

**OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM
and
PRELIMINARY OFFICIAL STATEMENT**

CITY OF KENNEDALE, TEXAS

(A Political Subdivision of the State of Texas Located in Tarrant County, Texas)

\$17,400,000*

**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2023
(THE “CERTIFICATES”)**

**Bids due
Tuesday, August 15, 2023
at
11:00 A.M., Central Time**

*Preliminary, subject to change based on bid structures. See “THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES” in the Official Notice of Sale relating to the Certificates.

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Certificates defined and described herein. The invitation for bids on the Certificates is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

(this page intentionally left blank)

OFFICIAL NOTICE OF SALE

\$17,400,000*

CITY OF KENNEDALE, TEXAS

**(A political subdivision of the State of Texas located in Tarrant County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023**

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BID: The City Council (the "City Council") of the City of Kennedale, Texas (the "City" or the "Issuer") is offering for sale at competitive bid its \$17,400,000* Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates").

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central Time, on Tuesday, August 15, 2023. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System ("PARITY") and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on Tuesday, August 15, 2023 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via email please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

OPENING OF BIDS: Bids will be opened and publicly read at 11:00 A.M., Central Time, on Tuesday, August 15, 2023, following which the bids will be evaluated by SAMCO Capital Markets, Inc. (the "Financial Advisor") and the City Council shall provide final approval of the award at a City Council meeting later that evening. The Mayor of the City or his representative shall award the Certificates as described in the section entitled "AWARD AND SALE OF THE CERTIFICATES" below.

AWARD AND SALE OF THE CERTIFICATES: By 12:00 P.M. Noon, Central Time, on the date set for receipt of bids, the Mayor of the City or his representative shall tentatively award the Certificates to the **low qualified bidder (the "Winning Bidder")**, as described in the section entitled "CONDITIONS OF SALE – Basis of Award" herein subject to final approval of the City Council which will take action to adopt an ordinance (the "Ordinance") authorizing the issuance and awarding sale of the Certificates or will reject all bids promptly at a scheduled meeting to commence at 5:30 P.M. Central Time on Tuesday, August 15, 2023. The City reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

*Preliminary, subject to change based on bid structures. See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" herein.

THE CERTIFICATES

DESCRIPTION OF CERTAIN TERMS OF THE CERTIFICATES: The Certificates will be dated August 1, 2023 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially on February 1, 2024, and semiannually on each August 1 and February 1 thereafter until the earlier of stated maturity or prior redemption. The Certificates will be issued as fully registered Certificates in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof within a stated maturity. Purchasers of the Certificates (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.) The Certificates will be stated to mature on February 1 in each of the following years in the following amounts:

MATURITY SCHEDULE
(Due February 1)

| Stated Maturity | Principal Amount* | Stated Maturity | Principal Amount* |
|-----------------|-------------------|-----------------|-------------------|
| 2024 | \$ 405,000 | 2034 | \$ 915,000 |
| 2025 | 180,000 | 2035 | 960,000 |
| 2026 | 335,000 | 2036 | 1,005,000 |
| 2027 | 440,000 | 2037 | 1,050,000 |
| 2028 | 700,000 | 2038 | 1,095,000 |
| 2029 | 735,000 | 2039 | 1,150,000 |
| 2030 | 770,000 | 2040 | 1,200,000 |
| 2031 | 800,000 | 2041 | 1,260,000 |
| 2032 | 835,000 | 2042 | 1,315,000 |
| 2033 | 875,000 | 2043 | 1,375,000 |

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$17,400,000*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES: Bidders may provide that all of the Certificates be issued as serial maturities or may provide that any two or more consecutive annual principal amounts be combined into one or more term certificates, not to exceed five term certificates (the “Term Certificates”).

MANDATORY SINKING FUND REDEMPTION: If the Winning Bidder designates principal amounts of two or more consecutive maturities to be combined into one or more Term Certificates, each such Term Certificate will be subject to mandatory sinking fund redemption commencing on February 1 of the first year which has been combined to form such Term Certificate and continuing on February 1 in each year thereafter until the stated maturity date of that Term Certificate. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption “MATURITY SCHEDULE”. Certificates to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been optionally redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The City reserves the right, at its option, to redeem the Certificates maturing on or after February 1, 2033, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2032, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described in the Preliminary Official Statement.

*Preliminary, subject to change. See “THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES”.

SECURITY FOR PAYMENT: The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council on August 15, 2023, and the City's Home Rule Charter and are payable primarily from an annual ad valorem tax levied against all taxable property therein, within the limits prescribed by law, and are further secured by a lien on and pledge of the "Surplus Revenues", if any, received from the operation of the Issuer's municipal waterworks, and sewer system (the "System"). The term "Surplus Revenues" is defined in the Ordinance to mean the surplus revenues derived by the City from the City's Waterworks and Sewer System remaining after payment of (a) all amounts constituting operation and maintenance expenses of said Waterworks and Sewer System, (b) all debt service, reserve, and other requirements and amounts required to be paid under all ordinances heretofore or hereafter authorizing (i) all bonds and (ii) all other obligations not on a parity with the Certificates, which are payable from and secured by any Waterworks and Sewer System revenues, and (c) all amounts payable from any Waterworks and Sewer System revenues pursuant to contracts heretofore or hereafter entered into by the City in accordance with law.

OTHER TERMS AND COVENANTS: Other terms of the Ordinance and the various covenants of the City contained in the Ordinance are described in the Official Statement, to which reference is made for all purposes.

SUCCESSOR PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City covenants to provide a Paying Agent/Registrar at all times while the Certificates are outstanding, and any Paying Agent/Registrar selected by the City shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Certificates. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Certificates.

In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the City, shall be qualified as described in the Preliminary Official Statement. Upon a change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Certificates will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Certificates from the Dated Date of the Certificates to the date of Initial Delivery (defined herein) of the Certificates. **No bid producing a cash premium on the Certificates that results in a dollar price of less than 102% will be considered; provided, however, that any bid is subject to adjustment as described under the caption "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Certificates (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Certificates of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein (the "Winning Bidder" or "Purchaser") and which produces the lowest True Interest Cost (defined herein) rate to the City. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates plus the premium bid, (but not interest accrued from the Dated Date to the date of their initial delivery to the Purchaser). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City and its consultants with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Initial Purchaser will be required to provide the City (on or before the 10th business day prior to the delivery of the Certificates) with a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

ESTABLISHMENT OF ISSUE PRICE:

The City intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal Certificates), which require, among other things, that the City receives bids from at least three underwriters of municipal Certificates who have established industry reputations for underwriting new issuances of municipal Certificates (the "Competitive Sale Requirement").

In the event that the bidding process does not satisfy the Competitive Sale Requirement, Bids will **not** be subject to cancellation and the winning bidder (i) agrees to promptly report to the City the first prices at which at least 10% of each maturity of the Certificates (the "First Price Maturity") have been sold to the Public on the Sale Date (the "10% Test") (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test) and (ii) agrees to hold-the-offering-price of each maturity of the Certificates that does not satisfy the 10% Test ("Hold-the-Price Maturity"), as described below.

In order to provide the City with information that enables it to comply with the establishment of the issue price of the Certificates under the Internal Revenue Code of 1986, as amended, the winning bidder agrees to complete, execute, and timely deliver to the City or to the City's municipal advisor, SAMCO Capital Markets, Inc. (the "City's Financial Advisor") the appropriate certification as to the Certificates' "issue price" (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions, at least 5 business days before the Closing Date if the Competitive Sale Requirement is satisfied or within 5 business days of the date on which the 10% Test is satisfied with respect to all of the First Price Maturities. In the event the winning bidder will not reoffer any maturity of the Certificates for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner

approved by the City. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale and Bidding Instructions:

- (i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party,
- (ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public),
- (iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "Sale Date" means the date that the Certificates are awarded by the City to the winning bidder.

All actions to be taken by the City under this Notice of Sale and Bidding Instructions to establish the issue price of the Certificates may be taken on behalf of the City by the City's Financial Advisor, and any notice or report to be provided to the City may be provided to the City's Financial Advisor.

The City will consider any bid submitted pursuant to this Notice of Sale and Bidding Instructions to be a firm offer for the purchase of the Certificates, as specified in the bid and, if so stated, in the Official Bid Form.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to report the prices at which it sells to the Public the unsold Certificates of each maturity allocated to it until either all such Certificates have been sold or it is notified by the winning bidder that either the 10% Test has been satisfied as to the Certificates of that maturity, (B) to promptly notify the winning bidder of any sales of Certificates that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Certificates to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the Public to require each underwriter or dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Certificates of each maturity allocated to it until either all such Certificates have been sold or it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Certificates of that maturity. Sales of any Certificates to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale and Bidding Instruction.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Certificates, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th) business day after the Sale Date; or (2) the date on which the Underwriters have sold at least 10% of that Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the City when the Underwriters have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" for a description of the City's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities.

GOOD FAITH DEPOSIT: A bank cashier's check payable to the order of "City of Kennedale, Texas" in the amount of \$348,000, which is 2% of the par value of the Certificates (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the City until the Certificates are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Certificates; however, should the Purchaser fail or refuse to take up and pay for the Certificates, said Good Faith Deposit is to be cashed by the City and the proceeds accepted as full and complete liquidated damages. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the City prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Certificates has been made.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:

It is the obligation of the City to receive information from Winning Bidder if it is not a publicly traded business entity (a “Privately Held Bidder”). Pursuant to Texas Government Code Section 2252.908 (the “Interested Party Disclosure Act”), the City may not award the Certificates to a Winning Bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the “Disclosure Form”) to the City as prescribed by the Texas Ethics Commission (“TEC”). In the event that a Privately Held Bidder’s bid for the Certificates is the best bid received, the City, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the City’s conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (City of Kennedale, Texas) and (b) item 3 - the identification number assigned to this contract by the City (Kennedale CO2023) and description of the goods or services (Purchase of the City of Kennedale, Texas Combination Tax and Revenue Certificates of Obligation, Series 2023). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the “Disclosure Rules”) require a non-publicly traded business entity contracting with the City to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC’s “electronic portal” to the City. The executed Disclosure Form must be sent by email to the City’s financial advisor at mmcliney@samcocapital.com and to the City’s bond counsel at ojuarez@mphlegal.com and sibarra@mphlegal.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made “under penalty of perjury.” Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Certificates until a completed Disclosure Form is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder’s obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC’s website at <https://www.ethics.state.tx.us/filinginfo/1295>.

ADDITIONAL CONDITIONS OF AWARD - REQUIRED CERTIFICATIONS AND VERIFICATION’S BY WINNING BIDDER:

Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the Official Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, as amended, and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, “boycott Israel” means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

VERIFICATION PURSUANT TO CHAPTERS 2252 AND 2270 OF THE TEXAS GOVERNMENT CODE:

Each bidder, through submittal of an executed Official Bid Form, represents that neither it nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on the following page of such officer’s internet website: <https://comptroller.texas.gov/purchasing/publications/divestment.php>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Texas or federal law and excludes our company and each parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each bidder, through submittal of an executed Official Bid Form, understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

No Boycotting of Energy Companies. To the extent the Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislative Session), Texas Government Code, as amended, each bidder, through submittal of an executed Official Bid Form, represents and verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies during the term of the contract. The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, “boycott energy companies” shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-

based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. By submitting a bid, each bidder acknowledges that it understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

No Discrimination of Firearm Entities or Firearm Trade Associations. To the extent the Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislative Session, “SB 19”), Texas Government Code, as amended, each bidder, through submittal of an executed Official Bid Form, verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any,

- (1) do not have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association; and
- (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association.

The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” (A) means, with respect to the entity or association, to (i) refuse to engage in the trade of any goods or services with the entity or association based solely on its status as a firearm entity or firearm trade association; (ii) refrain from continuing an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; or (iii) terminate an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; and (B) does not include: (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories; and (ii) a company’s refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship: (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency; or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity’s or association’s status as a firearm entity or firearm trade association. By submitting a bid, each bidder acknowledges that it understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

STANDING LETTER REQUIREMENT: The bidder must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General’s Office as required by the All Bond Counsel Letter of the Texas Attorney General dated September 22, 2021 (the “All Bond Counsel Letter”). In submitting a bid, the bidder represents to the City that it has filed a standing letter that conforms to the requirements set forth in the All Bond Counsel Letter and it has no reason to believe that the City may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General’s Office. Bidder agrees that it will not rescind its standing letter at any time before the delivery of the Certificates unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The City reserves the right, in its sole discretion, to reject any bid from a bidder that does not have such standing letter on file as of the deadline for bids for the Certificates. If requested by the City, the bidder agrees to provide such further representations, certifications or assurances regarding the matters described above, as of the date of delivery of the Certificates or such other date requested by the City.

FURTHER STATE LAW COMPLIANCE: THE CITY WILL NOT ACCEPT THE BID OF ANY BIDDER WHO IS, OR WHOSE PARENT COMPANY, SUBSIDIARIES OR AFFILIATES IS, ON A LIST MAINTAINED BY THE TEXAS COMPTROLLER OR HAS A PENDING OR UNRESOLVED INQUIRY FROM A POLITICAL SUBDIVISION OR THE TEXAS COMPTROLLER OR THE TEXAS ATTORNEY GENERAL RELATED TO COMPLIANCE WITH CHAPTER 2274 OF THE TEXAS GOVERNMENT CODE. BY SUBMITTING A BID, EACH BIDDER AGREES, SHOULD IT BE THE WINNING BIDDER, TO COOPERATE WITH THE CITY AND TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW.

