under Chapter 372 from annual

assessments on each lot within the Property, including on-site infrastructure costs and other eligible improvements identified by the Owner.

2.5 Linear Park. Subject to the City not being in default of its obligation to enter into an engineering and design contract pursuant to Section 2.3(c) of this Agreement, the following provisions shall apply:

(a) The Owner agrees to donate a minimum 100-foot wide strip of land within the Property to either the City or a third party approved by the City for use as a public linear park. The donation shall occur prior to or concurrently with the City's approval of the first final plat for a portion of the Property. This strip of land shall overlap with the sewer easement described above to the extent possible, and shall be located along the creek within the floodplain and floodway on the western side of the Property. The Owner shall have the sole right to determine the exact location and dimensions of this strip of land, consistent with the requirements of this Section 2.5 and the City's park dedication requirements. It is understood and agreed that the location of this strip of land must allow for the construction of a public hike and bike trail that will connect to other such trails adjoining the Property. If park land is not donated in accordance with the terms of this Section 2.5, the City may deny the final plat.

(b) The deed conveying this strip of land to the City shall be in the form attached hereto as Exhibit E unless the City approves another form of deed at the request of the Owner.

(c) The size of the park land donated within the Property shall meet or exceed the then-current park land dedication acreage requirement based on the number of permitted residential units on the Property pursuant to a City ordinance that is generally applicable to all residential development in the City's corporate limits. Upon the donation of this park land, the City shall be deemed to have waived (i) all park fee requirements that would otherwise apply to the development of the Property; and (ii) all park land dedication requirements that would otherwise apply to the development of the Property.

(d) Notwithstanding anything to the contrary in this Agreement, the Parties agree that the donation of land required by this Section 2.5 shall not be required unless the Property has been rezoned by the City to allow development of a minimum of 200 single family equivalent units within the Property.

ARTICLE III ADDITIONAL PROVISIONS

3.1 Term. The term of this Agreement shall be ten years.

3.2 Recitals. The recitals contained in this Agreement: (a) are true and correct as of the Effective Date; (b) form the basis upon which the Parties negotiated and entered into this Agreement; (c) are legislative findings of the City Council, and (d) reflect the final intent of the Parties with regard to the subject matter of this Agreement. In the event it becomes necessary to interpret any provision of this Agreement, the intent of the Parties, as evidenced

3.3 Notices. All notices required or contemplated by this Agreement (or otherwise given in connection with this Agreement) shall be in writing, shall be signed by or on behalf of the Party giving the notice, and shall be effective as follows: (a) on the day delivered by courier or a private delivery or private messenger service (such as FedEx or UPS) as evidenced by a receipt signed by any person at the delivery address (whether or not such person is the person to whom the notice is addressed); or (b) three days after the notice is deposited with the United States mail service, certified mail, return receipt requested. Notices given pursuant to this section shall be addressed as follows:

With a copy to: City Attorney
City of Kennedale
Attn: Wayne Olson
6000 Western Place, Suite 200
Fort Worth, Texas 76107

and
3830 New Hope Road
Kennedale, Texas 76060

3.4 Interpretation. The Parties acknowledge that each of them has been actively involved in negotiating this Agreement. Accordingly, the rule of construction that any ambiguities are to be resolved against the drafting Party will not apply to interpreting this Agreement. In the event of any dispute over the meaning or application of any provision of this Agreement, the provision will be interpreted fairly and reasonably and neither more strongly for or against any Party, regardless of the Party who originally drafted the provision.

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notice requirements (including, but not limited to, notices required by the Texas Open Meetings Act) and that the individual executing this Agreement on behalf of the City has been duly authorized to do so. The Owner represents and warrants that this Agreement has been approved by appropriate action of the Owner, and that the individual executing this Agreement on behalf of the Owner has been duly authorized to do so. Each Party acknowledges and agrees that this Agreement is binding upon such Party and enforceable against such Party in accordance with its terms and conditions.

3.6 Entire Agreement; Binding Obligations; Releases. This Agreement together with the TIRZ Agreement constitute the entire agreement between the Parties and supersede all prior agreements, whether oral or written, covering the subject matter of this Agreement and the TIRZ Agreement. This Agreement shall not be modified or amended except in writing signed by the Parties. This Agreement shall be recorded in the deed records of Tarrant County, Texas, and shall be binding upon the Parties. The Owner's obligations under this Agreement shall be binding upon the Owner's successors and assigns; however, this Agreement shall not be binding upon, and shall not constitute any encumbrance to title as to any end-buyer. For purposes of this Agreement, the Parties agree that the term "end-buyer" means any owner, builder, tenant, user, or occupant of a lot included within a City-approved final plat that has been recorded in the deed records. Upon approval of each final plat for all or a portion of the Property, the City agrees to cause the City Manager to execute a release of this Agreement, in recordable form, for the portion of the Property included in the final plat releasing the Owner and its successors and assigns from all obligations under this Agreement that have been performed.

3.7 Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable for any reason, then (a) such unenforceable provision shall be deleted from this Agreement; (b) the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the Parties; and (c) the remainder of this Agreement shall remain in full force and effect and shall be interpreted to give effect to the intent of the Parties.

3.8 Applicable Law; Venue. This Agreement is entered into under and pursuant to, and is to be construed and enforceable in accordance with, the laws of the State of Texas, and all obligations of the Parties are performable in Tarrant County, Texas. Venue for any action to enforce or construe this Agreement shall lie in Tarrant County, Texas.

3.9 Assignment. Subject to the City reasonably determining that the Assignee has the financial ability to fulfill the terms of this Agreement, the Owner has the right to assign this Agreement, in whole or in part, and including any obligation, right, title, or interest of the Owner under this Agreement, to any person or entity (an "Assignee") that is or will become an owner of any portion of the Property or that is an entity that is controlled by or under common control with the Owner. Each assignment shall be in writing executed by the Owner and the Assignee and shall obligate the Assignee to be bound by this Agreement and the TIRZ Agreement to the extent this Agreement or the TIRZ Agreement applies or relates to the obligations, rights, title, or interests being assigned. A copy of each assignment shall be provided to the City within 15 days after execution. From and after such assignment, the City agrees to look solely to the Assignee for the performance of all obligations assigned to the

Assignee and agrees that the Owner shall be released from subsequently performing the assigned obligations and from any liability that results from the Assignee's failure to perform the assigned obligations; provided, however, if a copy of the assignment is not received by the City within 15 days after execution, the Owner shall not be released until the City receives such assignment. No assignment by the Owner shall release the Owner from any liability that resulted from an act or omission by the Owner that occurred prior to the effective date of the assignment unless the City approves the release in writing. An Assignee shall be considered a "Party" and the "Owner" for the purposes of this Agreement.