IMPACT OF BIDDING SYNDICATE ON AWARD: For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

OFFICIAL STATEMENT

To assist the Purchaser in complying with Rule 15c2-12, as amended (the “Rule”), of the United States Securities and Exchange Commission (“SEC”), the City and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE: The City has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Certificates, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the City deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the City of the initial offering yields of the Certificates.

The City agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a “designated electronic format” (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board (“MSRB”). The City consents to the distribution of such documents in a “designated electronic format.” Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The City will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The City does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the City intends the same to be final as of such date, within the meaning of Section 15c2-12(b)(3) of the Rule. Notwithstanding the foregoing, the City makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates.

FINAL OFFICIAL STATEMENT: In addition to delivering the Official Statement in a "designated electronic format", the City will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Certificates, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Certificates. The Purchaser will be responsible for providing information concerning the City and the Certificates to subsequent purchasers of the Certificates, and the City will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The City agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the MSRB. The City consents to the distribution of such documents in a "designated electronic format". Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the MSRB Rule G-32. The City's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Certificates to the Purchaser, unless the Purchaser notifies, in writing, the City that less than all of the Certificates have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Certificates have been sold to ultimate customers.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the City learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Certificates, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY", the City will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a "designated electronic format"; provided, however, that the obligation of the City to do so will terminate when the City delivers the Certificates to the Purchaser, unless the Purchaser notifies the City on or before such date that less than all of the Certificates have been sold to ultimate customers, in which case the City's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the City delivers the Certificates) until all of the Certificates have been sold to ultimate customers.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Certificate (the "Delivery Date"), the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the initial delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) except as otherwise disclosed in the official statement there has been no material adverse change in the financial condition of the City since the date of the last financial statements of the City appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the City Council of the City on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the City.

CONTINUING DISCLOSURE AGREEMENT: The City will agree in the Ordinance to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL CERTIFICATES: The initial delivery of the Certificates to the Purchaser on the "Delivery Date", will be accomplished by the issuance of either (i) a single fully registered Certificate in the total principal amount of \$17,400,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Certificate for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial Certificate"), signed by manual, electronic, or facsimile signature of the Mayor and the City Secretary approved by the Attorney General of Texas, and registered and manually or electronically signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Certificates will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Certificate, they shall be immediately canceled and one Certificate for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Certificate must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Certificates. It is anticipated that Initial Delivery of the Initial Certificate can be made on or about September 13, 2023, but if for any reason the City is unable to make delivery by September 13, 2023, then the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Certificates. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the City's reasonable control.

EXCHANGE OF INITIAL CERTIFICATES FOR DEFINITIVE CERTIFICATES: Upon payment for the Initial Certificate at the time of such delivery, the Initial Certificate is to be canceled by the Paying Agent/Registrar and registered definitive Certificates delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Certificates shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Certificate, final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Certificate and delivery of registered definitive Certificates may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Certificates, but neither the failure to print such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Certificates shall be paid by the City; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Certificates is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Certificate, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE", all as described below. In addition, if the City fails to comply with its obligations described under "OFFICIAL STATEMENT- FINAL OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Certificates by delivering written notice to the City within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligation of the Purchaser to take up and pay for the Certificates, and of the City to deliver the Initial Certificate, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Certificate, there shall have been no material adverse change in the affairs of the City subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

LEGAL OPINIONS: The Certificates are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

CHANGE IN TAX-EXEMPT STATUS: At any time before the Certificates are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Certificates shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by U.S. Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

GENERAL CONSIDERATIONS

FUTURE REGISTRATION: The Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. To the extent possible, new Certificates issued in an

exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and interest rate as the Certificates surrendered for exchange or transfer.

RECORD DATE: The record date ("Record Date") for determining the party to whom the semiannual interest on the Certificates is payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date.

RATING: A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Rating" in the Preliminary Official Statement). An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates. A rating is not a recommendation to buy, hold or sell securities.

SALE OF ADDITIONAL OBLIGATIONS: The City currently has no plans to issue additional ad valorem tax supported debt in 2023.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE: No registration statement relating to the Certificates has been filed with the SEC under the Securities Act of 1933, as amended (the "Act"), in reliance upon exemptions provided in such Act. The Certificates have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Certificates, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Certificates are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from SAMCO Capital Markets, Inc., 1700 Pacific Ave., Suite 2000, Dallas, Texas 75201, Attention: Peggy Kilborn (214-765-1440, pkilborn@samcocapital.com) by electronic mail or upon payment of reasonable handling, mailing, and delivery charges.

On the date of the sale, the City Council will, in the Ordinance authorizing the issuance of the Certificates, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

/s/ Linda Rhodes
Mayor,
City of Kennedale, Texas

ATTEST:

/s/ Leslie Galloway
City Secretary,
City of Kennedale, Texas

August 15, 2023

(this page intentionally left blank)

OFFICIAL BID FORM

Honorable Mayor and City Council
 City of Kennedale
 405 Municipal Drive
 Kennedale, Texas 76060

August 15, 2023

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated August 8, 2023, which terms are incorporated by reference to this proposal (and which are agreed to as evidenced by our submission of this bid), we hereby submit the following bid for \$17,400,000 (preliminary, subject to change) CITY OF KENNEDALE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023, dated August 8, 2023 (the "Certificates").

For said legally issued Certificates, we will pay you \$ _____ (being a price of no less than 102% of the par value) plus accrued interest from their date to the date of delivery to us for Certificates maturing February 1 and bearing interest per annum as follows:

| Year of Stated Maturity | Principal Amount at Stated Maturity | Coupon % | Year of Stated Maturity | Principal Amount at Stated Maturity | Coupon % |
|-------------------------|-------------------------------------|----------|-------------------------|-------------------------------------|----------|
| 2024 | \$ 405,000 | | 2034* | \$ 915,000 | |
| 2025 | 180,000 | | 2035* | 960,000 | |
| 2026 | 335,000 | | 2036* | 1,005,000 | |
| 2027 | 440,000 | | 2037* | 1,050,000 | |
| 2028 | 700,000 | | 2038* | 1,095,000 | |
| 2029 | 735,000 | | 2039* | 1,150,000 | |
| 2030 | 770,000 | | 2040* | 1,200,000 | |
| 2031 | 800,000 | | 2041* | 1,260,000 | |
| 2032 | 835,000 | | 2042* | 1,315,000 | |
| 2033* | 875,000 | | 2043* | 1,375,000 | |

*Maturities available for Term Certificates.

Our calculation (which is not part of this bid) of the True Interest Cost from the above is: _____%

We are (are not) having the Certificates of the following maturities _____ insured by _____ at a premium of \$ _____. The premium will be paid by the Winning Bidder. Any fees due to Rating Agencies, other than S&P Global Ratings ("S&P"), as a result of said insurance will be paid by the Winning Bidder. The City will pay the fee due to S&P.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: As a condition to our submittal of this bid for the Certificates, we acknowledge the following: The City reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$17,400,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the City to reflect such increase or decrease. The City will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

Of the eligible principal maturities set forth in the table above, we have created term certificates (the "Term Certificates") as indicated in the following table (which may include no more than five Term Certificates. For those years which have been combined into a Term Certificate, the principal amount shown in the table shown on page ii of the Official Notice of Sale will be the mandatory sinking fund redemption amounts

in such years except that the amount shown in the year of the Term Certificate maturity date will mature in such year. The Term Certificates created are as follows:

| Term Certificate Maturity Date February 1 | Year of First Mandatory Redemption | Principal Amount of Term Certificate | Interest Rate |
|---|--|--|------------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

The Initial Certificate shall be registered in the name of _____, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of the _____ Bank, _____, Texas, in the amount of \$348,000, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the Purchaser.

We agree to accept delivery of the Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificate in immediately available funds at the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 10:00 A.M., Central Time, on Wednesday, September 13, 2023, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the purchaser of the Certificates to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidenced thereof, agrees to complete, execute, and deliver to the City, by the Delivery Date, a certificate relating to the "issue price" of the Certificates in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the City. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

The undersigned hereby verifies that, at the time of execution and delivery of this bid, to the extent this Official Bid Form is a contract for goods or services, neither the bidder nor any syndicate member listed on this Official Bid Form, nor any parent company, wholly-or majority-owned subsidiaries, and other affiliates of the same, if any, boycotts Israel or will boycott Israel through the date of delivery of the Certificates. The foregoing verification is made solely to comply with Section 2271, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, "boycotts Israel" and "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The bidder understands "affiliate" to mean an entity that (i) controls, is controlled by, or is under common control with the bidder or any syndicate member listed on this Official Bid Form and (ii) exists to make a profit.

By submission of this bid, and as a condition of the award and delivery of the Certificates, the undersigned hereby represents that, neither the bidder nor any syndicate member listed on this Official Bid Form, nor any parent company, wholly-or majority-owned subsidiaries, and other affiliates of the same, if any, are companies identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/publications/divestment.php> The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the bidder, any syndicate member listed on this Official Bid Form and each parent company, wholly-or majority-owned subsidiaries, and other affiliates of the same, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The bidder understands "affiliate" to mean any entity that (i) controls, is controlled by, or is under common control with the bidder or any syndicate member listed on the Official Bid Form and (ii) exists to make a profit.

To the extent this Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislative Session), Texas Government Code, as amended, the undersigned represents and verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies during the term of the contract. The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, "boycott energy companies" shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. The undersigned bidder understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

To the extent the Official Bid Form constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislative Session, "SB 19"), Texas Government Code, as amended, the undersigned verifies that it and its parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any,

- (1) do not have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association; and
- (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association.

The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" (A) means, with respect to the entity or association, to (i) refuse to engage in the trade of any goods or services with the entity or association based solely on its status as a firearm entity or firearm trade association; (ii) refrain from continuing an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; or (iii) terminate an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; and (B) does not include: (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories; and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship: (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency; or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association. The undersigned bidder understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the bidder and exists to make a profit.

THE UNDERSIGNED AGREES THE NEITHER IT, NOR ITS PARENT COMPANY, SUBSIDIARIES OR AFFILIATES, IS ON A LIST MAINTAINED BY THE TEXAS COMPTROLLER OR HAS A PENDING OR UNRESOLVED INQUIRY FROM A POLITICAL SUBDIVISION OR THE TEXAS COMPTROLLER OR THE TEXAS ATTORNEY GENERAL RELATED TO COMPLIANCE WITH CHAPTER 2274 OF THE TEXAS GOVERNMENT CODE.

IN ADDITION TO THE ABOVE VERIFICATIONS, THE UNDERSIGNED AGREES TO COOPERATE WITH THE CITY AND TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW. SUCH ACTION MAY INCLUDE PROVIDING THE CITY WITH A STAND-ALONE LETTER (ADDRESSED DIRECTLY TO THE CITY AND THE ATTORNEY GENERAL OF TEXAS), IN A FORM ACCEPTABLE TO THE CITY, EXECUTED BY ITS GENERAL COUNSEL, A MANAGING DIRECTOR, CHIEF COMPLIANCE OFFICER, OR OTHER COMPARABLE OFFICER ACCEPTABLE TO THE CITY, PROVIDING FURTHER VERIFICATION AND CONFIRMATION OF COMPLIANCE WITH THE MATTERS SET FORTH ABOVE.

For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – DISCLOSURE OF INTERESTED PARTY FORM", complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, and sent by email to the City's financial advisor at mmcliney@samcocapital.com and Bond Counsel at ojuarez@mphlegal.com and sibarra@mphlegal.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the City from providing final written award of the enclosed bid.

By: _____
Authorized Representative

Telephone Number

E-mail Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Kennedale, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 15th day of August, 2023.

/s/ _____
Mayor,
City of Kennedale, Texas

ATTEST:

/s/ _____
City Secretary,
City of Kennedale, Texas

(this page intentionally left blank)

\$17,400,000*
CITY OF KENNEDALE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2023

ISSUE PRICE CERTIFICATE
(Sales where at least 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Combination Tax and Revenue Certificates of Obligation, Series 2023 issued by the City of Kennedale, Texas ("Issuer") in the principal amount of \$_____ ("Certificates"), hereby certifies and represents, based on its records and information, as follows:

(a) On the first day on which there was a binding contract in writing for the purchase of the Certificates by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Certificates with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Certificates, as attached to this Certificate as Schedule A. The Expected Offering Prices are the prices for the Certificates used by the Purchaser in formulating its bid to purchase the Certificates.

(b) The Purchaser had an equal opportunity to bid to purchase the Certificates and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(c) The bid submitted by the Purchaser constituted a firm bid to purchase the Certificates.

(d) The Purchaser has /has not purchased bond insurance for the Certificates. The bond insurance has been purchased from _____ (the "Insurer") for a fee of \$_____ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Certificates. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Certificates, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Certificates in an amount which would exceed the portion of such fee that has not been earned.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public) to participate in the initial sale of the Certificates to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this _____.

_____, as Purchaser

By: _____

Name: _____

SCHEDULE A
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

ISSUE PRICE CERTIFICATE
(Sales where **less than 3 bids are received from underwriters**)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of Combination Tax and Revenue Certificates of Obligation, Series 2023 issued by the City of Kennedale, Texas ("Issuer") in the principal amount of \$_____ ("Certificates"), hereby certifies and represents, based on its records and information, as follows:

(a) Other than the Certificates maturing in _____ ("Hold-the-Price Maturities"), if any, the first prices at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Certificates having the same credit and payment terms ("Maturity") was sold on the Sale Date to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are their respective initial offering prices (the "Initial Offering Prices"), as listed in the pricing wire or equivalent communication for the Certificates that is attached to this Certificate as Schedule A.

(b) On or before the first day on which there is a binding contract in writing for the sale of the Certificates ("Sale Date"), the Purchaser offered to the Public each Hold-the-Price Maturity at their respective Initial Offering Prices, as set forth in Schedule A hereto.

(c) As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for such Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells a Substantial Amount of a Maturity of the Certificates to the Public at no higher price than the Initial Offering Price for such Maturity.

(d) The Purchaser has /has not purchased bond insurance for the Certificates. The bond insurance has been purchased from _____ (the "Insurer") for a fee of \$_____ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Certificates. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Certificates, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Certificates in an amount which would exceed the portion of such fee that has not been earned.

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public) to participate in the initial sale of the Certificates to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this _____.

_____, as Purchaser

By: _____

Name: _____

SCHEDULE A
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

NEW ISSUE - BOOK-ENTRY-ONLY

Rating: S&P: "Applied For"
(See: "OTHER PERTINENT INFORMATION-Rating")

PRELIMINARY OFFICIAL STATEMENT
August 8, 2023

In the opinion of Bond Counsel to the Issuer, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

The Issuer will not designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

\$17,400,000*
CITY OF KENNEDALE, TEXAS
(A political subdivision of the State of Texas located in Tarrant County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023

Dated Date: August 1, 2023

Due: February 1, as shown on inside cover

The \$17,400,000* City of Kennedale, Texas Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council of the City of Kennedale, Texas (the "City" or the "Issuer") on August 15, 2023, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the "Surplus Revenues", if any, received from the ownership and operation of the City's municipal waterworks and sewer system, all as provided in the Ordinance. (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from August 1, 2023 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2024, until the earlier of stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying, in whole or in part, contractual obligations to (i) acquire, construct and equip street, sidewalk and drainage improvements a various locations in the City, together with utility relocation and other improvements incidental thereto and (ii) acquire, construct, repair, extend, equip, and improve the City's waterworks and sewer system (collectively, the "Projects"), and paying all or a portion of the legal, fiscal, and engineering fees in connection with the Projects and costs of issuance related to such Certificates of Obligation. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

The City has made application to municipal bond insurance companies to have the payment of the principal and interest on the Certificates insured by a municipal bond insurance policy and will consider the purchase of such insurance after an analysis of the bids from such companies has been made. The Purchaser (hereinafter defined) will be responsible for paying the bond insurer's bond insurance premium. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS,
CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE CERTIFICATES

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about September 13, 2023.

* Preliminary, subject to change

BIDS DUE TUESDAY, AUGUST 15, 2023, BY 11:00 A.M., CENTRAL TIME

\$17,400,000*
CITY OF KENNEDALE, TEXAS
(A political subdivision of the State of Texas located in Tarrant County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023

MATURITY SCHEDULE*

CUSIP Prefix No. 489332 ⁽¹⁾

| Stated Maturity February 1 | Principal Amount* | Interest Rate (%) | Initial Yield (%) | CUSIP Suffix ⁽¹⁾ |
|----------------------------------|----------------------|----------------------|----------------------|--------------------------------|
| 2024 | \$ 405,000 | | | |
| 2025 | 180,000 | | | |
| 2026 | 335,000 | | | |
| 2027 | 440,000 | | | |
| 2028 | 700,000 | | | |
| 2029 | 735,000 | | | |
| 2030 | 770,000 | | | |
| 2031 | 800,000 | | | |
| 2032 | 835,000 | | | |
| 2033 | 875,000 | | | |
| 2034 | 915,000 | | | |
| 2035 | 960,000 | | | |
| 2036 | 1,005,000 | | | |
| 2037 | 1,050,000 | | | |
| 2038 | 1,095,000 | | | |
| 2039 | 1,150,000 | | | |
| 2040 | 1,200,000 | | | |
| 2041 | 1,260,000 | | | |
| 2042 | 1,315,000 | | | |
| 2043 | 1,375,000 | | | |

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2033, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2032, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as one or more "Term Certificates" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

* Preliminary, subject to change.

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2023 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. None of the City, the Financial Advisor nor the Purchaser or their agent or counsel assume responsibility for the accuracy of such numbers.

[The remainder of this page intentionally left blank]

CITY OF KENNEDALE TEXAS

**405 Municipal Drive
Kennedale, Texas 76060
Telephone: (817) 478-7169)**

ELECTED OFFICIALS

| Name | | Term | |
|-----------------|------------------------|-------------|--------|
| Jan Joplin | Mayor | 2022 | 2024 |
| Rockie Gilley | Councilmember, Place 1 | 2023 | 2025 |
| Brad Horton | Councilmember, Place 2 | 2022 | 2024 |
| Kenneth Michels | Councilmember, Place 3 | 2023 | 202025 |
| Vacant | Councilmember, Place 4 | | |
| Jeff Nevarez | Councilmember, Place 5 | 2023 | 2025 |

ADMINISTRATION

| Name | Position | Length of Service With the City (years) |
|------------------|---------------------|--|
| Darrell Hull | City Manager | 30 years |
| Jon Horton | Director of Finance | 1/4 year |
| Raeanne Byington | City Secretary | 11 years |

CONSULTANTS AND ADVISORS

Bond Counsel..... McCall, Parkhurst & Horton L.L.P.
San Antonio, Texas

Certified Public Accountants..... .FORV/S
Dallas, Texas

Financial Advisor..... SAMCO Capital Markets, Inc.
San Antonio, Texas

For Additional Information Please Contact:

Mr. Jon Horton
Director of Finance
City of Kennedale
405 Municipal Drive
Kennedale, Texas 76060
Phone: (817) 985-2110
jhorton@cityofkennedale.com

Mr. Mark M. McLiney
Mr. Andrew T. Friedman
SAMCO Capital Markets, Inc.
1020 Northeast Loop 410, Suite 640
San Antonio, Texas 78209
Telephone: (210) 832-9760
mmcliney@samcocapital.com
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule"), and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the Issuer with respect to the Certificates that has been "deemed final" by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the Issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING EITHER THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM AS SUCH INFORMATION IS PROVIDED BY DTC, OR THE BOND INSURER, IF ANY, AND ITS MUNICIPAL BOND INSURANCE POLICY.

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the Purchaser of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

TABLE OF CONTENTS

| | | | |
|---|-----------|---|-------------------|
| COVER PAGE..... | 1 | BOOK-ENTRY-ONLY SYSTEM | 13 |
| ELECTED AND APPOINTED OFFICIALS | 3 | INVESTMENT POLICIES | 15 |
| USE OF INFORMATION IN THE OFFICIAL STATEMENT | 4 | AD VALOREM PROPERTY TAXATION..... | 16 |
| SELECTED DATA FROM THE OFFICIAL STATEMENT | 5 | TAX MATTERS | 20 |
| INTRODUCTORY STATEMENT | 7 | CONTINUING DISCLOSURE OF INFORMATION | 22 |
| THE CERTIFICATES | 7 | LEGAL MATTERS..... | 24 |
| REGISTRATION, TRANSFER AND EXCHANGE..... | 11 | FORWARD LOOKING STATEMENTS | 25 |
| BOND INSURANCE | 12 | OTHER PERTINENT INFORMATION | 25 |
| BOND INSURANCE GENERAL RISKS..... | 12 | | |
| | | | |
| Financial Information Relating to the City of Kennedale, Texas | | | Appendix A |
| General Information Regarding the City of Kennedale and Tarrant County, Texas | | | Appendix B |
| Form of Legal Opinion of Bond Counsel | | | Appendix C |
| Excerpts from the Issuer's Audited Financial Statements for the Year Ended September 30, 2022..... | | | Appendix D |
| Specimen Municipal Bond Insurance Policy | | | Appendix E |

The cover page, subsequent pages hereof, and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

| | |
|--|--|
| The Issuer | The City of Kennedale, Texas (the "City" or "Issuer") is a political subdivision of the State of Texas, located in Tarrant County on Highway 287, just South of Interstate 820 and Interstate 20. The City is 11 miles southeast of downtown Fort Worth, Texas. The City operates as a home rule city under the constitution laws of the State of Texas. The City's 2023 estimated population is 9,700. See Appendix B – "General Information Regarding the City of Kennedale, Texas and Tarrant County, Texas" herein.) |
| The Certificates | The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council of the City, on August 15, 2023, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.) |
| Paying Agent/Registrar | The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. |
| Security | The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the "Surplus Revenues", if any, received from the ownership and operation of the City's municipal waterworks and sewer system, all as provided in the Ordinance. The term "Surplus Revenues" is defined in the Ordinance to mean the surplus revenues derived by the City from the City's waterworks and sewer system remaining after payment of (a) all amounts constituting operation and maintenance expenses of said Waterworks and Sewer System, (b) all debt service, reserve, and other requirements and amounts required to be paid under all ordinances heretofore or hereafter authorizing (i) all bonds and (ii) all other obligations not on a parity with the Certificates, which are payable from and secured by any Waterworks and Sewer System revenues, and (c) all amounts payable from any Waterworks and Sewer System revenues pursuant to contracts heretofore or hereafter entered into by the City in accordance with law. (See "THE CERTIFICATES – Security for Payment" herein.) |
| Redemption Provisions of the Certificates | The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2033, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2032, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Purchaser may select certain consecutive maturities of the Certificates to be grouped together as a "Term Certificate" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.) |
| Tax Matters | In the opinion of McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, as Bond Counsel to the City, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof. (See "TAX MATTERS" and "APPENDIX C - Form of Opinion of Bond Counsel" herein). |
| Use of Certificate Proceeds | Proceeds from the sale of the Certificates will be used for the purpose of paying, in whole or in part, contractual obligations to (i) acquire, construct and equip street, sidewalk and drainage improvements a various locations in the City, together with utility relocation and other improvements incidental thereto and (ii) acquire, construct, repair, extend, equip, and improve the City's waterworks and sewer system (collectively, the "Projects"), and paying all or a portion of the legal, fiscal, and engineering fees in connection with the Projects and costs of issuance related to such Certificates of Obligation. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.) |

| | |
|---------------------------|--|
| Rating | A municipal bond rating application has been made to S&P Global Ratings (“S&P”). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Rating" herein.) |
| Bond Insurance | The City is considering qualifying the Certificates for municipal bond insurance and has made application to municipal bond insurance companies in connection with such consideration. If a municipal bond insurance policy is acquired, the Purchaser will pay the bond insurance premium for this bond insurance. (See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” herein.) |
| Payment Record | The City has never defaulted on the payment of its general obligation or revenue indebtedness. |
| Future Debt Issues | The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2023. |
| Delivery | When issued, anticipated on or about September 13, 2023. |
| Legality | Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. |

(The remainder of this page intentionally left blank.)

PRELIMINARY OFFICIAL STATEMENT
relating to

\$17,400,000*
CITY OF KENNEDALE, TEXAS
(A political subdivision of the State of Texas located in Tarrant County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Kennedale, Texas (the "City" or the "Issuer") of its \$17,400,000* Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the Constitution and laws of the State of Texas and the City's Home Rule Charter. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 Northeast Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the City. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Certificates will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

THE CERTIFICATES

General Description of the Certificates

The Certificates will be dated August 1, 2023 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and issued in denominations of \$5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2024, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Council of the City (the "City Council") on August 15, 2023, and the City's Home Rule Charter.

* Preliminary, subject to change.

Security for Payment

Limited Pledge of Ad Valorem Taxes. The Certificates are general obligations of the City, payable from its collection of an ad valorem tax levied annually, within the legal limitations imposed by law, upon all taxable property located in the City. (See "AD VALOREM PROPERTY TAXATION" herein.)

Pledge of Surplus Revenues. The Certificates are further secured by a lien on and pledge of the "Surplus Revenues" of the City's waterworks and sewer system (the "System"). The term "Surplus Revenues" is defined in the Ordinance to mean the surplus revenues derived by the City from the City's System remaining after payment of (a) all amounts constituting operation and maintenance expenses of said System, (b) all debt service, reserve, and other requirements and amounts required to be paid under all ordinances heretofore or hereafter adopted authorizing (i) all bonds, and (ii) all other obligations not on a parity with the Certificates, which are payable from and secured by any System revenues, and (c) all amounts payable from any System revenues pursuant to contracts heretofore or hereafter entered into by the City in accordance with law.