3.10 Events of Default; Remedies. No Party shall be in default under this Agreement until notice of the alleged failure of such Party to perform has been given (which notice shall set forth in reasonable detail the nature of the alleged failure) and until such Party has been given 30 days from the date of such notice to cure the alleged failure. If a Party is in default, the aggrieved Party may, at its option and without prejudice to any other right or remedy under this Agreement, seek any relief available at law or equity, including, but not limited to, an action under the Uniform Declaratory Judgment Act, specific performance, mandamus, and injunctive relief.

3.11 Non Waiver. Any failure by a Party to insist upon strict performance by another Party of any material provision of this Agreement shall not be deemed a waiver thereof, and the Party shall have the right at any time thereafter to insist upon strict performance of any and all provisions of this Agreement. No provision of this Agreement may be waived except by writing signed by the Party waiving such provision. Any waiver shall be limited to the specific purposes for which it is given. No waiver by any Party of any term or condition of this Agreement shall be deemed or construed to be a waiver of any other term or condition or subsequent waiver of the same term or condition.

3.12 Rough Proportionality. The Owner agrees that all dedications made by the Owner pursuant to this Agreement are roughly proportional to the need created by the development of the Property, and the Owner hereby waives any claim therefore that it may have. The Owner further acknowledges and agrees that all prerequisites to such a determination of rough proportionality have been met, and that any costs incurred relative to the dedications required by this Agreement are related both in nature and extent to the impact of the Owner's development. The Owner waives and releases all claims against the City related to any and all rough proportionality and individual determination requirements mandated by Section 212.904, Texas Local Government Code, or the Texas or U.S. constitutions, as well as other requirements of a nexus between development conditions and the projected impact of the Owner's development, but only to the extent such claims relate to the dedication required by this Agreement.

3.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and constitute one and the same instrument.

3.14 Further Documents. Each Party shall, upon request of the other Party, execute and deliver such further documents and perform such further acts as may reasonably be requested to effectuate the terms of this Agreement and achieve the intent of the Parties.

3.15 Exhibits. The following Exhibits are attached to this Agreement and are incorporated herein for all purposes:

Exhibit A	Metes and Bounds Description of the Property
Exhibit B	Schematic Development Plan
Exhibit C	Sewer Project Location
Exhibit D	Form of Sewer Easement
Exhibit E	Form of Deed

Executed by the Owner and the City to be effective on the Effective Date.

City of Kennedale, Texas



Brian Johnson
Mayor, City of Kennedale

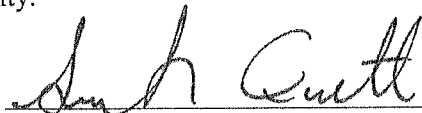
ATTEST:



Amethyst G. Sloane
City Secretary, City of Kennedale

STATE OF TEXAS §
 §
COUNTY OF TARRANT §

This instrument was acknowledged before me on June 3, 2014 by Brian Johnson, Mayor of the City of Kennedale, Texas on behalf of said city.


Notary Public, State of Texas

HM Real Estate Management, Ltd.

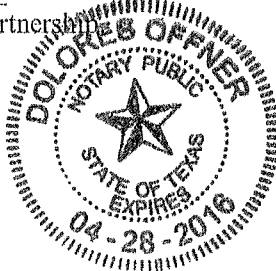
By: Cynthia McMillan
Name: Cynthia McMillan
Title: Pres

STATE OF TEXAS

§
§
§

COUNTY OF TARRANT

This instrument was acknowledged before me on June __, 2014 by Cynthia McMillan,
_____ of HM Real Estate Management, Ltd., a Texas limited partnership on
behalf of said limited partnership



Dolores Offner
Notary Public, State of Texas

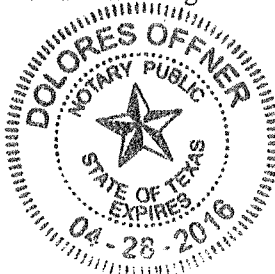
Cynthia McMillan
Cynthia McMillan

STATE OF TEXAS

§
§
§

COUNTY OF TARRANT

This instrument was acknowledged before me on June __, 2014 by Cynthia McMillan, an
individual.



Dolores Offner
Notary Public, State of Texas

EXHIBIT A
METES AND BOUNDS DESCRIPTION OF THE PROPERTY

Tract I
2.00 Acres

TRACT I:

A portion of Lot 1, RACEWAY ESTATES, an Addition to the City of Kennedale, Tarrant County, Texas, according to the plat recorded in Cabinet A, Slide 2059, Plat Records, Tarrant County, Texas, more particularly described by metes and bounds as follows:

BEGINNING at a found 1/2" steel rod at the southwest corner of said Lot 1;

THENCE North, along the west line of said Lot 1, 193.60 feet to a set 1/2" steel rod;

THENCE North 86°14'00" East, 450.97 feet to a set 1/2" steel rod in the east line of said Lot 1 and the west line of Kennedale-New Hope Road, a public road of variable width right-of-way;

THENCE South along said east line of Lot 1 and said west line of Kennedale-New Hope Road, 193.60 feet to a found 1/2" steel rod at the southeast corner of said Lot 1;

THENCE South 86°14'00" West, along the south line of said Lot 1, passing a found 1/2" steel rod at 10.02 feet, continuing in all 450.97 feet to the Point of Beginning and containing 2.000 acres (87,120 square feet) of land, more or less.

Tract II
85.362 Acres

TRACT II:

Lot 7, RACEWAY ESTATES, an Addition to the City of Kennedale, Tarrant County, Texas, according to the plat recorded in Cabinet A, Slide 5932, Plat Records, Tarrant County, Texas.

SAVE AND EXCEPT a 3.175 acre tract of land, more particularly described by metes and bounds as follows:

BEGINNING at a found 1/2" steel rod at the southwest corner of Lot 2, RACEWAY ESTATES, an Addition to the City of Kennedale, Tarrant County, Texas, according to the plat recorded in Cabinet A, Slide 2059, Plat Records, Tarrant County, Texas;

THENCE South 86°14'00" West, 217.43 feet to a set 1/2" steel rod;

THENCE North, 637.49 feet to a set 1/2" steel rod;

THENCE North 86°14'00" East, 217.43 feet to a set 1/2" rod in the west line of Lot 4, of said RACEWAY ESTATES, and in the east line of said Lot 7;

THENCE South along the west line of Lots 4, 3 and 2 and the east line of said Lot 7, 637.49 to the Point of Beginning and containing 3.175 acres (138,309 square feet) of land, more or less.