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2033, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, two or more consecutive maturities of the Certificates may be grouped together as a "Term Certificate" by the Purchaser, and such "Term Certificates" would also be subject to mandatory sinking fund redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Certificates or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Selection of Certificates to be Redeemed

The Certificates of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided

funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying, in whole or in part, contractual obligations to (i) acquire, construct and equip street, sidewalk and drainage improvements a various locations in the City, together with utility relocation and other improvements incidental thereto and (ii) acquire, construct, repair, extend, equip, and improve the City’s waterworks and sewer system (collectively, the “Projects”), and paying all or a portion of the legal, fiscal, and engineering fees in connection with the Projects and costs of issuance related to such Certificates of Obligation. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Sources and Uses

| | |
|--------------------------------------|----------|
| Sources | |
| Par Amount of the Certificates | \$ _____ |
| Accrued Interest on the Certificates | _____ |
| [Net] Reoffering Premium | _____ |
| Total Sources of Funds | ===== |
| Uses | |
| Project Fund Deposit | \$ _____ |
| Purchaser’s Discount | _____ |
| Interest and Sinking Fund Deposit | _____ |
| Costs of Issuance | _____ |
| Total Uses | ===== |

Payment Record

The Issuer has never defaulted on the payment of its ad valorem tax-backed indebtedness.

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition, or rescission.

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City’s Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that “Government Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. City officials are authorized to restrict such eligible securities as deemed appropriate in connection with the sale of the Certificates. There is no assurance that the ratings for U.S. Treasury

securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates (“Defeasance Proceeds”), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the “Proprietary-Governmental Dichotomy”). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State’s sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“Wasson”) the Texas Supreme Court (the “Court”) addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’” and protecting such municipalities “via the [S]tate’s immunity is not an efficient way to ensure efficient allocation of [S]tate resources”. While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

If a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor

any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates affected by the change by United States mail, first-class, postage prepaid.

The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for determining the party to whom interest is payable on a Certificate on any interest payment date means the fifteenth (15th) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER, AND EXCHANGE - Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

In the event the Certificates are not in the Book-Entry-Only System, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer of Certificates

Neither the Issuer nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Certificate redeemed in part.

Replacement Certificates

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Certificate must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOND INSURANCE

The Issuer is considering qualifying the Certificates for municipal bond insurance and has made application to several bond insurance companies in connection with such consideration. No representation is hereby made that the Issuer will use municipal bond insurance in connection with the issuance of the Certificates. If the City accepts a bid for the Certificates that incorporates the acquisition of a municipal bond guaranty policy (the "Policy") from a qualified bond insurance company (the "Insurer"), the premium for the Policy will be paid by the Purchaser. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to the Policy.

BOND INSURANCE GENERAL RISKS

General

The City has applied for a Policy to guarantee the Certificates. The City has yet to determine whether any insurance will be purchased with the Certificates, but the payment of the bond insurance premium will be the Purchaser's obligation. If a Policy is purchased as a result of the City accepting a bid for the Certificates that incorporate the acquisition of such a policy, the following are risk factors relating to the bond insurance.

In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the Beneficial Owners as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES - Default and Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Beneficial Owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable from the ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City and by a pledge of a limited amount of the Surplus Revenues derived from the operation of the System as further described under “THE CERTIFICATES – Security for Payment”. In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

If a Policy is acquired, the enhanced long-term rating on the Certificates will be dependent on the financial strength of the Insurer and its claims paying ability. The Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the rating on the Certificates, whether or not subject to the Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) of the Certificates. See the disclosure described in “OTHER PERTINENT INFORMATION – Ratings” herein.

The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the Purchaser, or the City’s Financial Advisor have made an independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody’s Investor Services, Inc., S&P Global Ratings and Fitch Ratings, Inc. (the “Rating Agencies”) have, in recent years, downgraded and/or placed on negative watch the claims-paying and financial strength of many providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims-paying ability of any such bond insurer, particularly over the life of the investment.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for the Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Certificates and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Financial Advisor, and the Purchaser believe to be reliable, but none of the City, the Financial Advisor, or the Purchaser take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Certificates, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration."

INVESTMENT POLICIES

The City invests its investable funds in investments authorized by State law and in accordance with investment policies approved and reviewed annually by the City Council of the City. Both State law and the City's investment policies are subject to change.

Legal Investments

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Current Investments ⁽¹⁾

TABLE 1

As of June 30, 2023, the City held investments as follows (unaudited):

| <u>Type of Security</u> | <u>Market Value</u> | <u>Percentage of Total</u> |
|---|-------------------------|----------------------------|
| Checking Accounts (including Money Market Accounts) | \$ 4,876,645.849 | 21.84% |
| TexPool Accounts | 17,095,211.75 | 76.55% |
| TexStar | <u>360,047.77</u> | <u>1.61%</u> |
| Total | <u>\$ 22,331,905.36</u> | <u>100.00%</u> |

As of such date, the market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Issuer are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

⁽¹⁾ Unaudited.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Tarrant Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

On July 13, 2023, during the Second Special Session, the 88th Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "subjected property") whose appraised values are not more than \$5 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the "appraisal cap"). After the 2024 tax year, through December 31, 2026, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. The appraisal cap takes effect on January 1, 2024, if the constitutional amendment proposed by House Joint Resolution 2 during the Second Special Session is approved by the voters on November 7, 2023.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentation of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

The City participates in one TIRZ, the Tax Increment Reinvestment Zone #1, which was established in 2012 for a period of 25 years (until December 31, 2037) and consists of 957 acres of land. The City contributes 100% of tax increment within this TIRZ for the purposes of public buildings and facilities, roadwork, water and sewer projects, drainage, parks, façade renovation, and economic development.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. There is currently no judicial precedent for how the statute will be applied but Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

City and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$57.2 million for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see “TAX RATE LIMITATIONS – Public Hearing and Maintenance and Operations Tax Rate Limitations”). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

City’s Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer’s debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city’s tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City’s tax-supported debt obligations, including the Certificates.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

The Property Tax Code as Applied to the City

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$60,000.

The City has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of \$5,000.

The City adopted the tax freeze for citizens who are disabled or are 65 years of age or older. On June 6, 2023, effective January 1, 2024.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and Tarrant County collects taxes for the City.

The City does not tax freeport property.

The City does collect an additional one-half of one percent sales tax for reduction of ad valorem taxes.

The City has adopted a tax abatement policy and does have an existing tax abatement agreement and Chapter 380 Agreement.

The City does participate in tax increment financing zones.

TAX MATTERS

Opinion

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (i) interest on the Certificates for federal income tax purposes will be excludable from the “gross income” of the holders thereof, and (ii) the Certificates will not be treated as “specified private activity bonds”, the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates (see “APPENDIX C - Form of Opinion of Bond Counsel”).

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the City, including information and representations contained in the City’s federal tax certificate, and (b) covenants of the City contained in the Certificate documents relating to certain matters, including arbitrage and the use of the proceeds of the Certificates and the property financed therewith. Failure by the City to observe the aforementioned representations or covenants, could cause the interest on the Certificates to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of the issuance of the Certificates. The opinion of Bond Counsel is conditioned on compliance by the City with such requirements, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations, and covenants. Bond Counsel’s opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the property financed with the proceeds of the Certificates. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Certificateholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Certificates (the “Original Issue Discount Certificates”) may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the

accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Interest on the Certificates may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such Certificates, although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to withholding under Sections 1471 through 1474 or backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

The City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information".

Annual Reports

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the Issuer must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file each audit report within 180 days after the close of the Issuer's fiscal year. The Issuer's fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the Issuer's audit reports to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The City will file certain updated financial information and operating data with the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement in Table 1 hereof, Tables 1 through 14 of Appendix A to this Official Statement, and in Appendix D. The Issuer will update and provide this information within six months after the end of each fiscal year of the City beginning in the year 2023. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by that time, the Issuer will provide by the required time unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the end of March in each year following end of its fiscal year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB through EMMA of the change.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Certificates nor the Ordinance make provision for credit enhancement, liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders or beneficial owners of the Certificates. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchasers from

lawfully purchasing or selling Certificates, respectively, in the primary offering of the Certificates.

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds", "Sources and Uses" "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Certificates for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

At the time of the initial delivery of the Certificates, the City will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale, or delivery of the Certificates.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Certificates are negotiable instruments governed by Chapter 8, as amended, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Certificates must have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See "OTHER PERTINENT INFORMATION – Rating" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Certificates have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Certificates or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

Rating

A municipal bond rating application for the Certificates has been made to S&P Global Ratings ("S&P"). The outcome of the result will be made available as soon as possible. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates. A rating is not a recommendation to buy, hold, or sell securities.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and Ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has drafted this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and initial delivery of the Certificates.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (previously defined as the “Purchaser” or the “Initial Purchaser”) to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a [net] reoffering premium of \$_____, less a Purchaser’s discount of \$_____, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect, and (d) there has been no material adverse change in the financial condition of the City, since September 30, 2022, the date of the last financial statements of the City appearing in the Official Statement.

Information from External Sources

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Concluding Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the City’s records, audited financial statements and other sources which the City considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

The Ordinance authorizing the issuance of the Certificates will also approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the re-offering of the Certificates by the Purchaser.

This Official Statement will be approved by the Council for distribution in accordance with the provisions of the SEC’s rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CITY OF KENNEDALE, TEXAS

/s/ _____
Mayor
City of Kennedale, Texas

ATTEST:

/s/ _____
City Secretary
City of Kennedale, Texas

APPENDIX A

**FINANCIAL INFORMATION RELATING TO
THE CITY OF KENNEDALE, TEXAS**

(this page intentionally left blank)

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

| | |
|--|-------------------------|
| 2023 Actual Certified Market Value of Taxable Property (100% of Market Value)..... | \$ 1,384,062,774 |
| Less Exemptions: | |
| Optional Over-65 /Disabled Homestead | \$ 39,406,548 |
| Absolute Exempt | 86,185,881 |
| Veteran's Exemptions | 21,661,751 |
| Inventory/Other | 11,019,121 |
| AG Deferrals | 13,469,649 |
| Pollution Control/Misc | 257,300 |
| Value lost to prorations/ARB | 64,734,973 |
| TOTAL EXEMPTIONS | <u>236,735,223</u> |
| 2023 Net Assessed Value of Taxable Property..... | <u>\$ 1,147,327,551</u> |

Source: Tarrant Appraisal District.

GENERAL OBLIGATION BONDED DEBT

(as of August 1, 2023)

General Obligation Debt Principal Outstanding

| | |
|--|------------------------|
| General Obligation Refunding Bonds, Series 2007 | \$ 210,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2007 | 785,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2007A | 215,000 |
| General Obligation Refunding Bonds, Series 2016 | 1,775,000 |
| Tax Notes, Series 2019 | 1,160,000 |
| General Obligation Refunding Bonds, Series 2020 | 905,000 |
| General Obligation Refunding Bonds, Series 2020A | 1,250,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2021 | 5,210,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") | <u>17,400,000</u> * |
| Total Gross General Obligation Debt | <u>\$ 28,910,000</u> * |

Less: Self Supporting Debt

| | |
|---|----------------------|
| General Obligation Refunding Bonds, Series 2007 (38.25% W&S Utility) | \$ 80,325 |
| Combination Tax and Revenue Certificates of Obligation, Series 2007 (100% W&S Utility) | 785,000 |
| General Obligation Refunding Bonds, Series 2020 (100% EDC) | 905,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2023 (86.21% W&S Utility) (the "Certificates") | <u>15,000,000</u> * |
| Total Self-Supporting Debt | <u>\$ 16,770,325</u> |

Total Net General Obligation Debt Outstanding \$ 12,139,675 *

| | |
|---|------------------|
| 2023 Net Assessed Valuation | \$ 1,147,327,551 |
| Ratio of Total Gross General Obligation Debt Principal to 2023 Net Assessed Valuation | 2.52% |
| Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation | 1.06% |

Population: 1990 - 2,205; 2000 - 2,931; 2010 - 5,166; 2020 - 8,620 - 2023 Estimated 9,700
Per Capita 2023 Net Assessed Valuation - \$118,281.19
Per Capita Gross General Obligation Debt Principal - \$2,980.41
Per Capita Net General Obligation Debt Principal - \$1,251.51

* Preliminary, subject to change.

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 | \$ 37,998.00 | \$ - | \$ 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 | \$ 158,128.00 | \$ - | \$ 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 | \$ (687,888.00) | \$ - | \$ 25,784,993 |
| Governmental activities capital and lease assets, net | \$ 31,694,958 | \$ (428,083.00) | \$ - | \$ 31,266,875 |

Business-type Activities

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

| | Beginning | Increases | Transfers | Ending Balance |
|--|---------------|-------------|--------------|----------------|
| Business-type Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 632,490 | \$ - | \$ - | \$ 632,490 |
| Construction in progress | 586,482 | - | - | 586,482 |
| Total capital assets not being depreciated | \$ 1,218,972 | \$ - | \$ - | \$ 1,218,972 |
| Capital assets being depreciated | | | | |
| Buildings | \$ 5,761,788 | \$ - | \$ - | \$ 5,761,788 |
| Machinery and equipment | 925,269 | - | 161,722 | 763,547 |
| Infrastructure | 19,400,847 | 424,590 | 1,650,000 | 18,175,437 |
| Total capital assets being depreciated | \$ 26,087,904 | \$ 424,590 | \$ 1,811,722 | \$ 24,700,772 |
| 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 | 8,152,036 | 456,877 | 1,155,000 | 7,453,913 |
| Total accumulated depreciation | \$ 12,121,970 | \$ 482,165 | \$ 1,268,831 | \$ 11,335,304 |
| Total capital assets being depreciated, net | \$ 13,965,932 | \$ (57,575) | \$ 542,891 | \$ 13,365,468 |
| Business-type activities capital assets, net | \$ 15,184,904 | \$ (57,575) | \$ 542,891 | \$ 14,584,440 |

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 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 | \$ 805,984 | \$ 112,157 | \$ 918,141 |

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, 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 |
| | \$ 145,422 | \$ 6,778 | \$ 152,200 |

Source: The Issuer's Annual Comprehensive Financial Report.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

| Fiscal Year Ending (9/30) | Current Total Outstanding Debt ⁽¹⁾ | The Certificates* | | | Total Combined Debt Service* | Less: Self Supporting Debt Service* | Total Net Debt Service * |
|------------------------------|---|----------------------|---------------------|----------------------|------------------------------------|---|--------------------------------|
| | | Principal | Interest | Total | | | |
| 2024 | \$ 2,071,853 | \$ 405,000 | \$ 773,888 | \$ 1,178,888 | \$ 3,250,740 | 1,507,460 | \$ 1,743,280 |
| 2025 | 1,668,974 | 180,000 | 760,725 | 940,725 | 2,609,699 | 1,104,078 | 1,505,621 |
| 2026 | 1,692,394 | 335,000 | 749,138 | 1,084,138 | 2,776,532 | 1,245,795 | 1,530,736 |
| 2027 | 1,218,820 | 440,000 | 731,700 | 1,171,700 | 2,390,520 | 1,336,430 | 1,054,090 |
| 2028 | 1,003,187 | 700,000 | 706,050 | 1,406,050 | 2,409,237 | 1,353,128 | 1,056,109 |
| 2029 | 679,130 | 735,000 | 673,763 | 1,408,763 | 2,087,892 | 1,357,671 | 730,222 |
| 2030 | 682,372 | 770,000 | 639,900 | 1,409,900 | 2,092,272 | 1,355,815 | 736,457 |
| 2031 | 545,457 | 800,000 | 604,575 | 1,404,575 | 1,950,032 | 1,218,913 | 731,119 |
| 2032 | 334,950 | 835,000 | 567,788 | 1,402,788 | 1,737,738 | 1,216,963 | 520,775 |
| 2033 | 335,713 | 875,000 | 529,313 | 1,404,313 | 1,740,025 | 1,218,550 | 521,475 |
| 2034 | 336,038 | 915,000 | 489,038 | 1,404,038 | 1,740,075 | 1,218,563 | 521,513 |
| 2035 | 335,550 | 960,000 | 446,850 | 1,406,850 | 1,742,400 | 1,217,000 | 525,400 |
| 2036 | 334,600 | 1,005,000 | 402,638 | 1,407,638 | 1,742,238 | 1,218,750 | 523,488 |
| 2037 | 333,550 | 1,050,000 | 356,400 | 1,406,400 | 1,739,950 | 1,218,700 | 521,250 |
| 2038 | 332,400 | 1,095,000 | 308,138 | 1,403,138 | 1,735,538 | 1,216,850 | 518,688 |
| 2039 | 331,150 | 1,150,000 | 257,625 | 1,407,625 | 1,738,775 | 1,218,088 | 520,688 |
| 2040 | 334,750 | 1,200,000 | 204,750 | 1,404,750 | 1,739,500 | 1,217,300 | 522,200 |
| 2041 | 328,250 | 1,260,000 | 149,400 | 1,409,400 | 1,737,650 | 1,219,375 | 518,275 |
| 2042 | - | 1,315,000 | 91,463 | 1,406,463 | 1,406,463 | 1,219,200 | 187,263 |
| 2043 | - | 1,375,000 | 30,938 | 1,405,938 | 1,405,938 | 1,216,775 | 189,163 |
| Total | \$ 12,899,136 | \$ 17,400,000 | \$ 9,474,075 | \$ 26,874,075 | \$ 39,773,211 | \$ 25,095,401 | \$ 14,677,809 |

⁽¹⁾ Includes self-supporting debt.

* Preliminary, subject to change. Interest calculations based on an assumed rate for illustrative purposes only.

TAX ADEQUACY (Includes Self-Supporting Debt)

| | |
|--|------------------|
| 2023 Certified Net Assessed Valuation | \$ 1,147,327,551 |
| Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2024) | 3,250,740 * |
| Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements | \$ 0.28911 * |

* Preliminary, subject to change. Includes the Certificates.

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest.

TAX ADEQUACY (Excludes Self-Supporting Debt)

| | |
|--|------------------|
| 2023 Certified Net Assessed Valuation | \$ 1,147,327,551 |
| Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2024) | 1,743,280 * |
| Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements | \$ 0.15504 * |

* Preliminary, subject to change. Includes the Certificates.

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest.

INTEREST AND SINKING FUND MANAGEMENT INDEX

| | |
|---|---------------------|
| Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2022 | \$ 838,141 |
| 2022 Anticipated Interest and Sinking Fund Tax Levy at 98% Collections Produce ⁽¹⁾ | <u>1,540,807</u> |
| Total Available for General Obligation Debt | <u>\$ 2,378,948</u> |
| Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/23 | <u>1,669,327</u> |
| Estimated Surplus at Fiscal Year Ending 9/30/2023 ⁽¹⁾ | <u>\$ 709,621</u> |

⁽¹⁾ Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(As of August 1, 2023)

| Fiscal Year Ending 9-30 | Principal Repayment Schedule | | | Principal Unpaid at End of Year* | Percent of Principal Retired (%)* |
|----------------------------|---|----------------------|----------------------|--|---|
| | Currently Outstanding ^(a) | The Certificates* | Total* | | |
| 2024 | \$ 1,825,000 | \$ 405,000 | \$ 2,230,000 | \$ 26,680,000 | 7.71% |
| 2025 | 1,465,000 | 180,000 | 1,645,000 | 25,035,000 | 13.40% |
| 2026 | 1,525,000 | 335,000 | 1,860,000 | 23,175,000 | 19.84% |
| 2027 | 1,085,000 | 440,000 | 1,525,000 | 21,650,000 | 25.11% |
| 2028 | 895,000 | 700,000 | 1,595,000 | 20,055,000 | 30.63% |
| 2029 | 590,000 | 735,000 | 1,325,000 | 18,730,000 | 35.21% |
| 2030 | 610,000 | 770,000 | 1,380,000 | 17,350,000 | 39.99% |
| 2031 | 485,000 | 800,000 | 1,285,000 | 16,065,000 | 44.43% |
| 2032 | 280,000 | 835,000 | 1,115,000 | 14,950,000 | 48.29% |
| 2033 | 285,000 | 875,000 | 1,160,000 | 13,790,000 | 52.30% |
| 2034 | 290,000 | 915,000 | 1,205,000 | 12,585,000 | 56.47% |
| 2035 | 295,000 | 960,000 | 1,255,000 | 11,330,000 | 60.81% |
| 2036 | 300,000 | 1,005,000 | 1,305,000 | 10,025,000 | 65.32% |
| 2037 | 305,000 | 1,050,000 | 1,355,000 | 8,670,000 | 70.01% |
| 2038 | 310,000 | 1,095,000 | 1,405,000 | 7,265,000 | 74.87% |
| 2039 | 315,000 | 1,150,000 | 1,465,000 | 5,800,000 | 79.94% |
| 2040 | 325,000 | 1,200,000 | 1,525,000 | 4,275,000 | 85.21% |
| 2041 | 325,000 | 1,260,000 | 1,585,000 | 2,690,000 | 90.70% |
| 2042 | - | 1,315,000 | 1,315,000 | 1,375,000 | 95.24% |
| 2043 | - | 1,375,000 | 1,375,000 | - | 100.00% |
| Total | <u>\$ 11,510,000</u> | <u>\$ 17,400,000</u> | <u>\$ 28,910,000</u> | | |

^(a) Includes self-supporting debt.

* Preliminary, subject to change.

PRINCIPAL TAXPAYERS

TABLE 3

| <u>Name</u> | <u>Type of Business/Property</u> | <u>% of Total 2022 Net Taxable Assessed Valuation</u> | <u>2022 Assessed Valuation</u> |
|--|----------------------------------|---|--|
| Oncor Electric Delivery LLC | Electric Utility | \$ 14,959,856 | 1.30% |
| F W T Inc | Industrial Manufacturing | 13,322,845 | 1.16% |
| Sabre-FWT Ventures | Commercial Building | 11,100,025 | 0.97% |
| Hawk Steel Industries Inc. | Steel Manufacturing | 9,643,781 | 0.84% |
| Harrison Jet Guns II LP/Harrison Jet Guns Inc. | Manufacturing | 6,984,885 | 0.61% |
| Alta 287 Owner LLC | Apartments | 6,548,329 | 0.57% |
| Hexpol Compounding LLC/Excel Polymers LLC | Chemical Plant | 5,829,981 | 0.51% |
| Tealcove Drive LLC | Apartments | 5,660,778 | 0.49% |
| Oldcastle Infrastructure Inc. | Industrial Manufacturing | 5,451,854 | 0.48% |
| Kennedale Seniors LTD | Apartments | <u>5,200,000</u> | <u>0.45%</u> |
| | | <u>\$ 84,702,334</u> | <u>7.38%</u> |

Based on 2022 Net Taxable Assessed Valuation of \$ 966,393,662.

Note: 2023 Top 10 Taxpayers unavailable at the time of printing.

Source: Tarrant Appraisal District.

TAXABLE ASSESSED VALUATION FOR TAX YEARS

TABLE 4

| Year | Net Taxable Assessed Valuation | Change From Preceding Year | |
|------|-----------------------------------|----------------------------|---------|
| | | Amount (\$) | Percent |
| 2013 | 531,917,562 | - | - |
| 2014 | 563,645,099 | 31,727,537 | 5.96% |
| 2015 | 549,994,735 | (13,650,364) | -2.42% |
| 2016 | 562,698,849 | 12,704,114 | 2.31% |
| 2017 | 623,852,142 | 61,153,293 | 10.87% |
| 2018 | 693,034,899 | 69,182,757 | 11.09% |
| 2019 | 781,196,930 | 88,162,031 | 12.72% |
| 2020 | 761,160,967 | (20,035,963) | -2.56% |
| 2021 | 830,705,663 | 69,544,696 | 9.14% |
| 2022 | 1,147,327,551 | 316,621,888 | 38.11% |
| 2023 | 1,147,327,551 | - | 0.00% |

Source: Tarrant Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 5

| | 2023 | % of Total | 2022 | % of Total | 2021 | % of Total |
|---------------------------------------|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|
| Real, Residential, Single-Family | \$ 885,917,605 | 64.01% | \$ 760,508,158 | 65.49% | \$ 658,551,566 | 65.14% |
| Real, Residential, Multi-Family | 92,539,621 | 6.69% | 36,854,832 | 3.17% | 23,266,989 | 2.30% |
| Real, Vacant Lots/Tracts | 24,108,893 | 1.74% | 23,889,566 | 2.06% | 21,369,191 | 2.11% |
| Real, Acreage (Agricultural) | 41,630 | 0.00% | 76,625 | 0.01% | 79,930 | 0.01% |
| Real, Farm and Ranch Improvements | 3,976,279 | 0.29% | 3,498,255 | 0.30% | 3,067,019 | 0.30% |
| Real, Commercial | 208,591,322 | 15.07% | 179,831,944 | 15.49% | 163,692,939 | 16.19% |
| Real, Industrial | 28,185,966 | 2.04% | 26,707,811 | 2.30% | 25,316,852 | 2.50% |
| Oil and Gas | 25,114,856 | 1.81% | 11,351,830 | 0.98% | 5,482,530 | 0.54% |
| Real & Tangible, Personal Utilities | 29,500,641 | 2.13% | 30,018,667 | 2.59% | 26,179,775 | 2.59% |
| Tangible Personal, Commercial | 53,008,709 | 3.83% | 50,920,748 | 4.39% | 47,712,326 | 4.72% |
| Tangible Personal, Industrial | 29,118,212 | 2.10% | 31,295,651 | 2.70% | 27,673,285 | 2.74% |
| Tangible Personal, Mobile Homes | 1,061,837 | 0.08% | 1,107,893 | 0.10% | 1,104,593 | 0.11% |
| Real Property, Inventory/Other | 2,897,203 | 0.21% | 5,149,322 | 0.44% | 7,505,423 | 0.74% |
| Total Appraised Value | \$ 1,384,062,774 | 100.00% | \$ 1,161,211,302 | 100.00% | \$ 1,011,002,418 | 100.00% |
| Less: | | | | | | |
| Optional Over-65 /Disabled Homestead | \$ 39,406,548 | | \$ 39,010,094 | | \$ 37,174,495 | |
| Absolute Exempt | 86,185,881 | | 73,032,790 | | 67,078,805 | |
| Veteran's Exemptions | 21,661,751 | | 17,127,859 | | 13,472,850 | |
| Inventory/Other | 11,019,121 | | 11,800,712 | | 5,675,711 | |
| AG Deferrals | 13,469,649 | | 10,059,488 | | 8,979,076 | |
| Pollution Control/Misc | 257,300 | | 158,544 | | 5,018,300 | |
| Value lost to Prorations/ARB | 64,734,973 | | 43,628,153 | | 42,897,518 | |
| | <u>236,735,223</u> | | <u>194,817,640</u> | | <u>180,296,755</u> | |
| Net Taxable Assessed Valuation | \$ 1,147,327,551 | | \$ 966,393,662 | | \$ 830,705,663 | |