Tract III
1.573 Acres

TRACT III:

A 1.573 acre tract of land out of the JOEL SNYDER SURVEY, Abstract No. 1448, in Tarrant County, Texas, more particularly described by metes and bounds as follows:

COMMENCING at a 5/8" steel rod in the center of County Road No. 2025 (Kennedie-New Hope Road); said point being 425 yards (1180 feet) West of the northeast corner of said Snyder Survey;

THENCE West along the north line of said Snyder Survey, passing a found 1/2" steel rod at the southeast corner of said Lot 7, Raceway Estates at 55.00 feet and continuing in all, 525.80 feet to a set 1/2" steel rod at the Point of Beginning;

THENCE South 03°12'44" East, 116.99 feet to a set 1/2" steel rod;

THENCE South 88°49'42" West, 557.55 feet to a set 1/2" steel rod;

THENCE North 04°17'04" West, 128.56 feet to a set 1/2" steel rod in the north line of said Snyder Survey;

THENCE East along the north line of said Snyder Survey and the south line of said Lot 7, Raceway Estates, 560.48 feet to the Point of Beginning and containing 1.573 acres (88,520 square feet) of land, more or less.

Tract IV
2.657 Acres

A 2.657-acre tract of land out of the R.C. Richey Survey, Abstract No. 1327, situated in Tarrant County, Texas, being more particularly described by metes and bounds as follows:

BEGINNING at the southwest corner of said Richey Survey and the northwest corner of the Joel Snyder Survey, Abstract No. 1448;

THENCE North 36°52'05" East 694.43 feet to a point;

THENCE South 555.56 feet to a point in the south line of said Richey Survey;

THENCE, West along the south line of said Richey Survey, 416.64 feet to the Point of Beginning, and containing 2.657 acres (115,735 square feet) of land, more or less.

Tract V
17.92 Acres

A 17.92 Acre Tract of Land situated in the C.B. Teague Survey, Abstract 1506, Tarrant County, Texas, and being a part of the Tommy L. Gay Tract, Veteran Purchase, 3035/468, and being particularly described as follows:

BEGINNING at an iron rod in the most Easterly North line of said Gay tract at the Northeast corner of the Texas Electric 1.740 acre tract;

THENCE S 88 degrees 47' 30" E with said North line of said Gay tract a distance of 905.3 feet to the Northwest corner of a 4.00 acre tract;

THENCE S 20' 30" with the west line of said 4.00 acre tract a distance of 844.9 feet to the Southwest corner of said 4.00 acre tract and being in the most Easterly South line of said Gay tract;

THENCE S 89 degrees 0' 30" W with said South line a distance of 905.0 feet to the Southeast corner of the Texas Electric 1.740 acre tract;

THENCE N 0 degrees 20-1/2' W with the East line of said Electric 1.740 acre tract

a distance of 879.6 feet to the PLACE OF BEGINNING and containing 17.92 acres of land.