TAX DATA

TABLE 6

| Tax Year | Net Taxable Assessed Valuation | Tax Rate | Tax Levy | % of Collections | | Year Ended |
|----------|--------------------------------|----------|--------------|------------------|--------|------------|
| | | | | Current | Total | |
| 2013 | \$ 531,917,562 | 0.74750 | \$ 3,976,084 | 98.36 | 99.00 | 9/30/2014 |
| 2014 | 563,645,099 | 0.74750 | 4,213,247 | 98.64 | 101.00 | 9/30/2015 |
| 2015 | 549,994,735 | 0.76750 | 4,221,210 | 99.18 | 100.00 | 9/30/2016 |
| 2016 | 562,698,849 | 0.76750 | 4,318,714 | 98.81 | 100.00 | 9/30/2017 |
| 2017 | 623,852,142 | 0.77410 | 4,829,239 | 99.21 | 99.21 | 9/30/2018 |
| 2018 | 693,034,899 | 0.72571 | 5,029,451 | 95.69 | 100.74 | 9/30/2019 |
| 2019 | 781,196,930 | 0.73490 | 5,741,016 | 96.09 | 102.85 | 9/30/2020 |
| 2020 | 761,160,967 | 0.77410 | 5,892,147 | 99.37 | 100.16 | 9/30/2021 |
| 2021 | 830,705,663 | 0.76409 | 6,508,654 | 99.59 | 100.00 | 9/30/2022 |
| 2022 | 966,393,662 | 0.70619 | 6,824,573 * | 100.55 | 104.76 | 9/30/2023 |

* Includes an adjustment of \$324,925.17 from the Tarrant Co Tax Office not included in this number.

TAX RATE DISTRIBUTION

TABLE 7

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Fund | \$ 0.569154 | \$ 0.572949 | \$ 0.582700 | \$ 0.544400 | \$ 0.535219 |
| I & S Fund | 0.137036 | 0.191136 | 0.191400 | 0.190500 | 0.190495 |
| Total Tax Rate | \$ 0.706190 | \$ 0.764085 | \$ 0.774100 | \$ 0.734900 | \$ 0.725714 |

Source: Tarrant Appraisal District.

The Issuer has adopted the provisions of Chapter 321, Texas Tax Code, as amended, and pursuant thereto levies a sales and use tax at the rate of 1% on the retail sales of taxable items sold within the Issuer. In addition, some issuers, including the City, are eligible to levy a sales tax of up to ½ of 1% for property tax relief and/or an additional sales tax of up to ½ of 1% for economic development. State law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including municipal street maintenance and repair, sports and community venues, and funding certain projects through municipal development districts created by the City pursuant to Chapter 377, Texas Local Government Code. State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

The Issuer has authorized an additional ½ of 1% sales tax for property tax relief and has authorized an additional ½ of 1% sales tax for economic development. The figures below represent collections from the combined 2.00% sales tax.

| Calendar Year | Total Collected | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate |
|---------------|-----------------|--------------------------|-----------------------------------|
| 2013 | \$ 1,217,421 | 30.62% | 0.229 |
| 2014 | 1,281,292 | 30.41% | 0.227 |
| 2015 | 1,843,573 | 43.67% | 0.335 |
| 2016 | 1,476,885 | 34.20% | 0.262 |
| 2017 | 1,433,686 | 29.69% | 0.230 |
| 2018 | 1,832,463 | 36.43% | 0.264 |
| 2019 | 2,198,007 | 38.29% | 0.281 |
| 2020 | 2,183,811 | 37.06% | 0.287 |
| 2021 | 2,438,031 | 37.46% | 0.293 |
| 2022 | 2,408,828 | 35.30% | 0.249 |
| 2023 | 1,541,469 * | | |

Source: State Comptroller's Office of the State of Texas.
 * Through July 2023

OVERLAPPING DEBT INFORMATION

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

| Taxing Body | Gross Debt (As of 8/1/2023) | % Overlapping | Amount Overlapping |
|---|-----------------------------|---------------|--------------------|
| Arlington ISD | \$ 1,131,879,956 | 0.03% | \$ 339,564 |
| Fort Worth ISD | 1,504,885,000 | 0.09% | 1,354,397 |
| Kennedale ISD | 14,375,025 | 40.50% | 5,821,885 |
| Mansfield ISD | 784,099,839 | 0.17% | 1,332,970 |
| Tarrant County | 404,360,000 | 0.35% | 1,415,260 |
| Tarrant County College District | 610,315,000 | 0.35% | 2,136,103 |
| Tarrant County Hospital District | 448,410,000 | 0.35% | 1,569,435 |
| Total Gross Overlapping Debt | | | \$ 13,969,613 |
| Kennedale, City of | | | \$ 28,910,000 * |
| Total Gross Direct and Overlapping Debt | | | \$ 42,879,613 * |
| Ratio of Gross Direct Debt and Overlapping Debt | | | 3.74% * |
| Per Capita Gross Direct Debt and Overlapping Debt | | | \$4,420.58 * |

Note: The above figures show Gross General Obligation Debt for the City of Kennedale, Texas. The Issuer's Net General Obligation Debt is \$12,139,675*. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

| | |
|---|-----------------|
| Total Net Direct and Overlapping Debt | \$ 26,109,288 * |
| Ratio of Net Direct and Overlapping Debt to 2022 Net Assessed Valuation | 2.28% * |
| Per Capita Net Direct and Overlapping Debt | \$2,691.68 * |

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas
 * Includes the Certificates. Preliminary, subject to change.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

TABLE 9

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

| | Fiscal Year Ended | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 9/30/2022 | 9/30/2021 | 9/30/2020 | 9/30/2019 | 9/30/2018 |
| Fund Balance - Beginning of Year | \$ 3,142,540 | \$ 3,135,454 | \$ 2,673,894 | \$ 2,855,447 | \$ 2,471,169 |
| Revenues | 9,568,388 | 9,798,256 | 8,383,730 | 7,876,922 | 7,597,195 |
| Expenditures | <u>9,838,607</u> | <u>9,791,170</u> | <u>7,927,973</u> | <u>8,468,753</u> | <u>7,304,134</u> |
| Excess (Deficit) of Revenues Over Expenditures | \$ (270,219) | \$ 7,086 | \$ 455,757 | \$ (591,831) | \$ 293,061 |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers In | \$ - | \$ 82,402 | \$ 137,158 | \$ - | \$ 184,217 |
| Proceeds from Notes Payable | - | - | - | 375,278 | - |
| Issuance of Debt | - | - | 5,803 | - | - |
| Transfer of Reserved Fund Balance | - | - | - | 114,058 | - |
| Operating Transfers Out | <u>-</u> | <u>(82,402)</u> | <u>(137,158)</u> | <u>(79,058)</u> | <u>(93,000)</u> |
| Total Other Financing Sources (Uses): | \$ - | \$ - | \$ 5,803 | \$ 410,278 | \$ 91,217 |
| Prior Period Adjustment | \$ (397,092) | \$ - | \$ - | \$ - | \$ - |
| Fund Balance - End of Year | <u>\$ 2,475,229</u> | <u>\$ 3,142,540</u> | <u>\$ 3,135,454</u> | <u>\$ 2,673,894</u> | <u>\$ 2,855,447</u> |

The City estimates the Fiscal Year Ending September 30, 2023 Fund Balance to be \$2,180,806.

Source: City of Kennedale, Texas Annual Comprehensive Financial Report.

Plan Description

The City participates as one of 880 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.org.

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

For more information see the City's Annual Comprehensive Financial Report for the Year Ended September 30, 2022, Note 9, page 43.

UTILITY SYSTEM PLANT IN OPERATION

TABLE 11

| | <u>FYE 9/30/2022</u> |
|-----------------------------------|----------------------|
| Land | \$ 632,490 |
| Construction in Progress | 586,482 |
| Machinery and Equipment | 763,547 |
| Buildings | 5,761,788 |
| Water and Wastewater distribution | <u>18,175,437</u> |
| Total Capital Assets | \$ 25,919,744 |
| Less: Accumulated Depreciation | <u>(11,335,304)</u> |
| Net Capital Assets | <u>\$ 14,584,440</u> |

Source: *The Issuer's Annual Comprehensive Financial Report for fiscal year ended September 30, 2022.*

WATER SUPPLY

The City has 5 water wells. In addition, The City has interconnections within the City of Arlington and Fort Worth to insure adequate supply of water to its citizens.

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

TABLE 12

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, bad debt, debt service payments and expenditures identified as capital.

| Fiscal Year Ended: | 9/30/2022 | 9/30/2021 | 9/30/2020 | 9/30/2019 | 9/30/2018 |
|--|--------------------|------------------|------------------|------------------|------------------|
| Revenues | \$ 4,476,258 | \$ 4,351,371 | \$ 4,243,270 | \$ 4,511,099 | \$ 4,593,693 |
| Expenses | <u>4,604,542</u> * | <u>3,349,336</u> | <u>3,277,826</u> | <u>3,183,026</u> | <u>3,399,156</u> |
| Net Revenue Available for Debt Service | \$ (128,284) | \$ 1,002,035 | \$ 965,444 | \$ 1,328,073 | \$ 1,194,537 |
| Customer Count: | | | | | |
| Water | 3,141 | 3,123 | 3,065 | 3,294 | 3,274 |
| Sewer | 2,925 | 2,883 | 2,758 | 2,937 | 2,890 |

* Increased FYE September 30, 2022 due to increased cost of water from the City of Fort Worth, Texas.

Source: *The Issuer's Annual Comprehensive Financial Report for fiscal year ended September 30, 2022.*

WATER RATES

(Based on monthly billing)

New Rates
 (Effective September 17, 2018)

Service within city limits:

| <u>Meter Size</u> | <u>Residential Base</u> | <u>Senior/Disabled Base*</u> | <u>Commercial Base</u> | <u>Industrial Base (NEW)</u> | <u>Multiple Res/Comm Base</u> |
|-------------------|-------------------------|------------------------------|------------------------|------------------------------|-------------------------------|
| 3/4" | \$ 20.00 | \$ 20.00 | \$ 26.00 | \$ 26.00 | \$26.00 Per Unit |
| 1" | \$ 43.34 | \$ 43.34 | \$ 43.34 | \$ 43.34 | \$26.00 Per Unit |
| 1/2" | \$ 86.58 | \$ 86.58 | \$ 86.58 | \$ 86.58 | \$26.00 Per Unit |
| 2" | \$ 138.58 | \$ 138.58 | \$ 138.58 | \$ 138.58 | \$26.00 Per Unit |
| 3" | \$ 260.00 | \$ 260.00 | \$ 260.00 | \$ 260.00 | \$26.00 Per Unit |
| 4" | \$ 433.42 | \$ 433.42 | \$ 433.42 | \$ 433.42 | \$26.00 Per Unit |

| <u>Gallons</u> | <u>Residential Rate</u> | <u>Senior/Disabled Rate</u> | <u>Commercial Rate</u> | <u>Commercial Rate</u> | <u>Multiple Res/Comm Rate**</u> |
|----------------|-------------------------|-----------------------------|-------------------------|-------------------------|---------------------------------|
| 0-5,000 | \$2.75 Per 1000 Gallons | \$2.75 Per 1000 Gallons | \$2.75 Per 1000 Gallons | \$2.75 Per 1000 Gallons | N/A |
| 5,001-20,000 | \$5.36 Per 1000 Gallons | \$5.36 Per 1000 Gallons | \$5.36 Per 1000 Gallons | \$5.36 Per 1000 Gallons | N/A |
| 20,001-50,000 | \$6.70 Per 1000 Gallons | \$6.70 Per 1000 Gallons | \$6.70 Per 1000 Gallons | \$6.70 Per 1000 Gallons | N/A |
| 50,001 + | \$6.70 Per Gallons | \$6.70 Per Gallons | \$8.38 Per 1000 Gallons | \$8.38 Per 1000 Gallons | N/A |

*For senior/disabled rate, a credit of \$7.50 per month/billing cycle will apply towards the applicable meter size for water service.

**For multiple residential units on a single water meter, the volume charge shall be calculated on a per unit basis by dividing the total volume of water used by the number of residential units.

Service outside city limits:

| <u>Meter Size</u> | <u>Residential Base</u> | <u>Senior/Disabled Base</u> | <u>Commercial Base</u> | <u>Industrial Base (New)</u> | <u>Multiple Res/Comm Base</u> |
|-------------------|-------------------------|-----------------------------|------------------------|------------------------------|-------------------------------|
| 3/4" | \$ 39.00 | N/A | \$ 39.00 | \$ 39.00 | \$39.00 Per Unit |
| 1" | \$ 97.50 | N/A | \$ 97.50 | \$ 97.50 | \$39.00 Per Unit |
| 1/2" | \$ 195.00 | N/A | \$ 195.00 | \$ 195.00 | \$39.00 Per Unit |
| 2" | \$ 312.00 | N/A | \$ 312.00 | \$ 312.00 | \$39.00 Per Unit |
| 3" | \$ 624.00 | N/A | \$ 624.00 | \$ 624.00 | \$39.00 Per Unit |
| 4" | \$ 975.00 | N/A | \$ 975.00 | \$ 975.00 | \$39.00 Per Unit |

| <u>Gallons</u> | <u>Residential Rate</u> | <u>Senior/Disabled Rate</u> | <u>Commercial Rate</u> | <u>Industrial Rate</u> | <u>Multiple Res/Comm Rate*</u> |
|----------------|-------------------------|-----------------------------|-------------------------|-------------------------|--------------------------------|
| 0-5,000 | \$2.75 Per 1000 Gallons | \$2.75 Per 1000 Gallons | \$2.85 Per 1000 Gallons | \$2.85 Per 1000 Gallons | N/A |
| 5,001-20,000 | \$5.36 Per 1000 Gallons | \$5.36 Per 1000 Gallons | \$5.30 Per 1000 Gallons | \$5.30 Per 1000 Gallons | N/A |
| 20,001-50,000 | \$6.70 Per 1000 Gallons | \$6.70 Per 1000 Gallons | \$6.70 Per 1000 Gallons | \$6.70 Per 1000 Gallons | N/A |
| 50,001 + | \$8.38 Per 1000 Gallons | \$8.38 Per 1000 Gallons | \$8.38 Per 1000 Gallons | \$8.38 Per 1000 Gallons | N/A |

Note: Senior/disabled credit does not apply to service outside the city limits.

*For multiple residential units on a single water meter, the volume charge shall be calculated on a per unit basis by dividing the total volume of water used by the number of residential units.

WATER RATES - CONT'D

(Based on Monthly Billing)

| <u>Meter Size</u> | <u>Residential Base</u> | <u>Senior/Disabled Base</u> | <u>Commercial Base</u> | <u>Industrial (NEW)</u> | <u>Base</u> | <u>Multiple Res/Comm Base</u> |
|-------------------|-------------------------|-----------------------------|------------------------|-------------------------|-------------|-------------------------------|
| 2" | \$ 249.16 | N/A | \$ 249.16 | \$ 249.16 | 249.16 | N/A |
| 3" | \$ 545.58 | N/A | \$ 545.58 | \$ 545.58 | 545.58 | N/A |
| 4" | \$ 981.82 | N/A | \$ 981.82 | \$ 981.82 | 981.82 | N/A |

| <u>Gallons</u> | <u>Residential Rate</u> | <u>Senior/Disabled Rate</u> | <u>Commercial Rate</u> | <u>Industrial (NEW)</u> | <u>Base</u> | <u>Multiple Res/Comm Base</u> |
|----------------|--------------------------|-----------------------------|--------------------------|--------------------------|-------------|-------------------------------|
| 0-5,000 | \$7.24 Per 1,000 Gallons | N/A | \$7.24 Per 1,000 Gallons | \$7.24 Per 1,000 Gallons | | N/A |
| 5,001+ Gallons | \$7.24 Per 1,000 Gallons | N/A | \$7.24 Per 1,000 Gallons | \$7.24 Per 1,000 Gallons | | N/A |

SEWER RATES

TABLE 14

(Based on Monthly Billing)

New Rates as of September 17, 2018

Service within city limits:

| | <u>Residential</u> | <u>Senior/Disabled</u> | <u>Commercial</u> | <u>Industrial</u> | <u>Multiple Res/Comm</u> |
|-------------------|--------------------|------------------------|-------------------|-------------------|--------------------------|
| Base | \$30.00 | \$30.00* | \$55.00 | \$55.00 | N/A |
| per 1,000 Gallon: | \$2.90 | \$2.90 | \$6.72 | \$4.50 | N/A |

*For senior/disabled rate, a credit of \$7.50 per month/billing cycle will apply towards the applicable base for sewer service.

Service Outside city limits:

| | <u>Residential</u> | <u>Senior/Disabled</u> | <u>Commercial</u> | <u>Industrial</u> | <u>Multiple Res/Comm</u> |
|-------------------|--------------------|------------------------|-------------------|-------------------|--------------------------|
| Base | \$67.50 | N/A | \$91.08 | 91.08 | N/A |
| per 1,000 Gallon: | \$4.35 | N/A | \$10.08 | 10.08 | N/A |

Note: Senior/disabled credit does not apply to service outside the city limits.

APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY OF KENNEDALE
AND TARRANT COUNTY, TEXAS**

(this page intentionally left blank)

CITY OF KENNEDALE

The City of Kennedale, Texas (the "City") is situated at the apex of the southeast border of Fort Worth, Texas and the southwest border of Arlington in southern Tarrant County, Texas. The City's location is the hub of Interstate 20, Loop 820, and U.S. Highway 287. Business Highway 287 bisects the City from north to south.

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

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

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

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

TARRANT COUNTY, TEXAS

Tarrant County is a political subdivision of the State of Texas and was organized in 1849. The County is an urban county located in the north central part of Texas. Fort Worth serves as the county seat to a county population of approximately 2,201,123 citizens. It is one of the fastest growing urban counties in the United States today.

Historically, the County's economic environment has been characterized by steady, yet modest growth. This has been in part because of the diverse nature of the business sectors making up the local economy, without an overwhelming dominance by any one industry. Similarly, local real estate values have demonstrated steady yet modest increases over the past decade.

The other segments of the local economy include aircraft, automobile and electronic manufacturing, tourism, entertainment, livestock and agri-business, transportation including major railroad services, financial services and tourism. Because of this diversity, the outlook for stable economic conditions seems favorable.

Principal Employers Tarrant County

| Employer | Entity | 2022 Employees | 2022 Percentage of Total Tarrant County Employment |
|--|-----------------------|----------------|--|
| AMR Corp./American Airlines | Commercial Airline | 40,600 | 30.83% |
| Lockheed Martin Aeronautics Company | Aircraft Manufacturer | 18,200 | 13.82% |
| Texas Health Resources | Health Care | 12,776 | 9.70% |
| Fort Worth Independent School District | School District | 10,683 | 8.11% |
| Naval Air Station Fort Worth JRB | Naval Station | 10,500 | 7.97% |
| Cook Children's Health Care System | Health Care | 8,777 | 6.66% |
| Arlington Independent School District | School District | 8,344 | 6.34% |
| University of Texas at Arlington | Higher Education | 7,562 | 5.74% |
| JPS Health Network | Health Care | 7,132 | 5.42% |
| City of Fort Worth | Municipal Government | 7,129 | 5.41% |

Source: Tarrant County Comprehensive Annual Financial Report for fiscal year ended September 30, 2022.

Principal Taxpayers Tarrant County

| Fiscal Year 2022 | | |
|-------------------------------|------------------------|-----------------------------------|
| Taxpayer | Taxable Assessed Value | % of Total Taxable Assessed Value |
| Winner LLC | \$ 2,083,530,239 | 0.79 |
| Oncor Electric Delivery | 1,608,229,731 | 0.61 |
| American Airlines | 1,471,937,379 | 0.56 |
| General Motors LLC | 1,100,090,922 | 0.42 |
| Atmos Energy/Mid Tex Division | 690,906,481 | 0.26 |
| Bell Textron, Inc | 450,720,770 | 0.17 |
| Alcon Laboratories Inc | 411,059,063 | 0.16 |
| Amazon.com.KYDC.LLC | 391,931,202 | 0.15 |
| Wal-Mart Stores Texas LLC | 377,760,545 | 0.14 |
| United Parcel Service Inc. | 363,059,947 | 0.14 |

Source: Municipal Advisory Council of Texas.

| Labor Force Statistics ⁽¹⁾ | | | |
|---------------------------------------|---------------------|---------------------|---------------------|
| | 2023 ⁽²⁾ | 2022 ⁽³⁾ | 2021 ⁽³⁾ |
| Civilian Labor Force | 1,174,510 | 1,140,773 | 1,109,988 |
| Total Employed | 1,134,458 | 1,099,642 | 1,051,270 |
| Total Unemployed | 40,052 | 41,131 | 58,718 |
| | | | |
| % Unemployment | 3.4% | 3.6% | 5.3% |
| Texas Unemployment | 4.1% | 3.9% | 5.6% |

(1) Source: Texas Workforce Commission, Texas Labor Market Information.

(2) May 2023.

(3) Average Annual Statistics.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

(this page intentionally left blank)

[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates, assuming no material changes in facts or law.]

September __, 2023

**CITY OF KENNEDALE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023
DATED AS OF AUGUST 1, 2023
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____**

AS BOND COUNSEL FOR THE CITY OF KENNEDALE, TEXAS (the "**City**") in connection with the issuance of the certificates of obligation described above (the "**Certificates**"), we have examined into the legality and validity of the Certificates, which bear interest from the dates specified in the text of the Certificates until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Certificates, and which are subject to redemption, all in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the City authorizing the issuance and sale of the Certificates (the "**Ordinance**").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Certificates including (i) the Ordinance, (ii) one of the executed Certificates (Certificate No. T-1), and (iii) the City's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been authorized, issued and delivered in accordance with law; that the Certificates constitute valid and legally binding general obligations of the City in accordance with their terms except as the enforceability thereof may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; that the City has the legal authority to issue the Certificates and to repay the Certificates; that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limits prescribed by law; and that "**Surplus Revenues**" (as such term is defined and described in the Ordinance) received by the City from the ownership and operation of the City's municipal waterworks and sewer system have been pledged to further secure the payment of the Certificates in the manner set forth in the Ordinance.

C-1



IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986. In expressing the aforementioned opinions, we have relied on certain representations of the City, the accuracy of which we have not independently verified, and have assumed compliance by the City with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further given, and are based on our knowledge of facts, as of the date hereof. We assume no duty or obligation to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "**Service**"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its



control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Certificates, and we have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates, and we have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

(this page intentionally left blank)

APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements – not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

(this page intentionally left blank)

City of Kennedale, Texas

Annual Comprehensive Financial Report

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

Prepared by City of Kennedale, Texas Finance Department



(this page intentionally left blank)

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

Contents

Introductory Section

| | |
|----------------------------------|------|
| Letter of Transmittal..... | i |
| Organizational Chart | vii |
| List of Principal Officers | viii |

Financial Section

| | |
|---|---|
| Independent Auditor’s Report | 1 |
| Management’s Discussion and Analysis (Unaudited)..... | 4 |

Basic Financial Statements

Government-Wide Financial Statements

| | |
|--------------------------------|----|
| Statement of Net Position..... | 11 |
| Statement of Activities | 12 |

Fund Financial Statements

Governmental Funds Financial Statements

| | |
|---|----|
| Balance Sheet..... | 13 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 14 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | 15 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 16 |

Proprietary Fund Financial Statements

| | |
|--|----|
| Statement of Net Position | 17 |
| Statement of Revenues, Expenses, and Changes in Net Position | 18 |
| Statement of Cash Flows | 19 |

| | |
|---|----|
| Notes to Basic Financial Statements | 20 |
|---|----|

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

Required Supplementary Information (Unaudited)

| | |
|--|----|
| Texas Municipal Retirement System | |
| Schedule of Changes in the City’s Net Pension Liability and Related Ratios | 54 |
| Schedule of Contributions | 55 |
| Schedule of Changes in the City’s Total OPEB Liability and Related Ratios | |
| – Supplemental Death Benefit Fund) | 56 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – | |
| Budget and Actual – General Fund | 57 |
| Notes to Budgetary Information | 58 |

Combining and Individual Fund Statements

| | |
|---|----|
| Non-Major Governmental Funds | |
| Combining Balance Sheet | 59 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 60 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – | |
| Budget and Actual – Debt Service Fund | 61 |

Statistical Section (Unaudited)

| | |
|--|----|
| Table A – Net Position by Component | 62 |
| Table B – Changes in Net Position | 64 |
| Table C – Fund Balances of Governmental Funds | 68 |
| Table D – Changes in Fund Balances of Governmental Funds | 69 |
| Table E – Assessed Value and Estimated Actual Value of Taxable Property | 71 |
| Table F – Direct and Overlapping Property Tax Rates | 72 |
| Table G – Ad Valorem Tax Levies and Collections | 73 |
| Table H – Ratios of Outstanding Debt by Type | 74 |
| Table I – Ratios of General Bonded Debt Outstanding per Capita | 75 |
| Table J – Legal Debt Margin Information | 76 |
| Table K – Demographic and Economic Statistics | 77 |
| Table L – Principal Employers | 78 |
| Table M – Full-time Equivalent City Government Employees by Function/Program | 79 |
| Table N – Operating Indicators by Function/Program | 80 |
| Table O – Capital Asset Statistics by Function/Program | 81 |