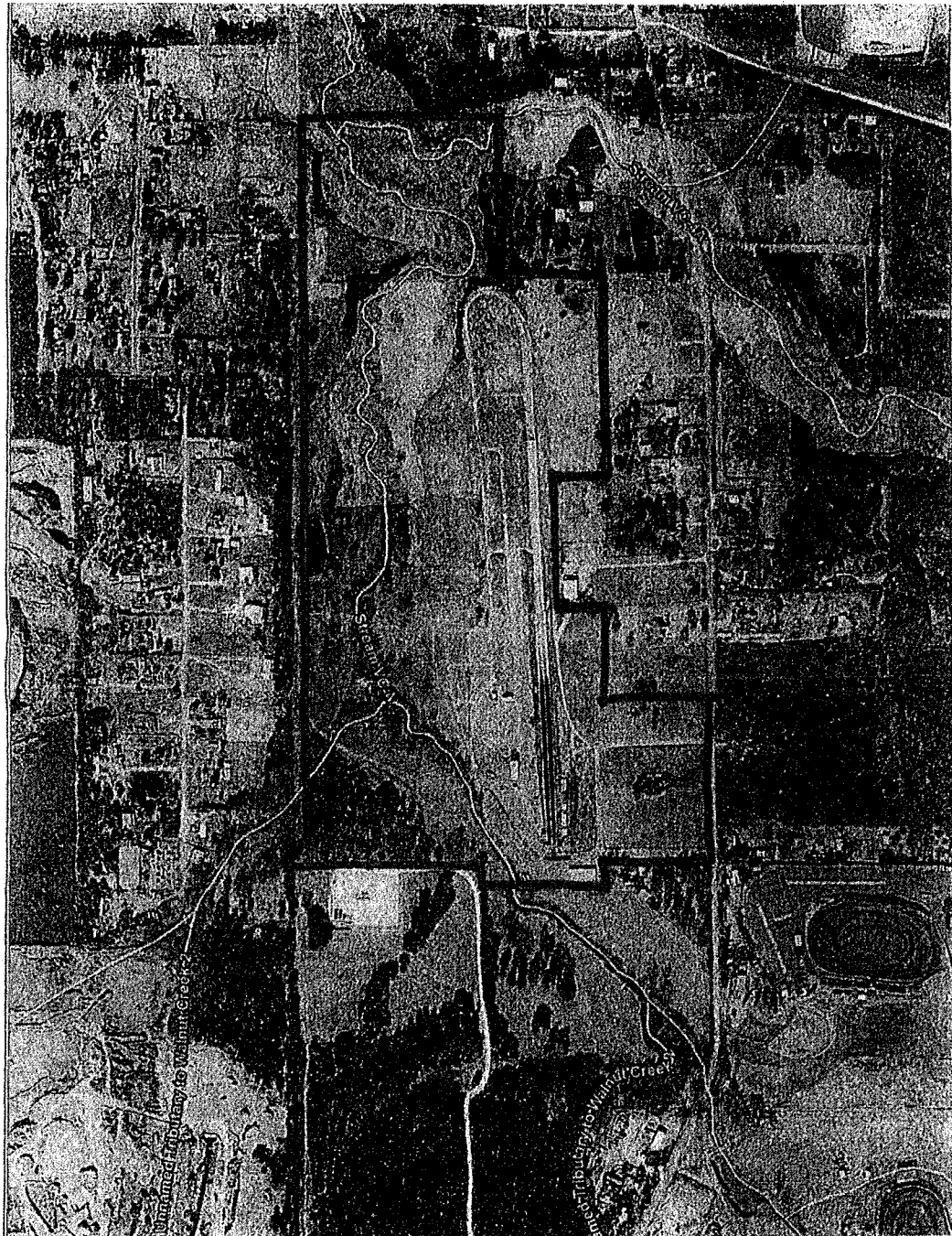


EXHIBIT C **SEWER PROJECT LOCATION**

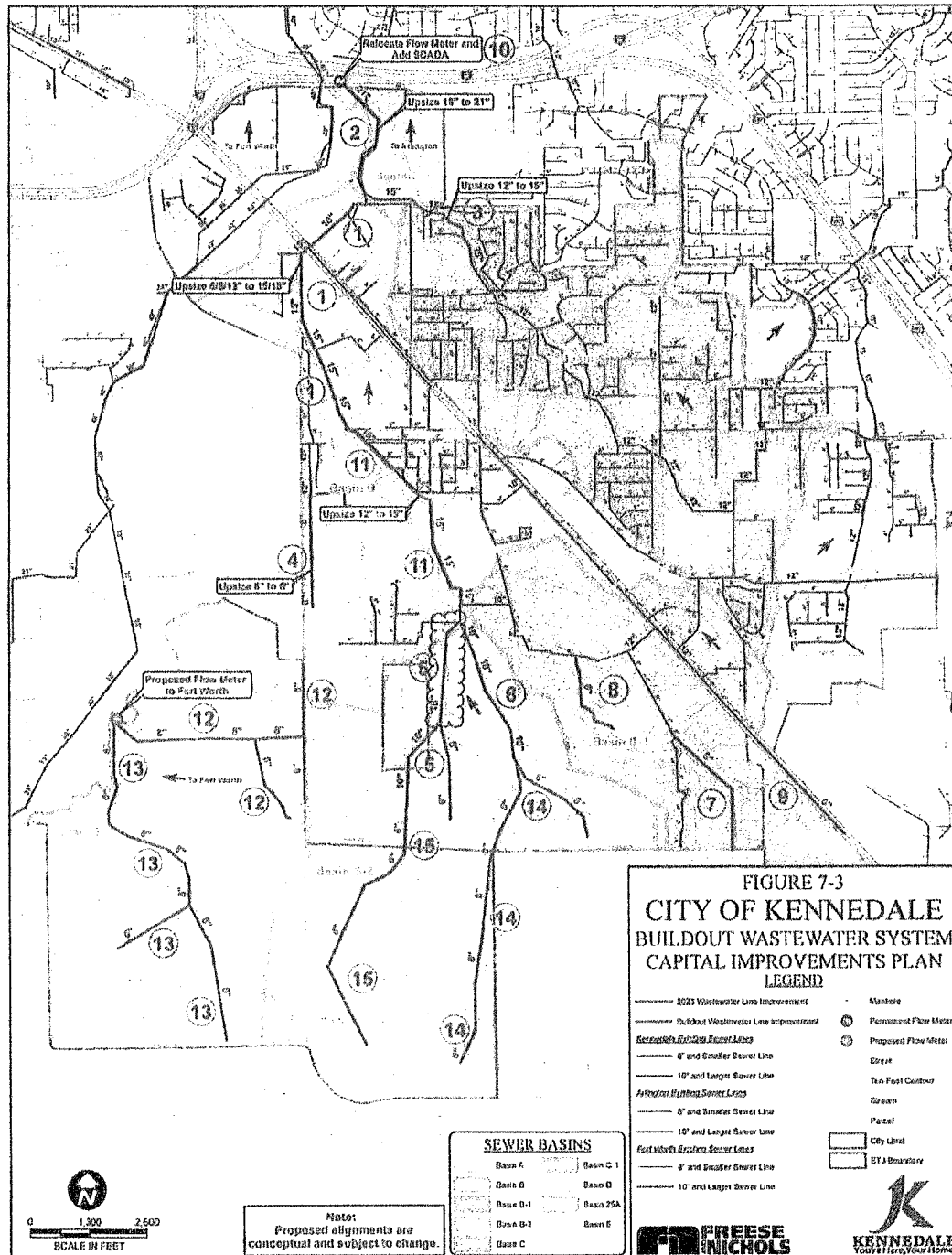
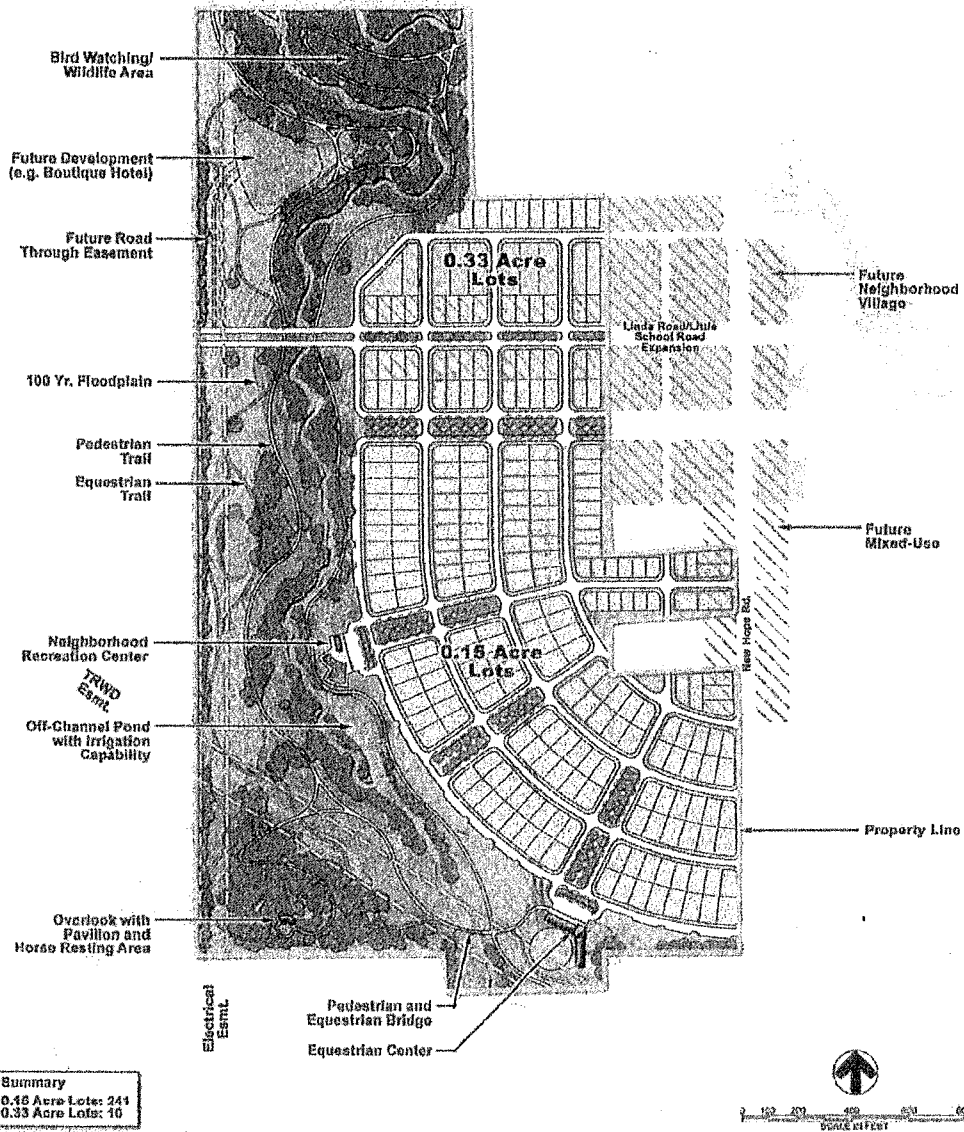


EXHIBIT D
FORM OF SEWER EASEMENT

EXHIBIT B **SCHEMATIC DEVELOPMENT PLAN**



HM Real Estate Management Ltd.
Development Concept with Potential Additions - Kennedale, TX

HALFF



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: WORK SESSION ITEM II.B.

SUBJECT

DISCUSSION AND/OR REQUESTS FOR CLARIFICATION OF ITEMS LISTED ON THE AGENDA

ORIGINATED BY

SUMMARY

RECOMMENDATION

ATTACHMENTS



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: REGULAR SESSION ITEM III.A.

SUBJECT

INVOCATION AND PLEDGES OF ALLEGIANCE TO THE U.S. AND TEXAS FLAGS

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

ORIGINATED BY

SUMMARY

RECOMMENDATION

ATTACHMENTS



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: REPORTS AND ANNOUNCEMENTS ITEM III.B.

SUBJECT

REPORTS AND ANNOUNCEMENTS

In addition to any items below, the Kennedale City Council, the presiding officer, and/or staff may give or receive reports regarding items of community interest, including, but not limited to, recognition of officials, citizens, staff, or departments; information regarding holiday schedules; and upcoming or attended events.

ORIGINATED BY

SUMMARY

RECOMMENDATION

ATTACHMENTS



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: REGULAR SESSION ITEM III.C.

SUBJECT

VISITOR AND CITIZEN FORUM

At this time, any person may address the Kennedale City Council about items not on the agenda. Rules and procedures for addressing the Kennedale City Council are included under "I. CALL TO ORDER". Neither formal action nor discussion may occur at this time. Those wishing, instead, to speak on an agenda item should indicate their desire to speak as the Kennedale City Council considers that item.

ORIGINATED BY

SUMMARY

RECOMMENDATION

ATTACHMENTS



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: CONSENT AGENDA ITEM III.D.

SUBJECT

CONSENT AGENDA

These matters have appeared on previous agendas, require little or no deliberation, or are considered routine or ministerial tasks. If discussion is desired, items may be removed for separate consideration.

ORIGINATED BY

SUMMARY

RECOMMENDATION

ATTACHMENTS



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: CONSENT AGENDA ITEM III.D.1.

SUBJECT

Approval of the minutes from the 05/25/2023 Special Meeting (Budget Workshop).

ORIGINATED BY

SUMMARY

RECOMMENDATION

ATTACHMENTS

1.	2023.05.30 CC Spec Mtg Workshop	2023.05.30 CC Spec Mtg Workshop.docx
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KENNEDALE CITY COUNCIL MINUTES

BUDGET WORKSHOP | MAY 25, 2023 AT 9:00AM
COMMUNITY ROOM, LIBRARY

I. CALL TO ORDER

To address the Kennedale City Council regarding an agenda item, submit a 'Request to Speak' form before the meeting begins. Speakers are allotted three (3) minutes, must limit their comments to the subject indicated on the form, and should address the Kennedale City Council as a whole, rather than individual members or staff. Pursuant to Texas Government Code §551.071, the Kennedale City Council reserves the right to adjourn into Executive (Closed) Session at any time during the meeting to seek legal advice from the City Attorney on any item posted on the agenda.

Mayor Joplin called the workshop to order at 9:01 am.

A. ROLL CALL

Present: Rockie Gilley, Place 1, Brad Horton, Place 2, Kenneth Michels, Place 3, Jeff Nevarez, Place 5; **Absent:** Austin Degenhart, Place 4. **Staff Present:** City Manager Darrell Hull, HR Director Caroline Green, Public Works Director Kristian Sugrim, Community Development Director Nathan Gonzales, Courts Administrator Bertha Vindel, Fire Chief James Brown, Police Chief Michael Holguin, Library Director Elizabeth Partridge, Finance Director Jonathan Horton, and City Secretary Raeanne Byington.

II. WORK SESSION

A. WORK SESSION REPORTS

1. Presentation by directors of budget overviews and new program requests for each department.

Each Department presented information regarding their list of larger contracts/purchases that they want council to consider for the new fiscal year. Council was able to ask questions regarding need and pricing.

B. DISCUSSION AND/OR REQUESTS FOR CLARIFICATION OF ITEMS LISTED ON THE AGENDA. There were none.

III. REGULAR SESSION

Mayor Joplin called the regular session to order at 3:58 pm.

A. ITEMS FOR INDIVIDUAL CONSIDERATION

1. Discussion and necessary action by Council regarding Mayor's veto of the motion to approve First Amendment to the ILA for Operations and treated Water Sales between the City of Arlington and the City of Kennedale, TX.

This item was no longer needed as this is a contract and will be negotiated.

2. Discussion and approval of \$111,856.09 for the completion of the S. New Hope Road Bridge Project by TXDOT.

Public Works Director Kristian Sugrim presented the council with information on the issues with the New Hope Road Bridge.

Motion to **Approve**: Councilman Horton, **Second** Councilman Nevarez, **motion passes Unanimously**.

IV. EXECUTIVE SESSION – No Executive Session Needed.

The Kennedale City Council reserves the right to meet in Executive (Closed) Session at any time during the meeting pursuant to the below cited sections of the Texas Government Code:

- A. **PURSUANT TO §551.071** — *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 of any item posted on the agenda, legal issues regarding the Open Meetings Act.

- B. **PURSUANT TO §551.072** — *Deliberation regarding the purchase, exchange, lease, or value of real property.*

- C. **PURSUANT TO §551.087** — *(1) Deliberation regarding commercial or financial information that the governmental body has received from a business prospect that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations; or (2) to deliberate the offer of a financial or other incentive to a business prospect described by Subdivision.*

- D. **PURSUANT TO §551.074** — *Deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee.*

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

VI. ADJOURNMENT

Motion to **Adjourn**: Councilman Michels, **Second** Councilman Nevarez. Motion **passes** **unanimously**.

Meeting was adjourned at 4:22 PM.

APPROVED:

ATTEST:

JAN JOPLIN, MAYOR

RAEANNE BYINGTON, CITY SECRETARY



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: INDIVIDUAL CONSIDERATION ITEM III.D.2.

SUBJECT

Update authorized account users with Frost Bank

ORIGINATED BY

Jon Horton, Director of Finance

SUMMARY

The City of Kennedale currently has a relationship with Frost Bank. Authorized users on the account are Darrell Hull, Tanisha Sherman, and Anne LaMere (former Director of Finance). Frost Bank requires meeting minutes in order to remove Anne LaMere and add Jonathan Horton

RECOMMENDATION

Approve a resolution that removes Ann LaMere and adds Jonathan Horton as an authorized user with Frost Bank.

ATTACHMENTS



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: INDIVIDUAL CONSIDERATION ITEM III.E.

SUBJECT
ITEMS FOR INDIVIDUAL CONSIDERATION

ORIGINATED BY

SUMMARY

RECOMMENDATION

ATTACHMENTS



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: INDIVIDUAL CONSIDERATION ITEM III.E.1.

SUBJECT

Discussion and Approval of moving payroll to ADP for bi-weekly payroll process.

ORIGINATED BY

Jon Horton, Director of Finance

SUMMARY

The City of Kennedale is currently processing payroll in-house. The productivity cost for this activity exceeds the monetary cost of outsourcing to a payroll provider. In-line with current payroll guidelines three proposals were sought: ADP, Paylocity, and Paychex. With each provider offering a similar platform and capabilities, the financial commitment requirement from ADP does set them ahead.

RECOMMENDATION

Approve a resolution that allows staff to enter into a contract with ADP, Inc. not to exceed an annual investment of \$9,000.00.

ATTACHMENTS

Proposals from all three potential providers

Company Information

City Of Kennedale
405 Municipal Dr
Kennedale, TX 76060-2249
United States

Executive Contact

Jon Horton
Director of Finance
jhorton@cityofkennedale.com
(817) 478-5418



68

Total
Employees



\$0.00

Implementation
Costs



\$7,236.88

Total Annual
Investment

Expiration
5/24/2023

ADP Sales Associate

Lauren Hornbuckle
MMDM
lauren.hornbuckle@adp.com

** The Implementation Costs and Total Annual Investment listed out on this Investment Summary are estimates based on the services, frequencies, recurring rates and pay counts outlined on the sales order and are shown for illustrative purposes only. These numbers are not binding amounts and shall not become incorporated into or made a part of any sales order or services agreement governing the services contemplated therein.

Sales Order

Quote Number 02-2023-287032 1



Company Information

City Of Kennedale
405 Municipal Dr
Kennedale, TX 76060-2249
United States

Executive Contact

Jon Horton
Director of Finance
jhorton@cityofkennedale.com
(817) 478-5418

Recurring Fees and Considerations

Number of Employees: 68 on City Of Kennedale



Per Processing

	Count	Min	Base	Rate	Bi-Weekly	Annual
Workforce Now Payroll Solutions	68	-	\$50.00	\$2.93	\$249.24	\$6,480.24
• Enhanced Payroll						
• Essential Time						
Delivery Fee	1	-	\$20.00	-	\$20.00	\$520.00
Employment and Income Verification	68	-	-	-	\$0.00	\$0.00
• Employment Verification						
Additional Jurisdiction (if applicable)		2+		\$10.00/month		



Annual Processing

	Count	Min	Base	Rate	Annual
Year End Forms, W2s or 1099s	68	-	-	\$3.48	\$236.64



Total Annual Investment

Total Annual

Workforce Now Services

\$7,236.88



Other Considerations

Setup



Total Other Considerations

Total Setup

Implementation and Setup

\$4,000.00

Implementation Discount Value

(\$4,000.00)

Estimated Total Net Implementation

\$0.00



Important Project and Billing Information

Billing for Payroll Processing Services, HCM and any module bundled into the single per employee per processing fee for payroll, is billed immediately following the client's first payroll processing. The billing count is based on the number of pays submitted during each processing period, therefore total billing may fluctuate.

Unemployment Claims in excess of the 10% claims cap will be billed at \$36.00 per claim. The fee for optional hearing representation is \$155.00 per appearance. Attorney representation required in certain states and is subject to change (currently: AZ, DE, KY, MO, NC, SC, SD, and WV). Representation fee not to exceed actual attorney fees. Optional service available through non-ADP affiliated attorneys. Attorneys will be retained on behalf of client for limited purpose of representing Client at the hearing. No referral fee applies. No attorney-client relationship exists or will be formed between ADP and Client.

Other
ADP's Fees for Service will be debited directly out of client's bank account of their choosing seven (7) days from invoice date. ADP will send all invoices to jhorton@cityofkennedale.com
Expiration Date: 5/24/2023

Summary			
Estimated Annual Net Investment:	\$7,236.88	Total Net Implementation:	\$0.00

The ADP Services listed on this Sales Order and the fees for such services set forth above are not final and remain subject to approval by ADP Finance in all respects. Once final, Client will receive a revised final, executable sales order to be signed by both ADP and Client.

Workforce Now Included Services

Enhanced Payroll

- Tax Filing Service
- Payment Services
- Reports Library and Custom Report Writer
- Wage Garnishment Processing
- New Hire Reporting
- General Ledger Solution
- Intelligent Employee Case Resolution
- Online Reports and Pay Statements
- Employee and Manager Self Service
- Paid Time Off Accruals
- ADP Portal with Customized Content
- Access to Mobile Apps
- Employee Discount Program
- Group Term Life Auto Calculation
- Conversational Virtual Assistant

Essential Time

- Time Collection
- PTO Management & Reporting
- Request & Approval Workflows
- Rule Based Calculations
- Scheduling
- Mobile Access

Employment Verification

- Commercial Employment and Income Verifications
- Social Services Verifications
- Workers Compensation Verifications
- Client access to Electronic Reports and Tools
- Immigration Verifications

Thank you for your consideration

Data Privacy Appendix

This Data Privacy Appendix is a data processing agreement under Applicable Law and supplements the Agreement, including Sections 4 (Confidentiality), 9.3 (Data Security) and 10.1 (Data Security Breach/Notification), between ADP, Inc. and Client. Capitalized terms throughout this Data Privacy Appendix not defined in the Agreement are defined in the ADP Privacy Glossary at www.adp.com/-/media/adp/privacy/pdf/glossary_en.pdf.

PART I - GENERAL

1. Client Obligations. Client shall only provide ADP with Client Personal Data that: (a) is required to perform the Services; (b) has been collected in accordance with Applicable Law; and (c) Client has authority to provide under Applicable Law.

2. ADP Obligations. ADP, as a Data Processor (or equivalent term under Applicable Law), will comply with Applicable Law for Processing Client Personal Data pursuant to the Agreement. ADP will not: (a) "sell" or "share" Client Personal Data; (b) retain, use, disclose or otherwise Process Client Personal Data outside of its direct business relationship with Client or for any commercial or other purpose other than the business purposes specified in the agreement(s) between Client and ADP, except as permitted by Applicable Law; or (c) combine Client Personal Data with personal data that ADP receives from, or on behalf of, other persons, or collects from its own interaction with a consumer, except as permitted under Applicable Law. ADP shall have the right to Process Client Personal Data in order to comply with its legal obligations (e.g., compliance with sanction laws) or in order to prevent, detect or investigate fraud. ADP employees and contingent workers are authorized to Process Client Personal Data to the extent necessary to provide Services and as permitted under the Agreement and by Applicable Law.

3. De-identification and Aggregation. In addition to any rights granted to ADP in Section 4 of the Agreement to use aggregated and anonymized data, ADP will not attempt to, and will not, re-identify any Client Personal Data.

4. Transfers to Subprocessors. ADP may transfer Client Personal Data to ADP Subprocessors and Third Party Subprocessors located outside of the country in which Client Personal Data was collected. Third Party Subprocessors are bound by written contracts with ADP that impose data protection terms that are not less protective than those imposed by this Data Privacy Appendix.

An up-to-date list of ADP Subprocessors and Third Party Subprocessors, including locations, is accessible at <https://thebridge.adp.com/workforce-now/gdpr/m/media/634>. Such list may be updated from time to time.

5. Compliance Obligations. ADP will notify Client if ADP makes a determination that it can no longer meet its Processing obligations under Applicable Law.

Client may, upon providing written notice to ADP, take reasonable steps to stop and remediate unauthorized Processing of Client Personal Data.

6. Client Instructions. When receiving a Client instruction regarding the Processing of Personal Data, ADP will notify Client if ADP considers such instruction violates Applicable Law; however, ADP is not obliged to and will not perform a legal examination with respect to a Client instruction.

7. Assistance. ADP will assist Client with its data privacy obligations where required under Applicable Law, including assisting Client in responding to and addressing Client Employee individual rights requests and complaints and providing Client with relevant information for conducting data protection impact or risk assessments. ADP reserves the right to charge for such assistance rendered. If ADP receives an individual rights request or complaint directly from a Client Employee, ADP shall promptly forward the Client Employee request to Client.

8. Client Audit. ADP will answer questions asked by Client regarding the Processing of Client Personal Data by ADP. In the event Client reasonably considers that the answers provided by ADP justify further analysis, ADP will, in agreement with Client, either:

(a) provide security materials known as ADP's trust package (which includes security policy and standards overview, password summary, resiliency program summary, disaster recovery program overview, data center and hosting service summary and a third party risk management executive summary), that details ADP's business processes and procedures for the Processing of Client Personal Data; or,

(b) make the facilities it uses to Process Client Personal Data available for an audit by a qualified independent third-party assessor reasonably acceptable to ADP, bound by confidentiality obligations satisfactory to ADP and engaged by Client. Client will provide a copy of the audit report to ADP's Global Chief Privacy Officer which will be ADP Confidential

Information. Audits shall be conducted no more than once per year during the term of the Agreement during regular business hours and will be subject to (i) a written request submitted to ADP at least 45 days in advance of the proposed audit date; (ii) a detailed written audit plan reviewed and approved in advance by ADP's security organization; and (iii) ADP's on-site security policies. Such audits will take place only in the presence of a representative of ADP's global security office, ADP's global data privacy & governance team, or such person designated by the appropriate ADP representative. The audits shall not be permitted to disrupt ADP's Processing activities or compromise the security and confidentiality of Personal Data pertaining to other ADP Clients. ADP will charge Client a reasonable fee for such audit.

PART II – GDPR

9. Scope. This Part II applies solely with respect to Client Personal Data subject to Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of Personal Data and on the free movement of such data ("General Data Protection Regulations" or "GDPR"). With respect to ADP's processing of Client Personal Data subject to GDPR, the ADP Privacy Code, located at https://www.adp.com/-/media/adp/privacy/pdf/bcrpc_en.pdf, governs. ADP has obtained EU authorization of its ADP Privacy Code.

10. International Transfers. For transfers outside of the EEA, Switzerland and United Kingdom, the ADP Privacy Code serves as the legal basis for the data transfer to an ADP Group Company or between ADP and an ADP Subprocessor, which Client acknowledges and accepts. ADP shall enter into appropriate contractual agreements, such as standard contractual

clauses, or rely upon any other lawful transfer mechanism prior to transferring Client Personal Data to a Third Party Subprocessor or to an ADP company when the ADP Privacy Code does not apply.

11. Additional Subprocessor Obligations. Within 30 days of a written update (including electronic notice) by ADP to Client adding a new Subprocessor, Client may object to such new Subprocessor by providing written notice to ADP alleging objective justifiable grounds that such Subprocessor is unable to protect Client Personal Data. If the parties cannot reach a mutually acceptable solution, ADP shall, at its option, either: (a) not allow the Subprocessor to access Client Personal Data; or (b) allow Client to terminate the relevant Services in accordance with the terms of the Agreement.

12. ADP Privacy Code EU Authorization. ADP will make commercially reasonable efforts to maintain the EU authorization of its ADP Privacy Code for the duration of the Agreement and will promptly notify Client of any subsequent material changes in the EU authorization of its ADP Privacy Code.

PART III - Miscellaneous

13. Order of Precedence. In the event of a conflict between the Agreement, this Data Privacy Appendix, the ADP Privacy Code and Applicable Law, then the conflict will be resolved by giving effect to such in the following order of precedence: (a) Applicable Law; (b) the ADP Privacy Code; (c) this Data Privacy Appendix; and (d) the Agreement.

14. Scope. This Data Privacy Appendix provides no additional rights to a Client Employee that are not already provided under the Applicable Law to which the Client Employee is subject.

Investment Summary

City Of Kennedale

Created Date: 05-25-2023
Quote Number: Q-729005

Prepared by:

Cody McLees-Xferred
Sales Representative
cmclees@paychex.com
+1 8177212499

Prepared for:

City Of Kennedale
Jonathan Horton
jhorton@cityofkennedale.com

Per Pay Period - Bi-Weekly	Units	Rate / Unit	Total	Discount	Rate / Unit after Discount	Net Total
Paychex Flex Enterprise						
Paychex Flex Payroll Bundle - Per Payrun Fee	1	\$176.00	\$176.00	40.0%	\$105.60	\$105.60
Paychex Payroll	74	\$5.80	\$429.20	40.0%	\$3.48	\$257.52
Flex Time	74	\$2.50	\$185.00	40.0%	\$1.50	\$111.00
Paychex Flex Time - Per Payrun Fee	1	\$28.00	\$28.00	40.0%	\$16.80	\$16.80
Total						\$490.92

Annual Fees	Units	Rate / Unit	Total	Discount	Rate / Unit after Discount	Net Total
YE Processing- Forms W2/1099 - Base	1	\$82.50	\$82.50	100.0%	\$0.00	\$0.00
YE Processing- Forms W2/1099 - Per User	74	\$7.50	\$555.00	100.0%	\$0.00	\$0.00
YE Handling Fee	1	\$25.00	\$25.00	0.0%	\$25.00	\$25.00
Total						\$25.00

One-time Fees	Units	Rate / Unit	Total	Discount	Rate / Unit after Discount	Net Total
Paychex Flex Payroll Bundle - Setup Fee	1	\$500.00	\$500.00	50.0%	\$250.00	\$250.00
Paychex Flex Time - Setup Fee	1	\$1,000.00	\$1,000.00	50.0%	\$500.00	\$500.00
Total						\$750.00

Usage Fees	Units	Rate / Use	Total	Discount	Rate / Use after Discount
Remote I-9	1	\$65.00	\$65.00	0.0%	\$65.00
Form I-9	1	\$2.50	\$2.50	0.0%	\$2.50

DRAFT

Investment Summary Package

Paychex Flex® Enterprise

Talent Management

- HR Library
- Onboarding Tasks
- Post Jobs with Indeed®
- Paychex Flex HR Administration
- Employee Handbook Builder
- Paychex Employee Screening Essentials - 15
- Performance Management
- Document Management

Workforce Management

- Reporting and Analytics
- General Ledger Report
- New-Hire Reporting
- Employment & Income Verification Services
- Labor Compliance Poster Kit
- Custom Reports and Data Exports
- State Unemployment Insurance Service
- Labor Distribution and Job Costing
- Time-Off Accrual (TOA) Reporting

Payroll and Financial Support

- Payroll Processing
- Payroll Tax Services - Taxpay®
- Flexible Employee Pay Options
- Garnishment Payment Service
- General Ledger Service

Employee Experience

- Enhanced Employee Mobile Experience
- Learning Management System (LMS)
- Online Reports and Analytics
- Corporate Events Calendar
- Cashflow Assistance (FinFit®)
- 401(k) Report
- Retirement Plan Summary Report
- 24/7 U.S. Based Expert Support

Notations

Product / Billing

- Totals displayed do not include sales tax where applicable.
- Prices are subject to change with advance notice; promotions are excluded from change.
 - * Additional training content for Paychex Learning Product offering is purchased through the e-commerce tool site by authorized users.
- Payroll Delivery: Delivery fees charged only if incurred.
- Quarter/Year End Report Delivery: Quarter/YE Report Delivery fees are not included and will be charged if a package is delivered. Additional fees will apply.

Implementation

- Worker's Compensation Report or Worker's Compensation Payment Service: Worker's Compensation Payment Service
- General Ledger Report or General Ledger reporting service: General Ledger reporting service

Promotions

- AICPA Discount: This partnership discount entitles you to one month free of payroll, retirement, and HR services and a six-month money back satisfaction guarantee on payroll and retirement services. Payroll and retirement will be waived in 1st month of service. HR Services will be waived in the 6th month of service.

Year-End Delivery

- **Note:** Please review your delivery method with your service provider before 12/31 to avoid additional charges.
- **Online Only**
 - You and your employees will receive no physical output.
 - W2s are typically available online within the first full week of January.

Investment Summary

May 23, 2023 | Quote # Q-114112 | Quote valid for 30 days



Client Company

City of Kennedale
405 Municipal Drive
Kennedale, TX 76060
(817) 985-2105

Client Contact

Jonathan Horton
405 Municipal Drive
Kennedale, TX 76060



Total Employee Count

74



Total Annual Investment

\$12,681.36



Implementation Fee (One Time)

\$3,863.51



Monthly Fee

\$1,004.28

**Annualized fees do not include usage based fees*

**Monthly fees based on # of active employees*

***Plus sales tax if applicable*

See following pages for line item
breakdown of services

Paylocity Account Executive

Date

Kenny Cook

Signature

Client Authorization

Date

Signature

Name (Print)

The Paylocity services covered by this agreement are provided in accordance with the terms and conditions of this agreement.

National Awards & Recognition



Investment Summary

May 23, 2023 | Quote # Q-114112 | Quote valid for 30 days



One-Time Fees	Qty	Rate	Price
Bundle Implementation			\$3,863.51
Payroll Implementation	-	-	Included
Time Off Accruals Implementation	-	-	Included
General Ledger Implementation	-	-	Included
HR Implementation	-	-	Included
Self Service Implementation	-	-	Included
Time & Labor Implementation	-	-	Included
One-Time Total			\$3,863.51

Monthly Fees	Qty	Base	Rate	Monthly
Complete HCM Solution	74	\$166.60	\$11.32	\$1,004.28
HR & Payroll				
• Payroll Processing Bi-Weekly/Semi-Monthly	-	-	-	Included
• Tax Filing	-	-	-	Included
• Time Off Accruals	-	-	-	Included
• Direct Deposit	-	-	-	Included
• Signed and Sealed Checks	-	-	-	Included
• New Hire Reporting	-	-	-	Included
• Unlimited Product Training	-	-	-	Included
• Analytics	-	-	-	Included
• Employee Action Forms	-	-	-	Included
• Payroll Proration/Retro-pay	-	-	-	Included
• General Ledger Service	-	-	-	Included
• HR	-	-	-	Included
• Self Service Portal	-	-	-	Included
• Compliance	-	-	-	Included
Employee Engagement				
• Mobile	-	-	-	Included
• Community	-	-	-	Included
• Peer Recognition	-	-	-	Included
Time & Labor				
• Time & Labor	-	-	-	Included
Monthly Total				\$1,004.28

Annual Fees	Qty	Base	Rate	Annual
W2 / 1099	74	\$50.00	\$7.00	\$568.00
Annual SSN Verification	74	\$25.00	\$0.50	\$62.00
Annual Total				\$630.00

Investment Summary

May 23, 2023 | Quote # Q-114112 | Quote valid for 30 days



Usage Based Fees	Base	Rate
Delivery Next Day (UPS)		\$20.00
Split Pack		\$6.00
Electronic Garnishments		\$1.75
Direct Agency Pay		\$2.75

The fees listed above are invoiced as incurred on per usage basis in accordance with the terms and conditions. Please note these fees are in addition to the ongoing fees stated in the Investment Summary section of the quote.



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: PUBLIC HEARING ITEM III.F.

SUBJECT
PUBLIC HEARINGS

ORIGINATED BY

SUMMARY

RECOMMENDATION

ATTACHMENTS



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: EXECUTIVE SESSION ITEM IV.A.

SUBJECT

PURSUANT TO §551.071 — 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 of any item posted on the agenda, legal issues regarding the Open Meetings Act.

ORIGINATED BY

SUMMARY

RECOMMENDATION

ATTACHMENTS



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: EXECUTIVE SESSION ITEM IV.B.

SUBJECT

PURSUANT TO §551.072 — Deliberation regarding the purchase, exchange, lease, or value of real property.

ORIGINATED BY

SUMMARY

RECOMMENDATION

ATTACHMENTS



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: EXECUTIVE SESSION ITEM IV.C.

SUBJECT

PURSUANT TO §551.087 — (1) *Deliberation regarding commercial or financial information that the governmental body has received from a business prospect that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations; or (2) to deliberate the offer of a financial or other incentive to a business prospect described by Subdivision.*

ORIGINATED BY

SUMMARY

RECOMMENDATION

ATTACHMENTS



MEETING DATE: JUNE 6, 2023

AGENDA ITEM NUMBER: EXECUTIVE SESSION ITEM IV.D.

SUBJECT

PURSUANT TO §551.074 — *Deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee.*

ORIGINATED BY

SUMMARY

RECOMMENDATION

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