WWW.CITYOFKENNEDEALE.COM
405 MUNICIPAL DRIVE | KENNEDALE, TX 76060

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,

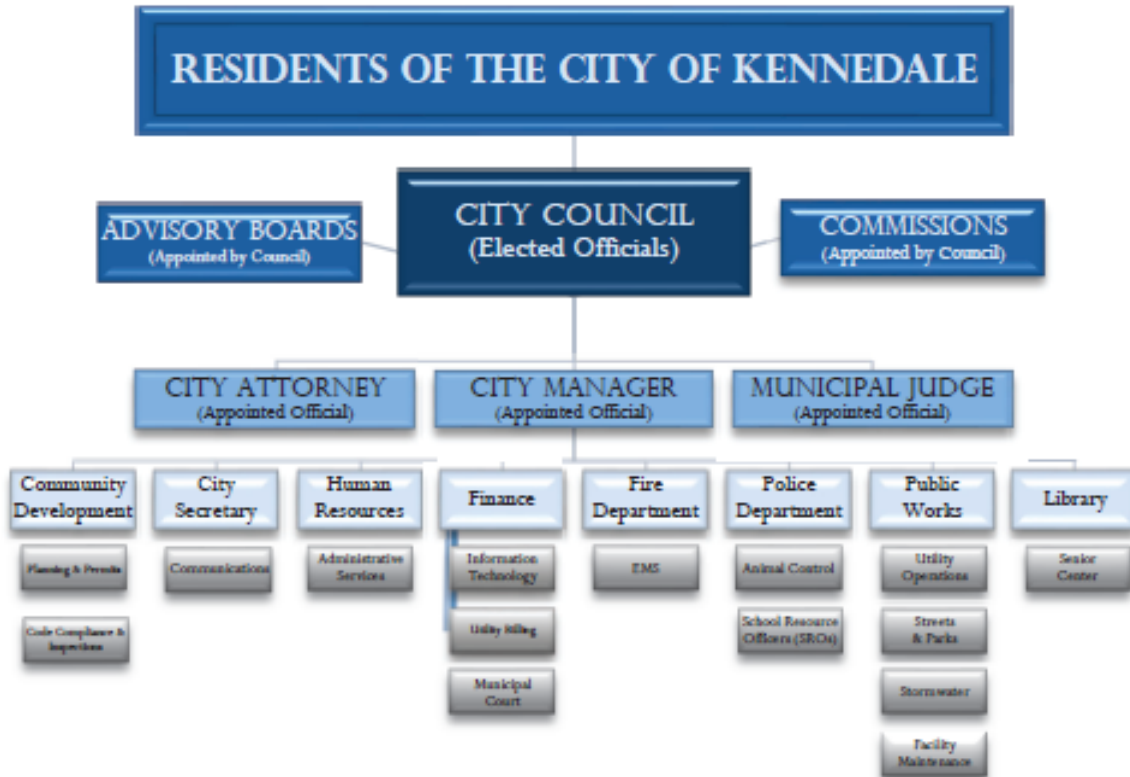
Darrell Hull
City Manager

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 |

FORVIS

14241 Dallas Parkway, Suite 1100 / Dallas, TX 75254

P 972.702.8262 / F 972.702.0673

forvis.com

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**

This Page is Intentionally Left Blank

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 | <u>(23,304,087)</u> | <u>(22,603,053)</u> | <u>(11,335,304)</u> | <u>(12,121,972)</u> | <u>(34,639,391)</u> | <u>(34,725,025)</u> |
| 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 | <u>145,422</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>145,422</u> | <u>-</u> |
| 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.

This Page is Intentionally Left Blank

Basic Financial Statements

This Page is Intentionally Left Blank

City of Kennedale, Texas
Statement of Net Position
September 30, 2022

| | Primary Government | | | Component Unit |
|---|----------------------|----------------------|----------------------|---|
| | Governmental | Business-type | Total | Kennedale Economic Development Corporation |
| | Activities | Activities | | |
| 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 | <u>47,128,771</u> | <u>20,534,418</u> | <u>67,663,189</u> | <u>6,565,265</u> |
| 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 | <u>971,085</u> | <u>-</u> | <u>971,085</u> | <u>-</u> |
| 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 | <u>17,186,520</u> | <u>4,107,744</u> | <u>21,294,264</u> | <u>702,942</u> |
| 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 | <u>1,421,936</u> | <u>-</u> | <u>1,421,936</u> | <u>578,394</u> |
| 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 | <u>\$ 29,491,400</u> | <u>\$ 16,426,674</u> | <u>\$ 45,918,074</u> | <u>\$ 5,283,929</u> |

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 |
| Governmental | Business-type | | Unit |
| Activities | Activities | Total | Economic |
| | | | Development |
| | | | Corporation |
| \$ (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) | - |
| <u>(8,882,015)</u> | <u>-</u> | <u>(8,882,015)</u> | <u>-</u> |
| - | (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 | - | - |
| <u>9,977,001</u> | <u>161,266</u> | <u>10,138,267</u> | <u>665,854</u> |
| <u>1,094,986</u> | <u>(765,221)</u> | <u>329,765</u> | <u>211,303</u> |
| 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

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

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)

Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements. 220,166

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 \$ 29,491,400

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) |
| 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 | <u>22,872</u> | (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 |
| 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 |
| 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) |
| Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. | | <u>(20,144)</u> |
| Change in net position of governmental activities | | <u>\$ 1,094,986</u> |

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 |
| | <u>5,336,619</u> | <u>613,359</u> | <u>5,949,978</u> |
| Total current assets | | | |
| 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 | (11,181,938) | (153,366) | (11,335,304) |
| | <u>13,429,687</u> | <u>1,154,753</u> | <u>14,584,440</u> |
| Total non-current assets | | | |
| 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 |
| | <u>2,558,187</u> | <u>-</u> | <u>2,558,187</u> |
| Total current liabilities | | | |
| Non-current liabilities | | | |
| Bonds payable | 865,321 | - | 865,321 |
| Notes payable | 684,236 | - | 684,236 |
| | <u>1,549,557</u> | <u>-</u> | <u>1,549,557</u> |
| Total non-current liabilities | | | |
| 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 |
| | <u>\$ 14,658,562</u> | <u>\$ 1,768,112</u> | <u>\$ 16,426,674</u> |
| Total net position | | | |

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 |
| | <u>4,446,280</u> | <u>275,216</u> | <u>4,721,496</u> |
| Total operating revenues | | | |
| 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 |
| | <u>5,066,407</u> | <u>83,495</u> | <u>5,149,902</u> |
| Total operating expenses | | | |
| 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) |
| | <u>(602,369)</u> | <u>3,763</u> | <u>(598,606)</u> |
| Total non-operating revenues (expenses) | | | |
| Income (Loss) Before Transfers and Capital Contributions | <u>(1,222,496)</u> | <u>195,484</u> | <u>(1,027,012)</u> |
| Transfers in | 127,525 | 83,334 | 210,859 |
| Transfers out | (83,334) | - | (83,334) |
| Capital contributions | 134,266 | - | 134,266 |
| | <u>178,457</u> | <u>83,334</u> | <u>261,791</u> |
| Total transfers and capital contributions | | | |
| Change in Net Position | (1,044,039) | 278,818 | (765,221) |
| Net Position, Beginning of Year | <u>15,702,601</u> | <u>1,489,294</u> | <u>17,191,895</u> |
| 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 | <u>(2,012,607)</u> | <u>(67,648)</u> | <u>(2,080,255)</u> |
| 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 | <u>1,742,914</u> | <u>231,140</u> | <u>1,974,054</u> |
| 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.

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

- 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.

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

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

Compensated Absences

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

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

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

Long-term Obligations

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

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

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

Lease Liability

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

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

Pensions

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

Other Postemployment Benefits Plans

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

Net Position

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

City of Kennedale, Texas

Notes to Basic Financial Statements

September 30, 2022

Fund Balance

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

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

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

Net Position Flow Assumption

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

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

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.

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

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
Notes to Basic Financial Statements
September 30, 2022

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 | 1,819,290 |
| Total primary government | 20,193,552 |
| Component Unit | |
| TexPool | 1,798,442 |
| TexStar | 31,583 |
| Money market investments | 181,196 |
| Total component units | 2,011,221 |
| Total investments | \$ 22,204,773 |

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

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

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

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.

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

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 | \$ 147,972 | \$ 147,972 |

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 | \$ 327,360 | \$ 327,360 |

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 | <u>5,222,077</u> | <u>259,805</u> | <u>-</u> | <u>5,481,882</u> |
| 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 | <u>48,733,454</u> | <u>636,763</u> | <u>281,137</u> | <u>49,089,080</u> |
| 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 | <u>22,260,573</u> | <u>1,324,651</u> | <u>281,137</u> | <u>23,304,087</u> |
| Total capital and lease assets being depreciated/amortized, net | <u>26,472,881</u> | <u>(687,888)</u> | <u>-</u> | <u>25,784,993</u> |
| 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
Notes to Basic Financial Statements
September 30, 2022

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 | | \$ 1,324,651 |

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>\$ 15,184,904</u> | <u>\$ (57,575)</u> | <u>\$ 542,891</u> | <u>\$ 14,584,440</u> |

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

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

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

Discretely Presented Component Unit

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

| | Beginning Balance | Increases | Decreases/ Transfers | Ending Balance |
|---|----------------------|--------------|-------------------------|-------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 845,292 | \$ - | \$ - | \$ 845,292 |
| Construction in progress | - | 25,000 | - | 25,000 |
| Totals capital assets not being depreciated | 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 | \$ 4,099,999 | \$ (279,264) | \$ - | \$ 3,820,735 |

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 |
| | <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 |
| | <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 |
| | <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:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total Primary Government</u> |
|--|------------------------------------|-------------------------------------|---|
| <u>General Obligation Bonds</u> | | | |
| \$4,365,000, 2007 General Obligation Refunding Bonds, due in annual installments through February 15, 2024, 3.97% | \$ 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>\$ 4,816,262</u> | <u>\$ 158,734</u> | <u>\$ 4,974,996</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>\$ 5,850,000</u> | <u>\$ 960,000</u> | <u>\$ 6,810,000</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> | Governmental Activities | Total Primary Government |
|--|------------------------------------|---|
| \$2,000,000, 2019 Tax Notes due in annual installments through February 1, 2026, 1.90% | <u>\$ 1,530,000</u> | <u>\$ 1,530,000</u> |
| | <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 | <u>395,000</u> | <u>3,753</u> | <u>398,753</u> |
| 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 | <u>148,397</u> | <u>5,680</u> | <u>154,077</u> |
| 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 | 60 |
| | 248 |

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 | <u>10.00%</u> | 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 | <u>1,977,987</u> | <u>2,694,502</u> | <u>(716,515)</u> |
| Balances as of September 30, 2022 | <u>\$ 21,943,406</u> | <u>\$ 21,109,477</u> | <u>\$ 833,929</u> |

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

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

The following presents the net pension liability (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 | 451,112 | - |
| | \$ 838,581 | \$ 1,233,348 |

\$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 | (232,248) |
| | \$ (845,879) |

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 | 60 |
| Total employees | 110 |

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:

| | <u>December 31, 2021</u> |
|-------------------------------------|--|
| 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 | (4,479) |
| Balances as of September 30, 2022 | \$ 302,563 |

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 | |
| | \$ 64,221 | \$ 16,184 |

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 |
| | \$ 39,286 |

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

This Page is Intentionally Left Blank

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) | \$ 12,199,345 | \$ 13,338,373 | \$ 14,486,487 | \$ 15,753,763 | \$ 16,872,693 | \$ 18,117,510 | \$ 19,965,419 | \$ 21,943,406 |
| 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) | \$ 10,494,646 | \$ 10,959,865 | \$ 12,168,673 | \$ 14,322,484 | \$ 14,262,712 | \$ 16,773,796 | \$ 18,414,974 | \$ 21,109,477 |
| City's net pension liability – Ending (a) – (b) | \$ 1,704,699 | \$ 2,378,508 | \$ 2,317,814 | \$ 1,431,279 | \$ 2,609,981 | \$ 1,343,714 | \$ 1,550,445 | \$ 833,929 |
| 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 | <u>391,136</u> | <u>483,133</u> | <u>555,231</u> | <u>560,038</u> | <u>566,892</u> | <u>586,411</u> | <u>640,350</u> | <u>686,761</u> | <u>624,339</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| 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 | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 23 years |
| Asset Valuation Method | 10 Year smoothed market; 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50%, including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018 |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table use for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

Other Information:

Notes: There were no benefit changes during the year

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

| | Measurement Year | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 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) | <u>165,774</u> | <u>162,559</u> | <u>212,849</u> | <u>265,676</u> |
| 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

| | <u>Budgeted Amounts</u> | | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|----------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| 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 |
| | <u>8,002,159</u> | <u>8,002,159</u> | <u>9,568,388</u> | <u>1,566,229</u> |
| Total revenues | | | | |
| 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) |
| | <u>8,901,591</u> | <u>8,901,591</u> | <u>9,838,607</u> | <u>(937,016)</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenues over (under) expenditures | <u>(899,432)</u> | <u>(899,432)</u> | <u>(270,219)</u> | <u>629,213</u> |
| Net Change in Fund Balances | (899,432) | (899,432) | (270,219) | 629,213 |
| Fund Balance, Beginning of Year, as Restated | <u>2,745,448</u> | <u>2,745,448</u> | <u>2,745,448</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 1,846,016</u> | <u>\$ 1,846,016</u> | <u>\$ 2,475,229</u> | <u>\$ 629,213</u> |

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.

This Page is Intentionally Left Blank

Financial Advisory Services
Provided By:

