NEW ISSUE - BOOK-ENTRY-ONLY **Rating: S&P: "AA-"**
(See: "OTHER PERTINENT INFORMATION-Rating", herein)

OFFICIAL STATEMENT
August 18, 2026

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 has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

$4,955,000
CITY OF KENNEDALE, TEXAS
(A political subdivision of the State of Texas located in Tarrant County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Dated Date: September 1, 2026 **Due: February 1, as shown on inside cover**

The $4,955,000 City of Kennedale, Texas Combination Tax and Revenue Certificates of Obligation, Series 2026 (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") adopted by the City Council of the City of Kennedale, Texas (the "City" or the "Issuer") on August 18, 2026, 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 September 1, 2026 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2027, 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 vehicles and equipment for various city departments, including the fire department; (ii) acquire, construct, improve, repair, expand, and equip improvements to the city's waterworks and sewer system; (iii) acquire, construct, improve, repair, and equip, streets, sidewalks, trails, bridges, parking structures, and drainage improvements, together with rights-of-way acquisition, traffic and street signalization, landscaping, utility relocation, lighting improvements, and other improvements incidental thereto (iv) acquire, construct, improve, repair, expand, and equip municipal parks and recreational facilities generally accessible to the public, (v) purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes, including in relation to the aforementioned capital improvements; and (vi) payment of professional services in connection therewith including legal, engineering, architectural and fiscal fees and the costs of issuance (collectively, the "Projects"). (See "THE CERTIFICATES - Use of Certificate Proceeds" 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 16, 2026.

$4,955,000
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 2026

MATURITY SCHEDULE

CUSIP Prefix No. 489332 [(1)]

Stated Maturity February 1	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[(1)]
2027	$ 100,000	6.000	2.700	MQ6
2028	100,000	6.000	2.770	MR4
2029	165,000	6.000	2.850	MS2
2030	175,000	6.000	2.930	MT0
2031	185,000	6.000	3.010	MU7
2032	195,000	6.000	3.070	MV5
2033	210,000	6.000	3.200	MW3
2034	220,000	6.000	3.300	MX1
2035	235,000	5.000	3.400	MY9
2036	245,000	5.000	3.500[(2)]	MZ6
2037	260,000	5.000	3.600[(2)]	NA0
2038	270,000	4.000	3.850[(2)]	NB8
2039	280,000	4.000	3.950[(2)]	NC6
2040	290,000	4.000	4.000	ND4
2041	305,000	4.000	4.050	NE2
2042	315,000	4.000	4.100	NF9
2043	330,000	4.125	4.150	NG7
2044	340,000	4.125	4.200	NH5
2045	360,000	4.250	4.250	NJ1
2046	375,000	4.250	4.300	NK8

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2036, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2035, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

(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© 2026 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.*

(2) *Yield calculated is based on the assumption that the Certificates denotated and sold at premium will be redeemed on February 1, 2035 the first optional call date for the Certificates, at a redemption of par plus accrued interest to the date of redemption.*

CITY OF KENNEDALE TEXAS

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

ELECTED OFFICIALS

Name		Term Expires
Brian Johnson	Mayor	2028
David Glover	Councilmember, Place 1	2027
Bryant Griffith	Councilmember, Place 2	2028
Kenneth Michels	Mayor Pro Tem, Councilmember, Place 3	2027
Ryon Ray	Councilmember, Place 4	2028
Jeff Nevarez	Councilmember, Place 5	2027

ADMINISTRATION

Name	Position	Years of Municipal Experience
Darrell Hull	City Manager	33 years
Jon Horton	Director of Finance	3 years
Tina Cox	Interim City Secretary	6 years

CONSULTANTS AND ADVISORS

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

Certified Public Accountants .... Forvis Mazars LLP
Dallas, Texas

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

For Additional Information Please Contact:

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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

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

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.

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.

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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 and general laws of the State of Texas. The City's 2026 estimated population is 10,771. 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") adopted by the City Council of the City, on August 18, 2026, 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 general obligations of the City, payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City., and further secured by a pledge of the Surplus Revenues (defined herein) derived from the ownership and operation of the City's combined Waterworks and Sewer System (the "System"). (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, 2036, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2035, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)
Tax Matters	In the opinion of McCall, Parkhurst & Horton L.L.P., Austin, 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, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. (See "APPENDIX C - Form of Opinion of Bond Counsel" herein).
Qualified Tax-Exempt Obligations	The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" 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 vehicles and equipment for various city departments, including the fire department; (ii) acquire, construct, improve, repair, expand, and equip improvements to the city's waterworks and sewer system; (iii) acquire, construct, improve, repair, and equip, streets, sidewalks, trails, bridges, parking structures, and drainage improvements, together with rights-of-way acquisition, traffic and street signalization, landscaping, utility relocation, lighting improvements, and other improvements incidental thereto (iv) acquire, construct, improve, repair, expand, and equip municipal parks and recreational facilities generally accessible to the public, (v) purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes, including in relation to the aforementioned capital improvements; and (vi) payment of professional services in connection therewith including legal, engineering, architectural and fiscal fees and the costs of issuance (collectively, the "Projects"). (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)
Rating	S&P Global Ratings ("S&P") has assigned a rating of "AA-" to the Certificates. An explanation of the significance of such rating may be obtained from the rating agency. (See "OTHER PERTINENT INFORMATION - Rating" herein.)
Payment Record	The City has never defaulted on the payment of its general obligation or revenue indebtedness.
Concurrent Issues	The City does not anticipate the issuance of any additional debt in the next twelve months.
Delivery	When issued, anticipated on or about September 16, 2026.
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.

OFFICIAL STATEMENT
relating to

$4,955,000
CITY OF KENNEDALE, TEXAS
(A political subdivision of the State of Texas located in Tarrant County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

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 $4,955,000 Combination Tax and Revenue Certificates of Obligation, Series 2026 (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 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 September 1, 2026 (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, 2027, 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") adopted by the City Council of the City (the "City Council") on August 18, 2026, and the City's Home Rule Charter.

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 City reserves the right, at its option, to redeem the Certificates maturing on and after February 1, 2036 on February 1, 2035, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Notice of Redemption

Not less than thirty (30) days prior to a redemption date for the Certificates, the City shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners 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 any other condition to redemption satisfied, all as provided above, the Certificates or portion thereof which are to be 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 City, 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 City 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 direct participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates the City has called for redemption will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City 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 direct 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 or 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 vehicles and equipment for various city departments, including the fire department; (ii) acquire, construct, improve, repair, expand, and equip improvements to the city's waterworks and sewer system; (iii) acquire, construct, improve, repair, and equip, streets, sidewalks, trails, bridges, parking structures, and drainage improvements, together with rights-of-way acquisition, traffic and street signalization, landscaping, utility relocation, lighting improvements, and other improvements incidental thereto (iv) acquire, construct, improve, repair, expand, and equip municipal parks and recreational facilities generally accessible to the public, (v) purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes, including in relation to the aforementioned capital improvements; and (vi) payment of professional services in connection therewith including legal, engineering, architectural and fiscal fees and the costs of issuance (collectively, the "Projects").

Sources and Uses

Sources	
Par Amount of the Certificates	$ 4,955,000.00
Accrued Interest on the Certificates	9,803.13
Net Reoffering Premium	229,159.20
Total Sources of Funds	$ 5,193,962.33
Uses	
Project Fund Deposit	$ 5,000,000.00
Purchaser's Discount	70,014.15
Interest and Sinking Fund Deposit	9,803.13
Costs of Issuance	114,145.05
Total Uses	$ 5,193,962.33

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) Defeasance 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 defeased Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such Paying Agent/Registrar (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance 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 "Defeasance 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. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Defeasance 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 of 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

The Certificates are initially to be issued utilizing the Book-Entry-Only System of The Depository Trust Company, New York, New York (“DTC”). In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Certificates and thereafter, 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.

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; (15) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act, and (16) 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 May 31, 2026, the City held investments as follows (unaudited):

Type of Security:	Market Value	Percentage of Total
Checking Accounts (including Money Market Accounts)	$321,464.16	0.75%
TexPool Accounts	4,905,821.74	11.34%
TexStar	412,220.06	0.95%
LOGIC	5,351,350.01	12.37%
Other Investment Types:		
CDs	2,099,871.84	4.86%
US Government Agencies and instruments	7,981,054.25	18.45%
US T-Bills	17,433,920.89	40.31%
State and Local Agencies	4,744,120.90	10.97%
Total	$43,249,823.85	100.00%

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.

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

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(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.

Through December 31, 2026, appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subject Property") whose appraised values are not more than $5.32 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"). 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.

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.

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 presentment 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. Cities, counties, and school districts are prohibited from repealing or reducing and optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

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. Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session will provide a person to an exemption from taxation by a taxing unit of $125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

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. Beginning with the 2026 tax year, all intangible personal property is exempt from State taxation.

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.

Chapter 380 Economic Development Agreements

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however, no bonds secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be disaster area. The Texas Legislature amended Section 11.35, Tax Code to clarify the "damage" for the purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

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 (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real 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 $67,883,169 for the 2026 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.

"foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula the voter-approved tax rates less the actual tax rate, then multiplied by the taxing units current total in the applicable preceding tax year.

“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 three tax years prior to the current tax year divided by the current total.

“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.

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) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates, and certain other matters. 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 the covenants and the requirements described in the preceding paragraph, 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, 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 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.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" 38 described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The Certificates have been designated, as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations."**

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 2026. 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/registrar or the change of name of a paying agent/registrar, 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

S&P Global Ratings (“S&P”) has assigned an underlying rating of “AA-” on the Certificates and previously issued general obligation debt. 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 Robert W. Baird & Co., Inc. (previously defined as the "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 $229,159.20, less a Purchaser's discount of $70,014.15, 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, 2025, 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 approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Certificates by the Purchaser.

This Official Statement has been 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/ Brian Johnson

Mayor

City of Kennedale, Texas

ATTEST:

/s/ Tina Cox

Interim City Secretary

City of Kennedale, Texas

APPENDIX A

FINANCIAL INFORMATION RELATING TO THE CITY OF KENNEDALE, TEXAS

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION		TABLE 1
2026 Actual Certified Market Value of Taxable Property (100% of Market Value)……	$	1,484,388,326
Less Exemptions:		
Optional Over-65 /Disabled	$	43,553,609
Absolute Exempt		89,884,327
Veteran's Exemptions		41,894,441
Inventory/Other		18,048,454
Pollution Control/Misc		-
Productivity		15,561,056
HS / CB Cap		30,394,216
Value lost to Prorations/ARB		-
	$	239,336,103
2026 Net Assessed Value of Taxable Property……	$	1,245,052,223

Source: Tarrant Appraisal District.

GENERAL OBLIGATION BONDED DEBT

(as of August 1, 2026)

General Obligation Debt Principal Outstanding		
Combination Tax and Revenue Certificates of Obligation, Series 2007	$	210,000
General Obligation Refunding Bonds, Series 2016		640,000
General Obligation Refunding Bonds, Series 2020		530,000
General Obligation Refunding Bonds, Series 2020A		795,000
Combination Tax and Revenue Certificates of Obligation, Series 2021		4,520,000
Combination Tax and Revenue Certificates of Obligation, Series 2023		16,385,000
Combination Tax and Revenue Certificates of Obligation, Series 2024		10,005,000
General Obligation Bonds, Series 2024		2,775,000
Combination Tax and Revenue Certificates of Obligation, Series 2026 (the "Certificates")		4,955,000
Total Gross General Obligation Debt	$	40,815,000
Less: Self Supporting Debt		
Combination Tax and Revenue Certificates of Obligation, Series 2007 (100% W&S Utility)	$	210,000
General Obligation Refunding Bonds, Series 2020 (100% EDC)		530,000
Combination Tax and Revenue Certificates of Obligation, Series 2023 (86.60% W&S Utility)		14,190,000
Total Self-Supporting Debt	$	14,930,000
Total Net General Obligation Debt Outstanding	$	25,885,000
2026 Net Assessed Valuation	$	1,245,052,223
Ratio of Total Gross General Obligation Debt Principal to 2026 Net Assessed Valuation		3.28%
Ratio of Net General Obligation Debt to 2026 Net Assessed Valuation		2.08%

Population: 1990 - 2,205; 2000 - 2,931; 2010 - 5,166; 2020 - 8,620; - 2026 Current Estimated 10,771
Per Capita 2026 Net Assessed Valuation - $115,593.00
Per Capita Gross General Obligation Debt Principal - $3,789.34
Per Capita Net General Obligation Debt Principal - $2,403.21

CAPITAL AND LEASE ASSETS

Governmental Activities

Capital, lease, and subscription 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	4,278,658	4,060,603	-	(484,388)	7,854,873
Total capital assets not being depreciated	$ 8,484,845	$ 4,060,603	$ -	$ (484,388)	$ 12,061,060
Capital and lease assets being depreciated/amortized					
Buildings	$ 5,988,862	$ 1,813,543	$ -	$ (1,747,084)	$ 6,055,321
Lease assets	113,937	-	-	-	113,937
Infrastructure	41,068,109	-	-	422,706	41,490,815
Machinery and equipment	5,319,759	507,160	121,090	61,682	5,767,511
Subscription assets	121,258	-	-	-	121,258
Total capital and lease assets being	$ 52,611,925	$ 2,320,703	$ 121,090	$ (1,262,696)	$ 53,548,842
Less accumulated depreciation/amortization for:					
Buildings	$ 3,822,442	$ 218,682	$ -	$ -	$ 4,041,124
Leased equipment	39,877	22,788	-	-	62,665
Infrastructure	18,457,699	933,811	-	-	19,391,510
Machinery and equipment	3,545,387	400,084	121,090	-	3,824,381
Subscription assets	10,105	40,419	-	-	50,524
Total accumulated depreciation/amortization	$ 25,875,510	$ 1,615,784	$ 121,090	$ -	$ 27,370,204
Total capital and lease assets being depreciated/amortized,	$ 26,736,415	$ 704,919	$ -	$ (1,262,696)	$ 26,178,638
Governmental activities capital and lease assets, net	$ 35,221,260	$ 4,765,522	$ -	$ (1,747,084)	$ 38,239,698

Business-type Activities

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

	Beginning	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 632,490	$ -	$ -	$ -	$ 632,490
Construction in progress	100,388	145,260	-	(67,836)	177,812
Total capital assets not being depreciated	$ 732,878	$ 145,260	$ -	$ (67,836)	$ 810,302
Capital assets being depreciated					
Buildings	$ 5,803,495	$ -	$ -	$ 1,747,084	$ 7,550,579
Infrastructure	19,168,124	-	-	67,836	19,235,960
Machinery and equipment	763,547	-	(49,522)	-	714,025
Total capital assets being depreciated	$ 25,735,166	$ -	$ (49,522)	$ 1,814,920	$ 27,500,564
Less accumulated depreciation for:					
Buildings	$ 3,371,409	$ 155,625	$ -	$ -	$ 3,527,034
Infrastructure	8,439,087	473,542	-	-	8,912,629
Machinery and equipment	763,547	-	(49,522)	-	714,025
Total accumulated depreciation	$ 12,574,043	$ 629,167	$ (49,522)	$ -	$ 13,153,688
Total capital assets being depreciated, net	$ 13,161,123	$ (629,167)	$ -	$ 1,814,920	$ 14,346,876
Business-type activities capital assets, net	$ 13,894,001	$ (483,907)	$ -	$ 1,747,084	$ 15,157,178

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:

Business-Type Activities						
Fiscal Year		Principal		Interest		Total
2026	$	136,399	$	16,414	$	152,813
2027		141,664		11,149		152,813
2028		148,397		5,680		154,077
Total	$	426,460	$	33,243	$	459,703

LEASE LIABILITY

The City's general fund has lease agreements for vehicles, the terms of which expire in various years through 2028. During the fiscal year ended September 30, 2025, the City recognized rental expense of approximately $3,353 for the year ended September 30, 2025, for variable payments related to management fees, not previously included in the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of September 30, 2025:

Governmental Activities						
Year Ending September 30,		Principal		Interest		Total
2026	$	23,598	$	2,204	$	25,802
2027		24,805		997		25,802
2028		6,398		54		6,452
	$	54,801	$	3,255	$	58,056

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

Governmental Activities

Fiscal Year		Principal		Interest		Total
2026	$	158,970	$	16,752	$	175,722
2027		105,000		7,298		112,298
	$	263,970	$	24,050	$	288,020

The following is a summary of pledged revenues for KEDC for the year ended September 30, 2025:

Revenue Pledged		Total Revenue Pledged		Current Year Debt Service Requirements	Percentage Portion of Revenue Stream		Remaining Principal and Interest	Period Revenue Will not be Available for Other Purposes
.05% sales and use tax	$	1,029,007	$	170,816	16.60%	$	288,020	Until 2027

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending (9/30)	Current Total Outstanding Debt[1]	The Certificates Principal	The Certificates Interest	The Certificates Total	Total Combined Debt Service [1]	Less: Self Supporting Debt Service	Total Net Debt Service
2027	$ 3,380,051	$ 100,000	$ 212,669	$ 312,669	$ 3,692,720	$ 1,327,598	$ 2,365,122
2028	3,387,543	100,000	226,275	326,275	3,713,818	1,332,159	2,381,659
2029	3,066,836	165,000	218,325	383,325	3,450,161	1,337,227	2,112,934
2030	3,065,554	175,000	208,125	383,125	3,448,679	1,330,872	2,117,807
2031	2,937,263	185,000	197,325	382,325	3,319,588	1,196,194	2,123,394
2032	2,721,881	195,000	185,925	380,925	3,102,806	1,196,069	1,906,738
2033	2,724,269	210,000	173,775	383,775	3,108,044	1,199,069	1,908,975
2034	2,725,069	220,000	160,875	380,875	3,105,944	1,195,194	1,910,750
2035	2,724,756	235,000	148,400	383,400	3,108,156	1,194,444	1,913,713
2036	2,721,206	245,000	136,400	381,400	3,102,606	1,196,569	1,906,038
2037	2,724,281	260,000	123,775	383,775	3,108,056	1,196,169	1,911,888
2038	2,719,331	270,000	111,875	381,875	3,101,206	1,198,569	1,902,638
2039	2,711,481	280,000	100,875	380,875	3,092,356	1,194,469	1,897,888
2040	2,729,431	290,000	89,475	379,475	3,108,906	1,198,119	1,910,788
2041	2,713,881	305,000	77,575	382,575	3,096,456	1,195,069	1,901,388
2042	2,388,906	315,000	65,175	380,175	2,769,081	1,195,969	1,573,113
2043	2,387,606	330,000	52,069	382,069	2,769,675	1,199,234	1,570,441
2044	1,005,316	340,000	38,250	378,250	1,383,566	-	1,383,566
2045	-	360,000	23,588	383,588	383,588	-	383,588
2046	-	375,000	7,969	382,969	382,969	-	382,969
Total	$ 48,834,662	$ 4,955,000	$ 2,558,719	$ 7,513,719	$ 56,348,381	$ 20,882,991	$ 35,082,422

[1] *Includes self-supporting debt.*

TAX ADEQUACY (Includes Self-Supporting Debt) *

2026 Certified Net Assessed Valuation	$ 1,245,052,223
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2028)	3,713,818
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.30437

** Includes the Certificates.*

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

TAX ADEQUACY (Excludes Self-Supporting Debt) *

2026 Certified Net Assessed Valuation	$ 1,245,052,223
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2028)	2,381,659
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.19519

** 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, 2025 (audited).	$	1,197,340
2025 Anticipated Interest and Sinking Fund Tax Levy at 98% Collections Produce [1]		2,423,631
Total Available for General Obligation Debt	$	3,620,971
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/26		2,593,536
Estimated Surplus at Fiscal Year Ending 9/30/2026 [1]	$	1,027,435

[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, 2026)

	Principal Repayment Schedule			Principal	Percent of
Fiscal Year Ending 9-30	Currently Outstanding[a]	The Certificates	Total	Unpaid at End of Year	Principal Retired (%)
2027	$ 1,985,000	$ 100,000	$ 2,085,000	$ 38,730,000	5%
2028	2,070,000	100,000	2,170,000	36,560,000	10%
2029	1,825,000	165,000	1,990,000	34,570,000	15%
2030	1,900,000	175,000	2,075,000	32,495,000	20%
2031	1,850,000	185,000	2,035,000	30,460,000	25%
2032	1,710,000	195,000	1,905,000	28,555,000	30%
2033	1,790,000	210,000	2,000,000	26,555,000	35%
2034	1,870,000	220,000	2,090,000	24,465,000	40%
2035	1,950,000	235,000	2,185,000	22,280,000	45%
2036	2,030,000	245,000	2,275,000	20,005,000	51%
2037	2,115,000	260,000	2,375,000	17,630,000	57%
2038	2,190,000	270,000	2,460,000	15,170,000	63%
2039	2,265,000	280,000	2,545,000	12,625,000	69%
2040	2,370,000	290,000	2,660,000	9,965,000	76%
2041	2,445,000	305,000	2,750,000	7,215,000	82%
2042	2,210,000	315,000	2,525,000	4,690,000	89%
2043	2,300,000	330,000	2,630,000	2,060,000	95%
2044	985,000	340,000	1,325,000	735,000	98%
2045	-	360,000	360,000	375,000	99%
2046	-	375,000	375,000	-	100%
Total	$ 35,860,000	$ 4,955,000	$ 40,815,000		

[a] *Includes self-supporting debt.*

PRINCIPAL TAXPAYERS **TABLE 3**

Name	Type of Business/Property	% of Total 2026 Net Taxable Assessed Valuation	2026 Assessed Valuation
ALTA 287 Owner LLC	Real Estate	$ 45,950,000	3.69%
FWT Inc	Manufacturing	21,183,871	1.70%
Oncor Electric Delivery LLC	Electric Utility	15,707,080	1.26%
Hawk Steel Industries Inc.	Steel Manufacturing	13,399,354	1.08%
Sabre-FWT Ventures	Manufacturing	13,273,243	1.07%
Atmos Energy	Oil/Gas	8,409,606	0.68%
KD Hammack Creek Housing LP	Real Estate	8,300,000	0.67%
Frontier Access LLC	Waste Management	8,149,140	0.65%
TEP Barnett USA LLC	Oil/Gas	8,117,415	0.65%
Tealcove Drive LLC	Corporation	6,458,600	0.52%
		$ 148,948,309	11.96%

Based on 2026 Net Taxable Assessed Valuation of $1,245,052,223

Source: Tarrant Appraisal District.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2017-2026 **TABLE 4**

Year	Net Taxable Assessed Valuation	Change From Preceding Year Amount ($)	Percent
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	966,393,662	135,687,999	16.33%
2023	1,160,439,137	194,045,475	20.08%
2024	1,200,147,583	39,708,446	3.42%
2025	1,277,772,788	77,625,205	6.47%
2026	1,245,052,223	(32,720,565)	-2.56%

Source: Tarrant Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION **TABLE 5**

	2026	% of Total	2025	% of Total	2024	% of Total
Real, Residential, Single-Family	$ 878,963,248	59.21%	$ 920,677,492	63.32%	$ 928,653,857	64.80%
Real, Residential, Multi-Family	88,796,986	5.98%	90,355,200	6.21%	91,772,365	6.40%
Real, Vacant Lots/Tracts	23,002,505	1.55%	26,639,734	1.83%	24,258,105	1.69%
Real, Acreage (Agricultural)	16,167,776	1.09%	71,716	0.00%	73,602	0.01%
Real, Farm and Ranch Improvements	4,260,638	0.29%	3,425,398	0.24%	3,258,349	0.23%
Real, Commercial	178,801,437	12.05%	240,971,949	16.57%	219,424,624	15.31%
Real, Industrial	34,267,453	2.31%	30,623,627	2.11%	29,103,983	2.03%
Oil and Gas	20,717,182	1.40%	3,350,824	0.23%	4,932,476	0.34%
Real & Tangible, Personal Utilities	33,661,429	2.27%	31,917,322	2.19%	38,656,365	2.70%
Tangible Personal, Commercial	99,903,895	6.73%	77,805,718	5.35%	52,589,839	3.67%
Tangible Personal , Industrial	16,635,874	1.12%	25,325,847	1.74%	36,885,570	2.57%
Tangible Personal, Mobile Homes	2,063,182	0.14%	969,195	0.07%	1,030,726	0.07%
Real Property, Inventory/Other	87,146,721	5.87%	1,965,212	0.14%	2,516,097	0.18%
Total Appraised Value	$ 1,484,388,326	100.00%	$ 1,454,099,234	100.00%	$ 1,433,155,958	100.00%
Less:						
Optional Over-65 /Disabled Homestead	$ 43,553,609		$ 44,593,681		$ 41,569,173	
Absolute Exempt	89,884,327		83,215,794		80,624,934	
Veteran's Exemptions	41,894,441		35,103,067		27,890,897	
Inventory/Other	18,048,454		9,566,186		12,459,384	
Pollution Control/Misc	-		117,970		4,436,150	
Productivity	15,561,056		-		-	
HS / CB Cap	30,394,216		-		-	
Value lost to Prorations/ARB	-		3,729,748		66,027,837	
	239,336,103		176,326,446		233,008,375	
Net Taxable Assessed Valuation	$ 1,245,052,223		$ 1,277,772,788		$ 1,200,147,583	

Source: Tarrant Appraisal District

TAX DATA **TABLE 6**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current	% of Collections Total	Year Ended
2016	$ 562,698,849	0.76750	$ 4,318,714	98.81	100.00	9/30/2017
2017	623,852,142	0.77410	4,850,450	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	6,521,122	99.19	99.85	9/30/2022
2022	966,393,662	0.70619	6,824,575	96.81	99.18	9/30/2023
2023	1,160,439,137	0.70619	8,194,905	98.84	99.62	9/30/2024
2024	1,200,147,583	0.70619	8,828,483	99.60	100.00	9/30/2025
2025	1,277,772,788	0.69619	8,850,471	96.25	96.88	9/30/2026

TAX RATE DISTRIBUTION **TABLE 7**

	2025	2024	2023	2022	2021
General Fund	$ 0.483073	$ 0.510974	$ 0.509273	$ 0.569154	$ 0.572949
I & S Fund	0.213117	0.195216	0.196917	0.137036	0.191136
Total Tax Rate	$ 0.696190	$ 0.706190	$ 0.706190	$ 0.706190	$ 0.764085

Source: Tarrant Appraisal District.

MUNICIPAL SALES TAX COLLECTIONS **TABLE 8**

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 not authorized the additional ½ of 1% sales tax for property tax relief but has authorized an additional ¼ of 1% sales tax for economic development and an additional ¼ of 1% sales tax for street maintenance. The figures below represent collections from the combined 1.50% sales tax.

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2017	$ 1,433,686	29.56%	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	37.39%	0.293
2022	2,408,828	35.30%	0.249
2023	2,775,820	33.87%	0.239
2024	3,031,003	34.33%	0.253
2025	4,043,211	45.68%	0.316
2026*	3,100,382		

Source: State Comptroller's Office of the State of Texas.
**Through August 2026.*

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 8/1/2026)	% Overlapping	Amount Overlapping
Arlington ISD	$ 1,136,315,000	0.02%	$ 227,263
Fort Worth ISD	1,465,040,000	0.09%	1,318,536
Kennedale ISD	94,820,025	42.47%	40,270,064
Mansfied ISD	1,222,175,000	0.18%	2,199,915
Tarrant County	283,515,000	0.37%	1,049,006
Tarrant County College District	547,535,000	0.37%	2,025,880
Tarrant County Hospital District	429,425,000	0.37%	1,588,873
Total Gross Overlapping Debt			$ 48,679,536
Kennedale, City of *			$ 40,815,000
Total Gross Direct and Overlapping Debt			$ 89,494,536
Ratio of Gross Direct Debt and Overlapping Debt to 2026 Net Assessed Valuation			7.19%
Per Capita Gross Direct Debt and Overlapping Debt			$8,308.84

Note: The above figures show Gross General Obligation Debt for the City of Kennedale, Texas. The Issuer's Net General Obligation Debt is $25,885,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt *	$ 74,564,536
Ratio of Net Direct and Overlapping Debt to 2026 Net Assessed Valuation	5.99%
Per Capita Net Direct and Overlapping Debt	$6,922.71

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas
** Includes the Certificates.*

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				
	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Fund Balance - Beginning of Year	$ 4,306,342	$ 3,467,006	$ 2,475,229	$ 3,142,540	$ 3,135,454
Revenues	12,349,130	11,407,250	10,748,471	9,568,388	9,798,256
Expenditures	11,696,285	10,718,447	9,870,631	9,838,607	9,791,170
Excess (Deficit) of Revenues Over Expenditures	$ 652,845	$ 688,803	$ 877,840	$ (270,219)	$ 7,086
Other Financing Sources (Uses):					
Operating Transfers In	$ -	$ -	$ -	$ -	$ 82,402
Proceeds from Notes Payable	-	-	-	-	-
Issuance of Debt	-	-	-	-	-
Issuance of Leases	-	-	113,937	-	-
Issuance of Subscriptions	-	121,258	-	-	-
Proceeds from sale of assets	43,600	29,275	-	-	-
Operating Transfers Out	-	-	-	-	(82,402)
Total Other Financing Sources (Uses):	$ 43,600	$ 150,533	$ 113,937	$ -	$ -
Prior Period Adjustment	$ -	$ -	$ -	$ (397,092)	$ -
Fund Balance - End of Year	$ 5,002,787	$ 4,306,342	$ 3,467,006	$ 2,475,229	$ 3,142,540

The City estimates the Fiscal Year Ending September 30, 2026 Fund Balance to be $5,511,848.

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

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.

For more information see the City's Annual Comprehensive Financial Report for the Year Ended September 30, 2025, Note 9, page 50.

UTILITY SYSTEM PLANT IN OPERATION **TABLE 11**

	FYE 9/30/2025
Land and improvements	$ 632,490
Construction in Progress	177,812
Buildings	7,550,579
Water/Wastewater distribution	19,235,960
Equipment and furniture	714,025
Accumulated Depreciation	(13,153,688)
Net Capital Assets	$ 15,157,178

Source: The Issuer's Annual Comprehensive Financial Report for fiscal year ended September 30, 2025.

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:	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021
Revenues	$ 6,974,154	$ 5,707,427	$ 4,717,380	$ 4,476,258	$ 4,351,371
Expenses	5,619,585	4,910,978	4,181,038	4,604,542 *	3,349,336
Net Revenue Available for Debt Service	$ 1,354,569	$ 796,449	$ 536,342	$ 87,500	$ 1,002,035
Customer Count:					
Water	3,236	3,107	3,178	3,141	3,123
Sewer	3,012	2,871	2,936	2,925	2,883

* 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, 2025.

WATER RATES **TABLE 13**

(Based on monthly billing)

(Effective October 1, 2025 through September 30, 2028)

Base Charge by Meter Size

	Residential*		Commercial/Industrial	
.75"	$	27.90	$	36.28
1"	$	60.47	$	60.47
1.5"	$	120.80	$	120.80
2"	$	193.35	$	193.35
3"			$	362.75
4"			$	604.71

**Senior/Disabled reduced rate to continue at $7.50 less than standard Residential Base Charge.*

Volume Rate (per kGal)

	Residential		Commercial/Industrial	
0-5kGal	$	3.84	$	3.84
5-20kGal	$	7.48	$	7.48
>20kGal	$	9.35		
20-50KGal	$	9.35	$	9.35
>50kGal	$	9.35	$	11.69

WASTEWATER RATES **TABLE 14**

(Based on Monthly Billing)

(Effective October 1, 2025 through September 30, 2028)

Residential	$	49.68
Sr/Disabled	$	42.18
Commercial	$	91.08
Industrial	$	91.08

Volume Rate (per kGal)

Residential	$	480.00
Commercial	$	11.13
Industrial	$	7.45

Source: The issuer.

APPENDIX B

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

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CITY OF KENNEDALE

Incorporated in 1947, the City of Kennedale is a first-tier suburb of Fort Worth and is located adjacent to Arlington and Mansfield in southeast Tarrant County. The City currently occupies a land area of 6.2 square miles and serves a population of 10,771. 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.

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 2,283,213 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.

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

Principal Employers Tarrant County

Employer	Entity	2025 Employees	2025 Percentage of Total Tarrant County Employment
American Airlines Group	Commercial Airline	35,000	3.19%
Lockheed Martin Aeronautics Company	Aircraft Manufacturer	17,500	1.60%
DFW International Airport	Airport	14,000	1.28%
Texas Health Resources	Health Care	12,556	1.15%
Naval Air Station Fort Worth JRB	Naval Reserve Base	10,500	0.96%
Fort Worth Independent School District	School District	9,860	0.90%
Cook Children's Health Care System	Health Care	9,000	0.82%
Wal-Mart Stores Texas LLC	Retail	8,742	0.80%
Arlington Independent School District	School District	8,613	0.79%
Amazon.com Services LLC	Retail	8,150	0.74%

____
Source: Tarrant County audited financial statements for fiscal year ended September 30, 2025

Labor Force Statistics – Tarrant County, Texas (1)

	2026 (2)	2025 (3)	2024 (3)	2023 (3)
Civilian Labor Force	1,212,676	1,207,781	1,192,098	1,170,758
Total Employed	1,163,755	1,160,092	1,144,792	1,127,271
Total Unemployed	48,921	47,689	47,306	43,487
% Unemployment	4.0	3.9	4.0	3.7
Texas Unemployment	4.3	4.2	4.1	3.9

____
(1) Source: Texas Workforce Commission.
(2) May 2026.
(3) Average Annual Statistics.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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September ___, 2026

CITY OF KENNEDALE, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2026
DATED AS OF SEPTEMBER 1, 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF $4,955,000

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.

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,

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

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City of Kennedale, Texas
Annual Comprehensive Financial Report
For Fiscal Year Ended September 30, 2025

City of Kennedale, Texas

Annual Comprehensive Financial Report

For the Fiscal Year Ended September 30, 2025

Prepared by City of Kennedale, Texas Finance Department

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March 26, 2026

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, 2025 is hereby issued.

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

The City's financial statements have been audited by Forvis Mazars LLP, independent Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2025, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering **unmodified opinions** that the City's financial statements for the fiscal year ended September 30, 2025, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

GOVERNMENTAL PROFILE

Incorporated in 1947, the City of Kennedale is a first-tier suburb of Fort Worth and is located adjacent to Arlington and Mansfield in southeast Tarrant County. The City currently occupies a land area of 6.2 square miles and serves a population of 10,771. 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.

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. A hotel site is in the process of development. The KEDC is also working with property owners in the area to develop their land.

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

Over 15 new structures are scheduled for completion in 2025-2026, including the new 3 story national brand hotel and a 7,000 SF national brand retailer. The 24 acre RMC Business Park, providing over 100,000 SF of industrial space, will continue through 2026. Notable residential projects currently in development include 10 new single family homes at Russell Ranch, 34 new single family homes in the Moderno Addition on South New Hope Road, a 39-unit townhome site called Harriss Hills on Mansfield Cardinal Road, and a 32-unit townhome project on Crestview Drive.

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 appropriations 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. In March 2025, the City Council conducted a strategic planning retreat. During the exercise, four major categories were listed. These are shown below with descriptions of how each category will be addressed in the 2025-2026 budget.

- Public Safety: The remaining $4MM of spending toward remodels of the Law Enforcement Center and Fire Station will take place before August 2026. This covers the second half of this project, with much of the foundational work taking place in 2024-2025.
- Public Works/Infrastructure: An increase of $160,000 toward general street repairs and $50,000 for new streetlights, $200,000 budgeted for an overlay on Hilltop Drive, and $1,800,000 budgeted for resurfacing of Eden and New Hope Roads are part of the 2025-2026 budget. Regarding our water system, $1,250,000 is budgeted for continued work on installing a new 750,000-gallon water tank on Caruthers Lane and the refurbishment of the elevated storage tank on Gail Drive. Preliminary work has started to secure funding for an extension of Little School Road that will include a bridge over the Union Pacific railroad tracks. Total project cost is estimated to be over $40,000,000.
- Community Development: The Economic Development Corporation has budgeted $758,405 to remodel 10,000 square feet of EDC owned space for the YMCA. This action was approved by the City Council on August 5, 2025. The anticipated opening date is early 2026.
- Economic Development: The Economic Development Corporation has also budgeted $125,000 for grants to support Kennedale-based businesses. Remaining in the budget from the previous year is $84,000 for monuments to be placed at the City's limits. The timing of this project is greatly impacted by the Southeast Connector Project being managed by the Texas Department of Transportation. More information on that project can be found here: https://www.txdot.gov/southeastconnector.html.

Actions and initiatives of the Council, Advisory Boards and Commissions, and the professional staff are guided by the City's Strategic Plan *(Imagine Kennedale 2015),* the Comprehensive Land Use Plan, and the Asset Management Plan. The Comprehensive Plan was updated in September 2024. The TIRZ, as noted earlier, is expected to remain a primary focus, along with the redevelopment of Oak Crest and the restoration of Village Creek, including the potential for new park and trail facilities along the creek.

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

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

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

RELEVANT FINANCIAL POLICIES

The City will continue controlling expenditures, auditing existing contracts, and exploring new revenue opportunities to strengthen the General Fund balance. Efforts have been put in place to restore net working capital in both the Water and Sewer Fund and the General Fund. The City's bond rating was raised to AA from Standard & Poor's (S&P) Global ratings in December 2024.

AWARDS AND ACKNOWLEDGEMENTS

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

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

Respectfully Submitted,

Darrell Hull
City Manager

Jonathan Horton, CPA
Director of Finance

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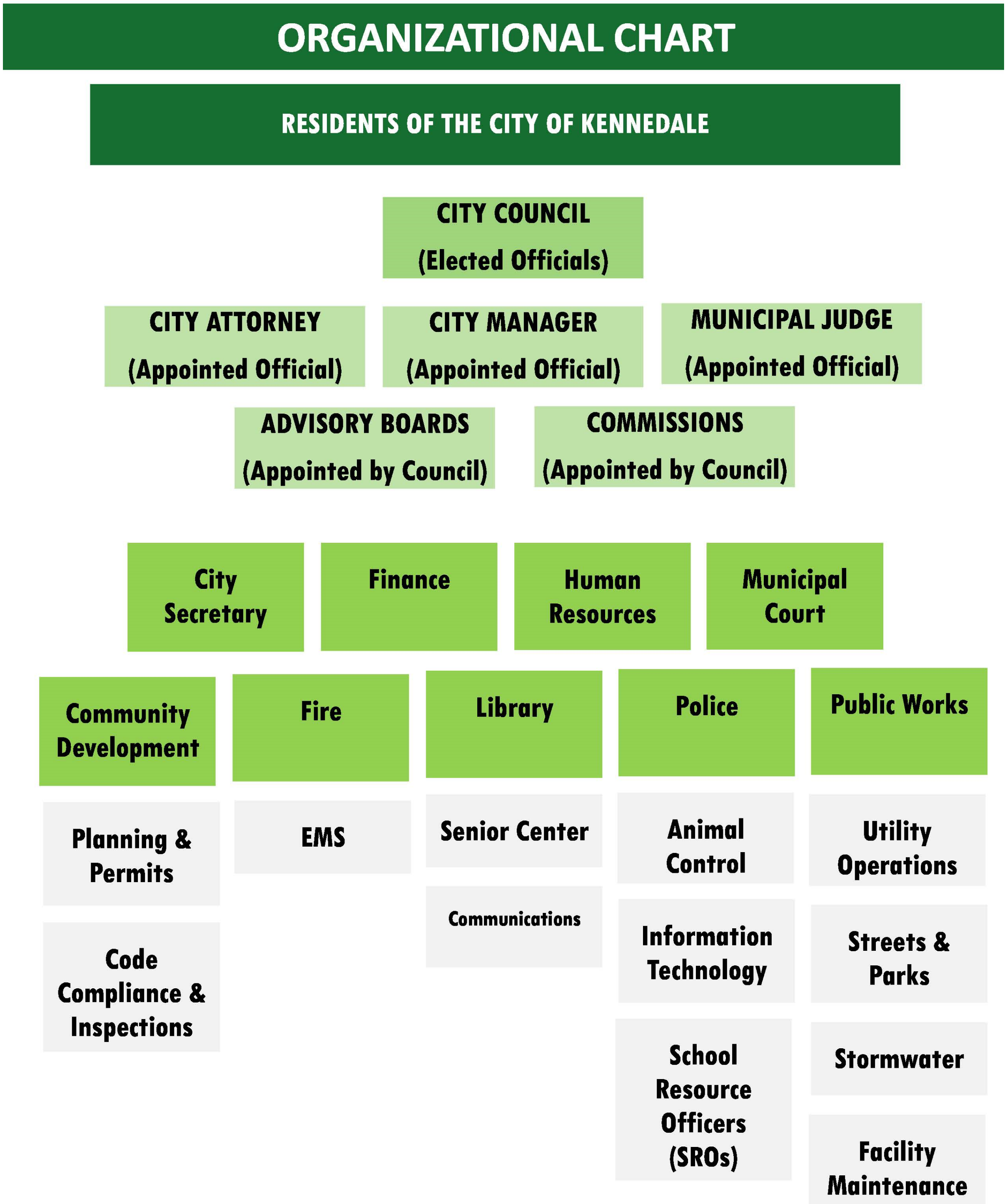
ORGANIZATIONAL CHART
RESIDENTS OF THE CITY OF KENNEDALE
CITY COUNCIL (Elected Officials)
CITY ATTORNEY (Appointed Official)
CITY MANAGER (Appointed Official)
MUNICIPAL JUDGE (Appointed Official)
ADVISORY BOARDS (Appointed by Council)
COMMISSIONS (Appointed by Council)
City Secretary
Finance
Human Resources
Municipal Court
Community Development
Fire
Library
Police
Public Works
Planning & Permits
Code Compliance & Inspections
EMS
Senior Center
Communications
Animal Control
Information Technology
School Resource Officers (SROs)
Utility Operations
Streets & Parks
Stormwater
Facility Maintenance

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Elected Officials

Mayor	Brad Horton
City Council, Place 1	David Glover
City Council, Place 2	Thelma Kobeck
Mayor Pro-Tem and City Council, Place 3	Kenneth Michels
City Council, Place 4	Vacant
City Council, Place 5	Jeff Navarez

Appointed & Key Officials

City Manager	Darrell Hull
City Secretary	Barbara Dahl
City Attorney	Taylor, Olsen, Adkins, Sralla & Elam, LLP
Director of Finance	Jonathan Horton
Director of Human Resources	Danielle Clark
Police Chief (Interim)	Eric Carlson
Fire Chief	Eric Peterson
Director of Public Works	Kristian Sugrim
Director of Community Development	Ed McRoy
Court Administrator	Bertha Vindell
Director of Library and Communications	Elizabeth Partridge

Economic Development Corporation (EDC)
Board of Directors

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

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kennedale
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morrill

Executive Director/CEO

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Forvis Mazars, LLP
14221 Dallas Parkway, Suite 400
Dallas, TX 75254
P 972.702.8262 | F 972.702.0673
forvismazars.us

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, 2025, 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Dallas, Texas
March 26, 2026

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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, 2025. 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 2025, resulting in $53,752,722 of net position. Net position associated with governmental activities is approximately $35.1 million, or 65% of the total net position of the City. Net position associated with business-type activities is approximately $18.6 million, or 35% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is approximately $42.5 million.
- Unrestricted net position of the City is $6.9 million. Unrestricted net position for governmental activities is approximately $2.9 million or 8% of total net position of governmental activities. Unrestricted net position for business-type activities is approximately $4.0 million or 21% of total net position for business-type activities.
- As of the close of fiscal year 2025, the City's Governmental Funds reported a combined ending fund balance of $24,665,874, a decrease of $1,613,479 from the prior year's balance.
- At the end of the current fiscal year, total fund balance for the General Fund was $5,002,787. This represents approximately 43% of General Fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2025, City assets and deferred outflows of resources exceeded its liabilities and deferred inflows resulting in $53,752,722 of net position.

Statement of Net Position for Governmental and Business-type Activities

	2025			2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 27,207,358	$ 20,974,204	$ 48,181,562	$ 33,189,924	$ 20,396,303	$ 53,586,227
Capital, lease, and subscription assets	38,239,698	15,157,178	53,396,876	35,221,260	13,893,995	49,115,255
Total assets	65,447,056	36,131,382	101,578,438	68,411,184	34,290,298	102,701,482
Deferred outflows of resources	964,606	-	964,606	1,562,651	-	1,562,651
Long-term liabilities	28,367,323	15,874,408	44,241,731	28,814,409	15,878,549	44,692,958
Other liabilities	2,479,502	1,628,985	4,108,487	8,725,744	1,793,726	10,519,470
Total liabilities	30,846,825	17,503,393	48,350,218	37,540,153	17,672,275	55,212,428
Deferred inflows of resources	440,104	-	440,104	279,210	-	279,210
Net position:						
Net investment in capital assets	28,064,962	14,476,680	42,541,642	28,095,130	13,275,187	41,370,317
Restricted	4,152,170	161,899	4,314,069	1,799,661	207,371	2,007,032
Unrestricted	2,907,601	3,989,410	6,897,011	2,259,681	3,135,468	5,395,149
Total net position	$ 35,124,733	$ 18,627,989	$ 53,752,722	$ 32,154,472	$ 16,618,026	$ 48,772,498

By far, the largest portion of the City's net position (79%) reflects its investment in capital, lease, and subscription assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (8%) 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, 2025. Overall, the City had an increase in net position of $4,980,224.

Revenues and Expenses for Governmental and Business-type Activities

	2025			2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program Revenues						
Charges for services	$ 1,409,259	$ 6,468,076	$ 7,877,335	$ 1,692,793	$ 5,082,982	$ 6,775,775
Operating grant and contributions	679,392	-	679,392	650,302	-	650,302
Capital grant and contributions	958,657	56,733	1,015,390	-	86,309	86,309
General revenues						
Taxes and fees	12,742,612	-	12,742,612	11,811,434	-	11,811,434
Other	1,487,622	824,592	2,312,214	1,118,221	933,543	2,051,764
Grants not restricted to a specific purpose	2,124,119	-	2,124,119	731,152	-	731,152
Total revenues	19,401,661	7,349,401	26,751,062	16,003,902	6,102,834	22,106,736
Expenses						
General government	2,689,791	-	2,689,791	2,516,232	-	2,516,232
Public safety	8,012,668	-	8,012,668	7,450,881	-	7,450,881
Public works	2,172,296	-	2,172,296	2,324,535	-	2,324,535
Culture and recreation	862,979	-	862,979	602,906	-	602,906
Interest and fiscal charges	849,057	-	849,057	681,480	-	681,480
Water and sewer	-	6,907,738	6,907,738	-	6,203,491	6,203,491
Storm water drainage	-	276,309	276,309	-	290,254	290,254
Total expenses	14,586,791	7,184,047	21,770,838	13,576,034	6,493,745	20,069,779
Increase (Decrease) in Net Position Before Transfers	4,814,870	165,354	4,980,224	2,427,868	(390,911)	2,036,957
Transfers	(1,844,609)	1,844,609	-	(922,344)	922,344	-
Change in Net Position	2,970,261	2,009,963	4,980,224	1,505,524	531,433	2,036,957
Net Position, Beginning of Year	32,154,472	16,618,026	48,772,498	30,648,948	16,086,593	46,735,541
Net Position, Ending of Year	$ 35,124,733	$ 18,627,989	$ 53,752,722	$ 32,154,472	$ 16,618,026	$ 48,772,498

Governmental Activities: Governmental activities increased the City's net position by $2,970,261. Total revenue for the governmental activities increased from the previous year by $3,397,759. General revenue had a net increase of $2,693,546. Property tax collections increased as a result of real property valuations increasing due to new business and property additions which continues to grow the local economy. Program Revenues increased primarily due to the City meeting capital requirements on grants. Expenses increased by $1,010,757 primarily due to compensation adjustments for personnel and an increase in interest expenses for debt issued in the last few years.

Business-type Activities: Net position from business-type activities increased by $2,009,963. Total revenue for the business-type activities increased from the previous year by $1,246,567, primarily due to increased water and wastewater rates. Additionally, total expenses for business-type activities increased from the previous year by $690,302, primarily due to increased costs for the City's portion of maintenance and operations of water utilities. These factors led to an increase in net position.

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 $24,665,874, a decrease of $1,613,479 from the prior year. The General fund had an increase of $696,445 in fund balance, primarily due to an increase in property tax values which increased property tax revenues, as well as an increase in sales tax revenue from the State. The Debt Service fund had an increase of $249,359 in fund balance, which was due primarily to a decrease in transfers to other funds for assistance with debt payments. The TIRZ #1 New Hope fund had an increase of $168,376 in fund balance, primarily due to limited activity during the fiscal year which led to a decrease of expenditures. The Capital Bond fund had a decrease of $2,792,728 in fund balance, which was due to costs incurred for construction projects and purchases of capital assets. The Grants fund had an increase of $79,765 in fund balance, which was due primarily to investment income allocated to the fund, as well as an increase in recognition of grant revenue, which was partially offset by the related grant expenditures.

Fund balance includes amounts restricted for Capital Projects of $18,092,180, restricted for Debt Service of $1,197,340, restricted for Parks of $92,396, restricted for Municipal Court of $46,613, restricted for Tourism of $97,175, and restricted for Public Safety of $7,283. Fund balance also includes amounts assigned for Parks of $269,869. The net unassigned fund balance was $4,800,532, an increase of $647,957 from prior year.

In the General Fund, the final budget projected a $2,128,906 decrease in fund balance this fiscal year; however, the actual change was an $696,445 increase. Total revenues were $1,415,493 over budget and total expenditures were under budget by $1,366,258. Revenues increased from the budget primarily due to an increase in administrative charges to other funds recorded as intergovernmental revenues, an increase in sales tax from the State, and an increase in investment earnings due to higher interest rates. Expenditures came in under budget primarily due to a decreased need in engineering services and electric services.

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 $3,160,330 and the Storm Water Drainage Fund reported an unrestricted net position of $829,080.

Capital, Lease, and Subscription Assets: The City's capital, lease, and subscription assets for its governmental and business-type activities as of September 30, 2025, amount to $53,396,876 (net of accumulated depreciation and amortization). This net investment in capital assets includes land, buildings, park facilities, roads, bridges, and water and sewer lines.

Overall increase in net capital assets can primarily be attributed to work completed on various construction projects.

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

	Governmental Activities		Business-type Activities		Totals	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Land	$ 4,206,187	$ 4,206,187	$ 632,490	$ 632,490	$ 4,838,677	$ 4,838,677
Buildings	6,055,321	5,988,862	7,550,579	5,803,495	13,605,900	11,792,357
Machinery and equipment	5,767,511	5,319,759	714,025	763,547	6,481,536	6,083,306
Construction in progress	7,854,873	4,278,658	177,812	100,388	8,032,685	4,379,046
Lease assets	113,937	113,937	-	-	113,937	113,937
Subscription assets	121,258	121,258	-	-	121,258	121,258
Infrastructure/water distribution	41,490,815	41,068,109	19,235,960	19,168,124	60,726,775	60,236,233
Accumulated depreciation/amortization	(27,370,204)	(25,875,510)	(13,153,688)	(12,574,043)	(40,523,892)	(38,449,553)
Total	$ 38,239,698	$ 35,221,260	$ 15,157,178	$ 13,894,001	$ 53,396,876	$ 49,115,261

Long-term Debt: At the end of the current fiscal year, the City had total bonds outstanding of $36,394,207 and $395,000 of tax notes, all being tax supported. The City also has $54,801 and $40,554 in lease and subscription liabilities, respectively, and notes payable of $426,460.

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

	Governmental Activities		Business-type Activities		Totals	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
General obligation bonds	$ 5,500,000	$ 6,260,000	$ -	$ -	$ 5,500,000	$ 6,260,000
Certificates of obligation	18,486,259	19,222,641	15,447,948	15,742,089	33,934,207	34,964,730
Tax notes	395,000	780,000	-	-	395,000	780,000
Notes payable	-	-	426,460	557,789	426,460	557,789
Lease liability	54,801	77,250	-	-	54,801	77,250
Subscription liability	40,554	79,134	-	-	40,554	79,134
Total	$ 24,476,614	$ 26,419,025	$ 15,874,408	$ 16,299,878	$ 40,351,022	$ 42,718,903

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 2026, the City Council passed a property tax rate of $0.696190 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 increases funding for general road repair. Work is ongoing to update the City's Unified Development Code.

The impact of previous debt issuances has been seen throughout the current fiscal year in the form of road resurfacing on Eden Road and New Hope Road, the completion of the Law Enforcement Center remodel, and the upcoming completion of the Fire Station remodel. The Fire Station's anticipated reopening is scheduled for June 2026.

Development continues within the City. Groundbreakings during the first half of the fiscal year include a Wyndam branded hotel, an AutoZone retail location, and a new townhome community. Additional groundbreakings for a travel center and new retail center are planned before the end of next fiscal year. City management continues to explore expanded revenue streams for the City, including the hiring of a consultant that specializes in identifying and applying for grant funding opportunities.

Requests for Information

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

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Basic Financial Statements

City of Kennedale, Texas
Statement of Net Position
September 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Kennedale Economic Development Corporation
Assets and Deferred Outflows of Resources				
Cash, cash equivalents, and investments	$ 10,528,257	$ 4,863,578	$ 15,391,835	$ 2,626,949
Receivables (net of allowance):				
Accounts	577,595	797,635	1,375,230	15,052
Taxes	656,775	-	656,775	186,053
Leases	-	-	-	433,508
Prepaid items	62,486	22,786	85,272	10,000
Restricted assets:				
Cash, cash equivalents, and investments	15,382,245	15,290,205	30,672,450	-
Capital, lease, and subscription assets:				
Land and construction in progress	12,061,060	810,302	12,871,362	1,025,948
Other capital, lease, and subscription assets, net of accumulated depreciation and amortization	26,178,638	14,346,876	40,525,514	2,115,490
Total assets	65,447,056	36,131,382	101,578,438	6,413,000
Deferred Outflows of Resources				
Deferred loss on refunding	34,141	-	34,141	-
Deferred outflows of resources – pension	903,509	-	903,509	-
Deferred outflows of resources – OPEB	26,956	-	26,956	-
Total deferred outflows of resources	964,606	-	964,606	-
Total assets and deferred outflows of resources	$ 66,411,662	$ 36,131,382	$ 102,543,044	$ 6,413,000

City of Kennedale, Texas
Statement of Net Position
September 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Kennedale Economic Development Corporation
Liabilities, Deferred Inflows of Resources and Net Position				
Accounts payable and contracts payable	$ 1,943,937	$ 1,143,855	$ 3,087,792	$ 27,814
Accrued liabilities	369,406	-	369,406	-
Accrued interest	138,204	124,274	262,478	8,468
Deposits	2,150	360,856	363,006	33,899
Unearned revenue	25,805	-	25,805	36,000
Current liabilities:				
Bonds payable	1,515,000	450,000	1,965,000	100,000
Tax notes payable	395,000	-	395,000	-
Compensated absences	364,944	-	364,944	-
Notes payable	-	136,399	136,399	58,970
Lease liability	23,599	-	23,599	-
Subscription liability	40,554	-	40,554	14,270
Noncurrent Liabilities:				
Bonds payable	22,471,259	14,997,948	37,469,207	105,000
Compensated absences	308,061	-	308,061	-
Notes payable	-	290,061	290,061	-
Lease liability	31,202	-	31,202	-
Total OPEB liability	217,510	-	217,510	-
Net pension liability	3,000,194	-	3,000,194	-
Total noncurrent liabilities	26,028,226	15,288,009	41,316,235	105,000
Total liabilities	30,846,825	17,503,393	48,350,218	384,421
Deferred Inflows of Resources				
Deferred gain on refunding	103,791	-	103,791	-
Deferred inflows of resources – pension	273,434	-	273,434	-
Deferred inflows of resources – OPEB	62,879	-	62,879	-
Deferred inflows of resources – leases	-	-	-	389,946
Total deferred inflows of resources	440,104	-	440,104	389,946
Net Position				
Net investment in capital assets	28,064,962	14,476,680	42,541,642	2,863,198
Restricted for:				
Capital projects	2,709,935	-	2,709,935	-
Tourism	97,175	-	97,175	-
Debt service	1,075,402	-	1,075,402	-
Economic development	-	-	-	2,775,435
Impact fees	-	161,899	161,899	-
Municipal court	169,979	-	169,979	-
Parks	92,396	-	92,396	-
Other	7,283	-	7,283	-
Unrestricted	2,907,601	3,989,410	6,897,011	-
Total net position	35,124,733	18,627,989	53,752,722	5,638,633
Total liabilities, deferred inflows of resources and net position	$ 66,411,662	$ 36,131,382	$ 102,543,044	$ 6,413,000

City of Kennedale, Texas
Statement of Activities
Year Ended September 30, 2025

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government				
Governmental Activities				
General government	$ 2,689,791	$ 676,926	$ 679,392	$ -
Public safety	8,012,668	522,402	-	-
Public works	2,172,296	136,840	-	958,657
Culture and recreation	862,979	73,091	-	-
Interest and fiscal charges	849,057	-	-	-
Total governmental activities	14,586,791	1,409,259	679,392	958,657
Business-type Activities				
Water and wastewater	6,907,738	6,188,571	-	56,733
Stormwater and drainage	276,309	279,505	-	-
Total business-type activities	7,184,047	6,468,076	-	56,733
Total primary government	$ 21,770,838	$ 7,877,335	$ 679,392	$ 1,015,390
Component Unit				
Kennedale Economic Development Corporation	1,374,279	343,914	-	-
Total component unit	$ 1,374,279	$ 343,914	$ -	$ -

General Revenues
General revenues:
Property taxes
Sales taxes
Franchise taxes
Interest on investments
Miscellaneous
Grants not restricted to a specific purpose
Gain on sale of capital assets
Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Corporation
$ (1,333,473)	$ -	$ (1,333,473)	$ -
(7,490,266)	-	(7,490,266)	-
(1,076,799)	-	(1,076,799)	-
(789,888)	-	(789,888)	-
(849,057)	-	(849,057)	-
(11,539,483)	-	(11,539,483)	-
-	(662,434)	(662,434)	-
-	3,196	3,196	-
-	(659,238)	(659,238)	-
$ (11,539,483)	$ (659,238)	$ (12,198,721)	$ -
-	-	-	(1,030,365)
$ -	$ -	$ -	(1,030,365)
9,164,261	-	9,164,261	-
3,088,581	-	3,088,581	1,029,007
489,770	-	489,770	-
1,258,555	824,592	2,083,147	125,481
185,467	-	185,467	39,928
2,124,119	-	2,124,119	-
43,600	-	43,600	-
(1,844,609)	1,844,609	-	-
14,509,744	2,669,201	17,178,945	1,194,416
2,970,261	2,009,963	4,980,224	164,051
32,154,472	16,618,026	48,772,498	5,474,582
$ 35,124,733	$ 18,627,989	$ 53,752,722	$ 5,638,633

City of Kennedale, Texas
Balance Sheet
Governmental Funds
September 30, 2025

	General	Debt Service	TIRZ 1 New Hope	Capital Bond
Assets				
Cash, cash equivalents, and investments	$ 5,162,769	$ 1,189,380	$ 393,472	$ 17,796,221
Receivables (net of allowance for uncollectibles):				
Accounts	286,579	-	-	83,424
Taxes	632,549	24,226	-	-
Due from other funds	-	-	-	-
Prepaid items	62,486	-	-	-
Total assets	$ 6,144,383	$ 1,213,606	$ 393,472	$ 17,879,645
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	$ 514,531	$ -	$ -	$ 1,010,717
Accrued liabilities	369,406	-	-	-
Due to other funds	71,589	-	74,603	-
Deposits	2,150	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	957,676	-	74,603	1,010,717
Deferred Inflows of Resources				
Unavailable revenue	183,920	16,266	-	-
Total deferred inflows of resources	183,920	16,266	-	-
Fund Balances				
Nonspendable:				
Prepaid items	62,486	-	-	-
Restricted for:				
Capital projects	-	-	318,869	16,868,928
Tourism	-	-	-	-
Debt service	-	1,197,340	-	-
Municipal court	46,613	-	-	-
Public safety	-	-	-	-
Parks	92,396	-	-	-
Assigned:				
Parks	-	-	-	-
Unassigned	4,801,292	-	-	-
Total fund balances	5,002,787	1,197,340	318,869	16,868,928
Total liabilities, deferred inflows of resources and fund balances	$ 6,144,383	$ 1,213,606	$ 393,472	$ 17,879,645

Grants	Other Governmental Funds	Total Governmental Funds
$ 486,246	$ 882,414	$ 25,910,502
203,570	4,022	577,595
-	-	656,775
-	147,972	147,972
-	-	62,486
$ 689,816	$ 1,034,408	$ 27,355,330
$ 418,689	$ -	$ 1,943,937
-	-	369,406
-	1,780	147,972
-	-	2,150
25,805	-	25,805
444,494	1,780	2,489,270
-	-	200,186
-	-	200,186
-	-	62,486
245,322	659,061	18,092,180
-	97,175	97,175
-	-	1,197,340
-	-	46,613
-	7,283	7,283
-	-	92,396
-	269,869	269,869
-	(760)	4,800,532
245,322	1,032,628	24,665,874
$ 689,816	$ 1,034,408	$ 27,355,330

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City of Kennedale, Texas
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2025

Total fund balances – governmental funds		$ 24,665,874
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.		38,239,698
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.		(138,204)
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.		200,186
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	$ (103,791)	
Deferred loss on refunding	34,141	
Deferred outflows of resources – Pension	903,509	
Deferred outflows of resources – OPEB	26,956	
Deferred inflows of resources – Pension	(273,434)	
Deferred inflows of resources – OPEB	(62,879)	524,502
Long-term liabilities, including bonds payable, notes payable, compensated absences, net pension liability, total OPEB liability, lease liability, and subscription liability are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.		
Bonds payable	(22,975,000)	
Tax notes payable	(395,000)	
Issuance premium	(1,011,259)	
Lease liability	(54,801)	
Subscription liability	(40,554)	
Compensated absences	(673,005)	
Net pension liability	(3,000,194)	
Total OPEB liability	(217,510)	(28,367,323)
Total net position of governmental activities		$ 35,124,733

City of Kennedale, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2025

	General	Debt Service	TIRZ 1 New Hope	Capital Bond
Revenues				
Property taxes	$ 6,456,313	$ 2,460,199	$ 304,463	$ -
General sales tax	3,088,581	-	-	-
Occupancy taxes	-	-	-	-
Franchise fees	489,770	-	-	-
Licenses and permits	348,389	-	-	-
Public safety fees	350,335	-	-	-
Intergovernmental	694,571	138,847	-	958,657
Charges for services	154,546	-	-	-
Fines and forfeitures	332,349	-	-	-
Investment income	288,551	54,996	13,541	784,369
Miscellaneous	145,725	-	-	-
Total revenues	12,349,130	2,654,042	318,004	1,743,026
Expenditures				
Current:				
General government	2,326,948	-	-	-
Public safety	7,474,273	-	-	-
Public works	770,885	-	450	422,600
Culture and recreation	680,882	-	-	-
Capital outlay	374,866	-	-	4,044,103
Debt service:				
Principal retirement	61,029	1,860,000	-	-
Interest and fiscal charges	7,402	881,177	-	-
Total expenditures	11,696,285	2,741,177	450	4,466,703
Excess (Deficiency) of Revenues Over (Under) Expenditures	652,845	(87,135)	317,554	(2,723,677)
Other Financing Sources (Uses)				
Proceeds from sale of assets	43,600	-	-	-
Transfers in	-	336,494	79,051	-
Transfers out	-	-	(228,229)	(69,051)
Total other financing sources (uses)	43,600	336,494	(149,178)	(69,051)
Net Change in Fund Balances	696,445	249,359	168,376	(2,792,728)
Fund Balances, Beginning of Year	4,306,342	947,981	150,493	19,661,656
Fund Balances, End of Year	$ 5,002,787	$ 1,197,340	$ 318,869	$ 16,868,928

Grants	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 9,220,975
-	-	3,088,581
-	17,223	17,223
-	-	489,770
-	33,721	382,110
-	-	350,335
2,124,119	1,602	3,917,796
-	165,235	319,781
-	353	332,702
70,126	46,972	1,258,555
-	22,519	168,244
2,194,245	287,625	19,546,072
-	-	2,326,948
138,072	2,030	7,614,375
-	18,450	1,212,385
52,132	27,990	761,004
1,924,276	38,061	6,381,306
-	-	1,921,029
-	-	888,579
2,114,480	86,531	21,105,626
79,765	201,094	(1,559,554)
-	-	43,600
-	-	415,545
-	(215,790)	(513,070)
-	(215,790)	(53,925)
79,765	(14,696)	(1,613,479)
165,557	1,047,324	26,279,353
$ 245,322	$ 1,032,628	$ 24,665,874

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, 2025

Net change in fund balances – total governmental funds		$ (1,613,479)
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		6,381,306
Capital asset additions transferred to business-type activities		(1,747,084)
Depreciation/amortization		(1,615,784)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(188,011)
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	$ 1,475,000	
Payments on tax notes	385,000	
Payments on leases	22,449	
Payments on subscriptions	38,580	1,921,029
The issuance of long-term debt, such as bonds, leases and related premiums provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Differences consist of the following:		
Amortization of bond premiums	21,382	
Amortization of deferred loss on refunding bonds	(11,381)	
Amortization of deferred gain on refunding bonds	22,871	32,872
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.		(221,333)
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.		(333)
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.		14,428
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.		6,650
Change in net position of governmental activities		$ 2,970,261

City of Kennedale, Texas
Statement of Net Position
Proprietary Funds
September 30, 2025

	Water and Wastewater	Non-major Storm Water Drainage	Total Proprietary Funds
Assets			
Current assets			
Cash, cash equivalents, and investments	$ 4,058,273	$ 805,305	$ 4,863,578
Receivables (net of allowance for uncollectibles):			
Accounts	773,860	23,775	797,635
Prepaid items	22,786	-	22,786
Restricted cash, cash equivalents, and investments:			
Impact fees	161,899	-	161,899
Customer deposits	360,856	-	360,856
Capital projects	14,767,450	-	14,767,450
Total current assets	20,145,124	829,080	20,974,204
Noncurrent assets			
Capital assets:			
Land and improvements	409,801	222,689	632,490
Buildings	7,550,579	-	7,550,579
Water/Wastewater distribution	18,150,530	1,085,430	19,235,960
Equipment and furniture	714,025	-	714,025
Construction in progress	177,812	-	177,812
Accumulated depreciation	(12,938,662)	(215,026)	(13,153,688)
Total noncurrent assets	14,064,085	1,093,093	15,157,178
Total assets	34,209,209	1,922,173	36,131,382
Liabilities			
Current liabilities			
Accounts payable	$ 1,143,855	$ -	$ 1,143,855
Accrued interest	124,274	-	124,274
Deposits	360,856	-	360,856
Bonds payable	450,000	-	450,000
Notes payable	136,399	-	136,399
Total current liabilities	2,215,384	-	2,215,384
Noncurrent liabilities			
Bonds payable	14,400,000	-	14,400,000
Notes payable	290,061	-	290,061
Premiums on bond debt	597,948	-	597,948
Total noncurrent liabilities	15,288,009	-	15,288,009
Total liabilities	17,503,393	-	17,503,393
Net Position			
Net invested in capital assets	13,383,587	1,093,093	14,476,680
Restricted for:			
Impact fees	161,899	-	161,899
Unrestricted	3,160,330	829,080	3,989,410
Total net position	$ 16,705,816	$ 1,922,173	$ 18,627,989

City of Kennedale, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2025

	Water and Wastewater	Non-major Storm Water Drainage	Total Proprietary Funds
Operating Revenues			
Charges for services:			
Water	$ 3,699,485	$ -	$ 3,699,485
Wastewater	2,488,926	-	2,488,926
Storm water drainage	-	279,505	279,505
Other	160	-	160
Total operating revenues	6,188,571	279,505	6,468,076
Operating Expenses			
General and administration	854,371	255,248	1,109,619
Cost of sales and services	4,765,214	-	4,765,214
Depreciation	608,106	21,061	629,167
Total operating expenses	6,227,691	276,309	6,504,000
Operating Income (Loss)	(39,120)	3,196	(35,924)
Nonoperating Revenues (Expenses)			
Interest and investment revenue	785,583	39,009	824,592
Interest and fiscal charges	(680,047)	-	(680,047)
Total nonoperating revenues	105,536	39,009	144,545
Income Before Transfers and Capital Contributions	66,416	42,205	108,621
Transfers in	97,525	-	97,525
Capital contributions	1,803,817	-	1,803,817
Total transfers and capital contributions	1,901,342	-	1,901,342
Change in Net Position	1,967,758	42,205	2,009,963
Net Position, Beginning of Year	14,738,058	1,879,968	16,618,026
Net Position, End of Year	$ 16,705,816	$ 1,922,173	$ 18,627,989

City of Kennedale, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2025

	Water and Wastewater	Non-major Storm Water Drainage	Total Proprietary Funds
Cash Flows From Operating Activities			
Receipts from customers and users	$ 5,726,535	$ 257,491	$ 5,984,026
Payments to employees	(854,371)	-	(854,371)
Payments to suppliers	(4,489,818)	(256,543)	(4,746,361)
Net cash provided by operating activities	382,346	948	383,294
Cash Flows From Noncapital and Related Financing Activities			
Transfers in	97,525	-	97,525
Net cash provided by noncapital and related financing activities	97,525	-	97,525
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(145,260)	-	(145,260)
Principal payments on debt	(294,141)	-	(294,141)
Interest payments on debt	(686,117)	-	(686,117)
Payments on notes payable	(131,329)	-	(131,329)
Capital contributions - impact fees	34,951	-	34,951
Capital contributions - grants	21,782	-	21,782
Net cash used in capital and related financing activities	(1,200,114)	-	(1,200,114)
Cash Flows From Investing Activities			
Interest on investments	785,583	39,009	824,592
Net cash provided by investing activities	785,583	39,009	824,592
Increase in Cash and Cash Equivalents	65,340	39,957	105,297
Cash and Cash Equivalents, Beginning of Year	19,283,138	765,348	20,048,486
Cash and Cash Equivalents, End of Year	$ 19,348,478	$ 805,305	$ 20,153,783
Noncash Investing, Capital and Financing Activities			
Contributions of capital assets	1,747,084	-	1,747,084
Reconciliation to Statement of Net Position			
Cash, cash equivalents, and investments	$ 4,058,273	$ 805,305	$ 4,863,578
Restricted cash, cash equivalents, and investments	15,290,205	-	15,290,205
	$ 19,348,478	$ 805,305	$ 20,153,783
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	$ (39,120)	$ 3,196	$ (35,924)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation	608,106	21,061	629,167
Changes in assets and liabilities			
Accounts receivable	(450,590)	(22,014)	(472,604)
Accounts payable	275,396	(1,295)	274,101
Deposits	(11,446)	-	(11,446)
Net cash provided by operating activities	$ 382,346	$ 948	$ 383,294

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Note 1. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

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

Basis of Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus and Basis of Accounting

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The Grants Fund is used to account for proceeds received from federal, local, and state grants and their related expenditures.

The City reports the following major proprietary fund:

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

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

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

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

Deposits and Investments

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

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

Receivables and Payables

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

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

As a City that operates under a home-rule charter, the City has a tax rate limitation of $2.50 per $100 assessed valuation. For the year ended September 30, 2025, the City had a tax rate of $0.706190 per $100 of which $0.510974 was allocated for general government and $0.195216 was allocated for payment of principal and interest on general long-term debt.

Prepaid Items

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

Restricted Assets

Certain cash and cash equivalent balances are restricted by various legal, contractual, and bond obligations. Unspent bond proceeds must be expended in accordance with the bond indenture and are recorded in both governmental and business-type activities. Customer deposits and impact fees are, by law, to be considered restricted assets. These activities are included in the Water and Wastewater Fund.

Capital, Lease and Subscription Assets

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

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

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

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

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

Deferred Outflows/Inflows of Resources

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

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

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

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

Compensated Absences

Paid-time off (PTO) is accrued as a liability as employees earn the benefit to the extent that they meet all of the following criteria: 1) the City's obligation is attributable to employees' services already rendered; 2) the leave accumulates; and 3) it is more likely than not that the City will compensate the employees for the benefits through PTO or some other means, such as cash payments.

The liability for compensated absences is reported in the government-wide financial statements based on the pay rate effective at year-end and the last-in-first-out (LIFO) method. The liability includes salary related benefits, where applicable.

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.

Lease Liability

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

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

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

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

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

Subscription Liability

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

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

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

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

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

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

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

Pensions

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

Other Postemployment Benefits Plans

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

Net Position

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

Fund Balance

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

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

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

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Estimates

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

Adoption of New Accounting Standards

The City adopted GASB Statement No. 101, *Compensated Absences* (GASB 101) for the year ended September 30, 2025. The new accounting guidance updates the recognition and measurement guidance for compensated absences under a unified model. Specifically, the new standard clarifies that a liability should be recorded for compensated absences that are more likely than not to be paid or otherwise settled. Additionally, it amends certain existing disclosure requirements. The adoption of GASB 101 had no impact on the City's beginning of year net position.

The City adopted GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102) for the year ended September 30, 2025. The new accounting guidance requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due. The adoption of GASB 102 had no impact on the City's financial statements.

Future Adoption of Accounting Principles

The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2025. The City will evaluate the potential impact on the City's financial statements.

Statement No.	Title	Adoption Required
103	*Financial Reporting Model Improvements*	September 30, 2026
104	*Disclosure of Certain Capital Assets*	September 30, 2026
105	*Subsequent Events*	September 30, 2027

Note 2. Deposits and Investments

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

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

- ***Custodial Credit Risk:*** Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2025, 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 $431,572 (with a book value of $324,125).
- ***Credit Risk:*** It is the City's policy to invest in obligations of the United States of America, its agencies, and instrumentalities, in obligations of the State of Texas and related agencies, in obligations of states, agencies, counties, cities and other political subdivisions of any state rated "A" or above by a nationally recognized investment rating firm. It is the City's policy to limit investments to investment pools with an investment quality rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The City's investments in TexPool and TexSTAR were rated AAA-m by Standard and Poor's Investors Services.
- ***Interest Rate Risk:*** In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years or less, dependent on market conditions.
- ***Concentration of Credit Risk:*** The government's investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

As of September 30, 2025, the City held the following investments:

	Carrying Value
Primary Government	
Investment Pools:	
TexPool	$ 13,334,970
TexStar	380,171
Money market investments	2,339,746
Total investment pools	16,054,887
Investments:	
U.S. Treasury Securities	22,192,653
U.S. Agency Securities	7,492,620
Total investments	29,685,273
Total primary government	45,740,160
Component Unit	
Investment Pools:	
TexPool	765,854
TexStar	21,834
Money market investments	134,377
Total investment pools	922,065
Investments:	
U.S. Treasury Securities	1,274,568
U.S. Agency Securities	430,316
Total investments	1,704,884
Total component units	2,626,949
Total investments	$ 48,367,109

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

Investment Type	**Less Than 1 Year**	**1 - 2 Years**	**2 - 3 Years**	**Total Fair Value**	**Weighted Average Maturity**
U.S. Treasury Securities	$ 23,467,221	$ -	$ -	$ 23,467,221	0.52
U.S. Agency Securities	4,742,357	2,719,985	460,594	7,922,936	0.78
Total Interest Rate Risk Debt Securities	$ 28,209,578	$ 2,719,985	$ 460,594	$ 31,390,157	1.30

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

The City invests in two pools; TexStar and Texas Local Government Investment Pool (TexPool), which were created under the *Interlocal Cooperation Act*, Texas Government Code Ann. Ch. 791, and the Texas Government Code Ann. Ch. 2256. TexStar is rated AAAm and seeks to maintain a constant net asset value of $1.00. The City's investments in TexStar are reported at net asset value, while the investments in TexPool are reported at amortized cost. Money market accounts are marketable securities in active markets that have observable inputs and prices, and are reported at net asset value. Investments in the pools are considered to be cash equivalents when preparing these financial statements.

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

Note 3. Disclosures About Fair Value of Assets

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

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

The following table presents the fair value measurements of the City and its DPCU's assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2025:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
U.S. Treasury Securities	$ 23,467,221	$ 23,467,221	$ -	$ -
U.S. Agency Securities	7,922,936	490,360	7,432,576	-
Total investment by fair value level	31,390,157	$ 23,957,581	$ 7,432,576	$ -
Investments Measured at Net Asset Value				
Money market securities	2,474,123			
TexStar	402,005			
Investments Measured at Amortized Cost				
TexPool	14,100,824			
Total investments	$ 48,367,109			

Note 4. Receivables

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

	General	Debt Service	Capital Bond	Grants	Non-major Governmental	Water and Wastewater	Non-major Storm Water Drainage	Kennedale Economic Development Corporation	Total
Receivables									
Taxes	$ 748,910	$ 66,517	$ -	$ -	$ -	$ -	$ -	$ 186,053	$ 1,001,480
Accounts	81,302	-	83,424	203,570	4,022	882,810	30,959	14,280	1,300,367
Leases	-	-	-	-	-	-	-	434,280	434,280
Court fines	1,440,902	-	-	-	-	-	-	-	1,440,902
Ambulance	2,971,096	-	-	-	-	-	-	-	2,971,096
Gross receivables	5,242,210	66,517	83,424	203,570	4,022	882,810	30,959	634,613	7,148,125
Less: allowance for uncollectibles	(4,323,082)	(42,291)	-	-	-	(108,950)	(7,184)	-	(4,481,507)
Net total receivables	$ 919,128	$ 24,226	$ 83,424	$ 203,570	$ 4,022	$ 773,860	$ 23,775	$ 634,613	$ 2,666,618

The City records unearned revenue, revenue received but not yet earned, in its governmental funds. At September 30, 2025, the City's unearned revenue related primarily to grant funding received prior to meeting all eligibility requirements totaled $25,805. The discretely presented component unit, at September 30, 2025, had unearned revenue related to funding received for services that had not yet been performed of $36,000.

Note 5. Property Taxes

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on October 1 and are due and payable on or before January 31, of the following year. All unpaid taxes become delinquent February 1 of the following year. Tax collections for the year ended September 30, 2025, were 99% of the levy. Tarrant County bills and collects property taxes for the City. Any uncollected property taxes at September 30, that are collected within 60 days, are recognized as revenue, and recorded as taxes receivable. Any uncollected property taxes at September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred inflow of resources in governmental funds. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable, and their validity seems certain.

The statutes of the state of Texas do not prescribe a legal debt limit, nor does the City's charter provide for a debt limit. However, provision of Article XI, Section 5 of the Texas Constitution applicable to cities with populations greater than 5,000 limits the ad-valorem tax rate to $2.50 per $100 assessed valuation. However, as a city operating under a Home Rule Charter, the City has a debt limit of $1.50 per $100 assessed valuation. For the year ended September 30, 2025, the City had a tax rate of $0.706190 per $100 assessed valuation, of which $0.510974 was allocated for general government and $0.195216 was allocated for the payment of principal and interest on general obligation debt.

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

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

However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the tax rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year. This legislation provides that, if approved by the qualified voters in the City, both the appraisal and collection functions may be placed with the appraisal district. In addition, the City may obtain approval from its governing body to place these functions with the appraisal district.

Note 6. Interfund Receivables, Payables, and Transfers

Due To/Due From

The composition of inter-fund balances as of September 30, 2025, is as follows:

	Payable Fund	Receivable Fund
General	$ 71,589	$ -
Library building – nonmajor	1,780	-
Roadway impact – nonmajor	-	147,972
TIRZ #1 New Hope	74,603	-
Total	$ 147,972	$ 147,972

These interfund transactions were a result of the Roadway Impact fund transferring monies to the General fund, Library Building fund, and TIRZ #1 New Hope fund for covering negative cash balances in the Library Building fund and to provide funding for certain roadway projects in the General and TIRZ #1 New Hope funds.

Interfund Transfers

Interfund activity for the year ended September 30, 2025, is as follows:

	Transfers In	Transfers Out
Debt service	$ 336,494	$ -
TIRZ #1 New Hope	79,051	228,229
Capital Bond	-	69,051
Water and wastewater	97,525	-
Non-major governmental	-	215,790
Total	$ 513,070	$ 513,070

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

Note 7. Capital, Lease, and Subscription Assets

Governmental Activities

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	$ 4,206,187	$ -	$ -	$ -	$ 4,206,187
Construction in progress	4,278,658	4,060,603	-	(484,388)	7,854,873
Total capital assets not being depreciated	8,484,845	4,060,603	-	(484,388)	12,061,060
Capital, lease and subscription assets being depreciated/amortized					
Buildings	5,988,862	1,813,543	-	(1,747,084)	6,055,321
Lease equipment	113,937	-	-	-	113,937
Infrastructure	41,068,109	-	-	422,706	41,490,815
Machinery and equipment	5,319,759	507,160	121,090	61,682	5,767,511
Subscription assets	121,258	-	-	-	121,258
Total capital, lease, and subscription assets being depreciated/amortized	52,611,925	2,320,703	121,090	(1,262,696)	53,548,842
Less accumulated depreciation/amortization for:					
Buildings	3,822,442	218,682	-	-	4,041,124
Lease equipment	39,877	22,788	-	-	62,665
Infrastructure	18,457,699	933,811	-	-	19,391,510
Machinery and equipment	3,545,387	400,084	121,090	-	3,824,381
Subscription assets	10,105	40,419	-	-	50,524
Total accumulated depreciation/amortization	25,875,510	1,615,784	121,090	-	27,370,204
Total capital, lease, and subscription assets being depreciated/amortized, net	26,736,415	704,919	-	(1,262,696)	26,178,638
Governmental activities capital, lease, and subscription assets, net	$ 35,221,260	$ 4,765,522	$ -	$(1,747,084)	$ 38,239,698

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

General government	$	155,605
Public safety		398,293
Public works		959,911
Culture and recreation		101,975
Total depreciation/amortization expense – governmental activities	$	1,615,784

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	100,388	145,260	-	(67,836)	177,812
Total capital assets not being depreciated	732,878	145,260	-	(67,836)	810,302
Capital assets being depreciated					
Buildings	5,803,495	-	-	1,747,084	7,550,579
Infrastructure	19,168,124	-	-	67,836	19,235,960
Machinery and equipment	763,547	-	49,522	-	714,025
Total capital assets being depreciated/amortized	25,735,166	-	49,522	1,814,920	27,500,564
Less accumulated depreciation/amortization for:					
Buildings	3,371,409	155,625	-	-	3,527,034
Infrastructure	8,439,087	473,542	-	-	8,912,629
Machinery and equipment	763,547	-	49,522	-	714,025
Total accumulated depreciation/amortization	12,574,043	629,167	49,522	-	13,153,688
Total capital assets being depreciated, net	13,161,123	(629,167)	-	1,814,920	14,346,876
Business-type activities capital assets, net	$ 13,894,001	$ (483,907)	$ -	$ 1,747,084	$ 15,157,178

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

Water and wastewater	$ 608,106
Storm water drainage	21,061
Total depreciation expense – business-type activities	$ 629,167

Discretely Presented Component Unit

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 1,025,948	$ -	$ -	$ -	$ 1,025,948
Total capital assets not being depreciated	1,025,948	-	-	-	1,025,948
Capital and subscription assets being depreciated/amortized					
Buildings	4,917,189	-	-	-	4,917,189
Improvements	1,137,588	-	-	-	1,137,588
Infrastructure	209,707	-	-	-	209,707
Machinery and equipment	33,554	-	-	-	33,554
Subscription assets	34,846	-	-	-	34,846
Total capital and subscription assets being depreciated/amortized	6,332,884	-	-	-	6,332,884
Less accumulated depreciation/amortization for:					
Buildings	3,122,016	245,859	-	-	3,367,875
Improvements	716,393	59,549	-	-	775,942
Infrastructure	41,442	4,194	-	-	45,636
Machinery and equipment	6,711	6,711	-	-	13,422
Subscription assets	2,904	11,615	-	-	14,519
Total accumulated depreciation/amortization	3,889,466	327,928	-	-	4,217,394
Total capital and subscription assets being depreciated/amortized, net	2,443,418	(327,928)	-	-	2,115,490
Capital and subscription assets, net	$ 3,469,366	$ (327,928)	$ -	$ -	$ 3,141,438

Note 8. Long-term Liabilities

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended September 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable - public offerings					
General obligation bonds	$ 2,980,000	$ -	$ 110,000	$ 2,870,000	$ 95,000
Certificates of obligation	18,190,000	-	715,000	17,475,000	755,000
Bonds payable - direct placements					
General obligation bonds	3,280,000	-	650,000	2,630,000	665,000
Tax notes	780,000	-	385,000	395,000	395,000
Lease liability	77,250	-	22,449	54,801	23,599
Subscription liability	79,134	-	38,580	40,554	40,554
Premiums on bonds	1,032,641	-	21,382	1,011,259	-
Compensated absences	687,433	-	14,428	673,005	364,944
Total governmental activities	$ 27,106,458	$ -	$ 1,956,839	$ 25,149,619	$ 2,339,097
Business-type Activities					
Bonds payable - public offerings					
Certificates of obligation	$ 14,540,000	$ -	$ 100,000	$ 14,440,000	$ 250,000
Bonds payable - direct placements					
Certificates of obligation	600,000	-	190,000	410,000	200,000
Notes payable	557,789	-	131,329	426,460	136,399
Premium on bonds	602,089	-	4,141	597,948	-
Total business-type activities	$ 16,299,878	$ -	$ 425,470	$ 15,874,408	$ 586,399
Discretely Presented Component Unit					
Revenue bonds	$ 295,000	$ -	$ 90,000	$ 205,000	$ 100,000
Texas leverage fund loan	113,506	-	54,536	58,970	58,970
Subscription liability	24,991	-	10,721	14,270	14,270
Total	$ 433,497	$ -	$ 155,257	$ 278,240	$ 173,240

General Obligation Bonds and Certificates of Obligation

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

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

	Governmental Activities	Business-type Activities	Total Primary Government
General Obligation Bonds			
$1,260,000, 2020 General Obligation Refunding Bonds, due in annual installments through February 15, 2030, 1.93%	$ 655,000	$ -	$ 655,000
$3,720,000, 2016 General Obligation Refunding Bonds, due in annual installments through February 15, 2028, 1.79%	1,025,000	-	1,025,000
$1,540,000, 2020A General Obligation Refunding Bonds, due in annual installments through February 15, 2031, 1.22%	950,000	-	950,000
$2,980,000, 2024 General Obligation Refunding Bonds, due in annual installments through February 15, 2044, 4.00% to 5.00%	2,870,000	-	2,870,000
	$ 5,500,000	$ -	$ 5,500,000

	Governmental Activities	Business-type Activities	Total Primary Government
Certificates of Obligation			
$2,900,000, 2007 Certificate of Obligation Bonds, due in annual installments through February 15, 2027, 4.10%	$ -	$ 410,000	$ 410,000
$5,735,000 2021 Certificate of Obligation Bonds, due in annual installments through February 15, 2041, 1.50% to 4.00%	4,785,000	-	4,785,000
$17,065,000 2023 Certificate of Obligation Bonds, due in annual installments through February 15, 2043, 4.00% to 5.00%	2,275,000	14,440,000	16,715,000
$10,810,000 2024 Certificate of Obligation Bonds, due in annual installments through February 15, 2044, 4.00% to 5.00%	10,415,000	-	10,415,000
	$ 17,475,000	$ 14,850,000	$ 32,325,000

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:

	Governmental Activities	Business-type Activities	Total Primary Government
Tax Notes			
$2,000,000, 2019 Tax Notes due in annual installments through February 1, 2026, 1.90%	$ 395,000	$ -	$ 395,000
	$ 395,000	$ -	$ 395,000

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

Governmental Activities

Fiscal	Bonds Payable - Public Offerings			Bonds Payable - Direct Placements		
Year	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2026	$ 850,000	$ 779,237	$ 1,629,237	$ 665,000	$ 36,982	$ 701,982
2027	825,000	740,062	1,565,062	600,000	26,365	626,365
2028	865,000	700,612	1,565,612	610,000	16,237	626,237
2029	910,000	659,637	1,569,637	290,000	8,880	298,880
2030	950,000	616,663	1,566,663	300,000	4,322	304,322
2031-2035	5,210,000	2,476,261	7,686,261	165,000	1,007	166,007
2036-2040	6,175,000	1,446,838	7,621,838	-	-	-
2041-2045	4,560,000	345,437	4,905,437	-	-	-
Total	$ 20,345,000	$ 7,764,747	$ 28,109,747	$ 2,630,000	$ 93,793	$ 2,723,793

Business-Type Activities

Fiscal	Bonds Payable - Public Offerings			Bonds Payable - Direct Placements		
Year	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2026	$ 250,000	$ 639,319	$ 889,319	$ 200,000	$ 12,710	$ 212,710
2027	350,000	624,319	974,319	210,000	4,305	214,305
2028	595,000	600,693	1,195,693	-	-	-
2029	625,000	573,319	1,198,319	-	-	-
2030	650,000	544,569	1,194,569	-	-	-
2031-2035	3,795,000	2,185,969	5,980,969	-	-	-
2036-2040	4,795,000	1,188,894	5,983,894	-	-	-
2041-2045	3,380,000	210,271	3,590,271	-	-	-
Total	$ 14,440,000	$ 6,567,353	$ 21,007,353	$ 410,000	$ 17,015	$ 427,015

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

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

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

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

Fiscal	Governmental Activities		
Year	Principal	Interest	Total
2026	$ 395,000	$ 3,752	$ 398,752
Total	$ 395,000	$ 3,752	$ 398,752

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%.

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

Fiscal	Business-Type Activities		
Year	Principal	Interest	Total
2026	$ 136,399	$ 16,414	$ 152,813
2027	141,664	11,149	152,813
2028	148,397	5,680	154,077
Total	$ 426,460	$ 33,243	$ 459,703

Lease Liability

The City's general fund has a lease agreement for a copy machine, the term of which expires in 2028. During the fiscal year ended September 30, 2025, the City recognized rental expense of approximately $3,353 for the year ended September 30, 2025, for variable payments related to management fees, not previously included in the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of September 30, 2025:

Year Ending September 30,	Principal	Interest	Total
2026	$ 23,599	$ 2,204	$ 25,803
2027	24,805	997	25,802
2028	6,397	54	6,451
	$ 54,801	$ 3,255	$ 58,056

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

Fiscal	Governmental Activities		
Year	Principal	Interest	Total
2026	$ 158,970	$ 16,752	$ 175,722
2027	105,000	7,298	112,298
Total	$ 263,970	$ 24,050	$ 288,020

The following is a summary of pledged revenues for KEDC for the year ended September 30, 2025:

Revenue Pledged	Total Revenue Pledged	Current Year Debt Service Requirements	Percentage Portion of Revenue Stream	Remaining Principal and Interest	Period Revenue Will not be Available for Other Purposes
.05% sales and use tax	$ 1,029,007	$ 170,816	16.60%	$ 288,020	Until 2027

Subscription Liabilities

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

At September 30, 2025, the value of the subscription liabilities was $40,554 and $14,270 for the City and KEDC, respectively. An incremental borrowing rate of 5 percent was used to measure subscription liabilities. The value of the right-to-use subscription assets as of September 30, 2025, was $121,258 and $34,846, and had accumulated amortization of $(50,524) and $(14,519), for the City and the KEDC, resepectively.

During the fiscal year ended September 30, 2025, the City and KEDC recognized approximately $4,049 and $1,279, respectively, for variable payments within its subscription arrangements.

The maturity of the City's liability related to the subscription IT arrangements as of September 30, 2025 is as follows:

Fiscal	Governmental Activities		
Year	**Principal**	**Interest**	**Total**
2026	$ 40,554	$ 2,075	$ 42,629
Total	$ 40,554	$ 2,075	$ 42,629

The maturity of the KEDC's liability related to the subscription IT arrangements as of September 30, 2025 is as follows:

Fiscal	Governmental Activities		
Year	**Principal**	**Interest**	**Total**
2026	$ 14,270	$ 730	$ 15,000
Total	$ 14,270	$ 730	$ 15,000

Note 9. Employee Benefit Plans

Plan Description

The City participates as one of over 900 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmrs.com.

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

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

Deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years at any age, 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% of the total Member contributions and interest.

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	77
Inactive employees entitled to but not yet receiving benefits	138
Active employees	72
	287

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.72% and 16.85% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $995,080, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.25% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation
Asset valuation method	10 year smoothed market; 12% soft corridor
Retirement age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplies by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements subject to the 3.5% and 3% floor.

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized by the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Provate Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other Private Markets	4.00%	7.30%
Total	100.00%	

Discount Rate

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

Changes in the Net Pension Liability

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability(a) - (b)
Balances as of October 1, 2024	$ 25,669,492	$ 22,122,902	$ 3,546,590
Changes for the year			
Service cost	1,074,605	-	1,074,605
Interest on total pension liability	1,739,165	-	1,739,165
Effect of difference in expected and actual experience	233,167	-	233,167
Effect of assumptions changes or inputs	-	-	-
Benefit payments	(882,785)	(882,785)	-
Administrative expenses	-	(14,742)	14,742
Member contributions	-	402,259	(402,259)
Net investment income	-	2,302,805	(2,302,805)
Employer contributions	-	903,357	(903,357)
Other	-	(346)	346
Net changes	2,164,152	2,710,548	(546,396)
Balances as of September 30, 2025	$ 27,833,644	$ 24,833,450	$ 3,000,194

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

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

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

	1% Decrease (5.75)%	Current Single Rate Assumption (6.75%)	1% Increase (7.75)%
City's net pension liability	$ 7,436,950	$ 3,000,194	$ (562,517)

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.

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

For the year ended September 30, 2025, the primary government recognized pension expense of $1,216,412. At September 30, 2025, 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	$ 167,476	$ -
Changes in assumptions	-	262,019
Net difference between projected and actual investment earnings	-	11,415
Contributions subsequent to the measurement date	736,033	-
	$ 903,509	$ 273,434

$736,033 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, 2026. 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
2026	$ 142,646
2027	265,038
2028	(351,741)
2029	(161,901)
	$ (105,958)

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, 2024, (measurement date):

Inactive employees or beneficiaries currently receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	15
Active employees	72
Total employees	125

Total OPEB Liability

The City's total OPEB liability of $217,510 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The City's total OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	December 31, 2024
Discount Rate	4.08% as of December 31, 2024 (3.77% as of December 31, 2023)
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate covergence) 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 4.08% based on the 20-Year Municipal GO AA Index published by bondbuyer.com is used as of the measurement date of December 31, 2024.

Changes in Total OPEB Liability

	Total OPEB Liability
Balances as of October 1, 2024	$ 219,877
Changes for the year	
Service cost	10,918
Interest on total OPEB liability	8,354
Difference between expected and actual experience	(2,513)
Effect of assumption changes (discount rate change)	(11,655)
Benefit payments, age adjusted premiums, net of retiree contributions	(7,471)
Balances as of September 30, 2025	$ 217,510

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 4.08%. 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 3.08%	Current Discount Rate 4.08%	1% Increase 5.08%
Total OPEB Liability	$ 258,659	$ 217,510	$ 185,237

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

For the year ended September 30, 2025, the City recognized OPEB expense of $6,892. At September 30, 2025, 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
Differences between expected and actual experience	$ 1,364	$ 8,824
Changes in actuarial assumptions	13,798	54,055
Benefit payments subsequent to the measurement date	11,794	-
	$ 26,956	$ 62,879

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, 2026.

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
2026	$ (18,604)
2027	(22,598)
2028	(3,799)
2029	(2,716)
	$ (47,717)

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, 2025, the City paid premiums to TML for provisions of various liability, property, and casualty insurance. The City has various deductible amounts ranging from $0 to $2,000 on various policies. At year-end, the City did not have any significant claims.

The City also provides workers' compensation insurance on its employees through TML. Workers' compensation is subject to change when audited by TML. At year-end, September 30, 2025, 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.

Note 12. Tax Abatements

As of September 30, 2025, the City offers tax incentives under Chapter 380 of the Texas Local Government Code. Chapter 380 of the Local Government Code authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects. Specifically, it provides for offering loans and grants of city funds or services to promote state and local economic development and to stimulate business and commercial activity. There are no other economic development programs that provide for tax incentives currently offered by the City of Kennedale.

In 1987, Texas voters approved a constitutional amendment allowing for public expenditures to support economic development activities. The amendment explicitly provides for programs that use public funds for the purposes of development and diversification of the state's economy. Then in 1989, Chapter 380 of the Local Government code greatly expanded this by enabling municipalities to also engage in using public funds to support economic development. Chapter 380 agreements do not require a year limit and allows municipalities to provide monies, loans, city personnel, and city services for the promotion and encouragement of economic development.

Although Chapter 380 provides for broad use of city resources, the City closely evaluates each proposed 380 agreement on a case-by-case basis. The City typically places a hard cap on years and financial support, whichever occurs first. The years and financial caps are negotiated in each distinct agreement.

The City has one active 380 agreement covering retail and business services. The tax incentives used in negotiations included sales taxes. Under the 380 agreement, the tax incentive is considered a "tax sharing" agreement. This means that no taxes are actually abated, rather all taxes must be paid in full to the City and the City will provide a payment to the entity each year equal to the amount authorized in the respective contract. Through sharing revenue under chapter 380, the City is able to verify that the entity has completed their requirements as outlined in their contract.

In fiscal year 2025, the City of Kennedale rebated (abated) $376,701 in sales taxes to Quick Roofing, LLC. This included a percentage of sales taxes abated of 85%.

Required Supplementary Information

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

	Measurement Year			
	2015	2016	2017	2018
Total Pension Liability				
Service cost	$ 648,581	$ 675,284	$ 697,041	$ 712,721
Interest (on the Total Pension Liability)	865,430	912,020	989,009	1,071,891
Differences between expected and actual experience	(168,052)	(109,980)	(52,740)	(205,171)
Changes in assumptions	113,774	-	-	-
Benefit payments, including refunds of employee contributions	(320,705)	(329,210)	(366,034)	(460,511)
Net change in total pension liability	1,139,028	1,148,114	1,267,276	1,118,930
Total pension liability – Beginning	12,199,345	13,338,373	14,486,487	15,753,763
Total pension liability – Ending (a)	$ 13,338,373	$ 14,486,487	$ 15,753,763	$ 16,872,693
Plan Fiduciary Net Position				
Contributions – employer	$ 525,561	$ 540,075	$ 565,061	$ 558,900
Contributions – employee	254,774	265,860	276,603	279,969
Net investment income	15,487	740,899	1,687,364	(429,406)
Benefit payments, including refunds of employee contributions	(320,705)	(329,210)	(366,034)	(460,511)
Administrative expense	(9,432)	(8,365)	(8,740)	(8,292)
Other	(466)	(451)	(443)	(432)
Net change in plan fiduciary net position	465,219	1,208,808	2,153,811	(59,772)
Plan fiduciary net position – Beginning	10,494,646	10,959,865	12,168,673	14,322,484
Plan fiduciary net position – Ending (b)	$ 10,959,865	$ 12,168,673	$ 14,322,484	$ 14,262,712
City's net pension liability – Ending (a) – (b)	$ 2,378,508	$ 2,317,814	$ 1,431,279	$ 2,609,981
Plan fiduciary net position as a percentage of the total pension liability	82.17%	84.00%	90.91%	84.53%
Covered payroll	$ 3,639,622	$ 3,797,997	$ 3,951,478	$ 3,999,556
City's net pension liability as a percentage of covered payroll	65.35%	61.03%	36.22%	65.26%

Note: The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for ten years.

	Measurement Year					
	2019	2020	2021	2022	2023	2024
	$ 734,380	$ 769,790	$ 880,878	$ 800,930	$ 918,672	$ 1,074,605
	1,144,812	1,231,286	1,353,316	1,475,741	1,598,626	1,739,165
	(90,293)	369,096	457,263	376,038	476,470	233,167
	15,333	-	-	-	(138,271)	-
	(559,415)	(522,263)	(713,470)	(962,093)	(820,027)	(882,785)
	1,244,817	1,847,909	1,977,987	1,690,616	2,035,470	2,164,152
	16,872,693	18,117,510	19,965,419	21,943,406	23,634,022	25,669,492
	$ 18,117,510	$ 19,965,419	$ 21,943,406	$ 23,634,022	$ 25,669,492	$ 27,833,644
	$ 580,085	$ 591,844	$ 666,382	$ 649,686	$ 740,399	$ 903,357
	295,491	305,299	348,370	329,037	360,668	402,259
	2,207,757	1,274,858	2,404,252	(1,543,508)	2,271,207	2,302,805
	(559,415)	(522,263)	(713,470)	(962,093)	(820,027)	(882,785)
	(12,459)	(8,239)	(11,108)	(13,334)	(14,421)	(14,742)
	(375)	(321)	77	15,912	(101)	(346)
	2,511,084	1,641,178	2,694,503	(1,524,300)	2,537,725	2,710,548
	14,262,712	16,773,796	18,414,974	21,109,477	19,585,177	22,122,902
	$ 16,773,796	$ 18,414,974	$ 21,109,477	$ 19,585,177	$ 22,122,902	$ 24,833,450
	$ 1,343,714	$ 1,550,445	$ 833,929	$ 4,048,845	$ 3,546,590	$ 3,000,194
	92.58%	92.23%	96.20%	82.87%	86.18%	89.22%
	$ 4,177,363	$ 4,361,416	$ 4,976,712	$ 4,553,327	$ 5,152,395	$ 5,746,551
	32.17%	35.55%	16.76%	88.92%	68.83%	52.21%

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

	Fiscal Year			
	2016	2017	2018	2019
Actuarially determined contribution	$ 555,231	$ 560,038	$ 566,892	$ 586,411
Contributions in relation to the actuarially determined contribution	555,231	560,038	566,892	586,411
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 3,932,717	$ 3,919,319	$ 4,058,043	$ 4,232,531
Contributions as a percentage of covered payroll	14.12%	14.29%	13.97%	13.85%

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

Other Information:

Notes	There were no benefit changes during the year.

Fiscal Year											
2020		2021		2022		2023		2024		2025	
$	640,350	$	686,761	$	624,339	$	718,649	$	861,691	$	995,080
	640,350		686,761		624,339		718,649		861,691		995,080
$	-	$	-	$	-	$	-	$	-	$	-
$	4,636,444	$	4,885,183	$	4,468,337	$	4,952,043	$	5,611,406	$	6,016,028
	13.81%		14.06%		13.97%		14.51%		15.36%		16.54%

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

	Measurement Year			
	2017	**2018**	**2019**	**2020**
Total OPEB Liability				
Service cost	$ 16,201	$ 17,998	$ 14,203	$ 19,626
Interest cost	5,260	5,765	6,271	6,105
Difference between expected and actual experience of the total OPEB liability	-	(13,157)	(6,021)	(7,744)
Changes of assumptions	13,846	(12,621)	37,090	36,148
Benefit payments	(1,185)	(1,200)	(1,253)	(1,308)
Net change in total OPEB liability	34,122	(3,215)	50,290	52,827
Total OPEB Liability (Beginning)	131,652	165,774	162,559	212,849
Total OPEB Liability (Ending)	$ 165,774	$ 162,559	$ 212,849	$ 265,676
Covered-employee payroll	$ 3,951,478	$ 3,999,556	$ 4,177,363	$ 4,361,416
Total OPEB liability as a percentage of covered-employee payroll	4.20%	4.06%	5.10%	6.09%

Notes to Schedule:

Changes of benefit term: None

Changes of assumption:

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

2017	3.78%
2018	3.71%
2019	2.75%
2020	2.00%
2021	1.84%
2022	4.05%
2023	3.77%
2024	4.08%

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.

Measurement Year			
2021	2022	2023	2024
$ 21,400	$ 15,937	$ 9,274	$ 10,918
5,483	5,668	8,444	8,354
4,520	(1,495)	(9,036)	(2,513)
9,963	(109,936)	11,196	(11,655)
(4,479)	(5,009)	(7,729)	(7,471)
36,887	(94,835)	12,149	(2,367)
265,676	302,563	207,728	219,877
$ 302,563	$ 207,728	$ 219,877	$ 217,510
$ 4,976,712	$ 4,553,327	$ 5,152,395	$ 5,746,551
6.08%	4.56%	4.27%	3.79%

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, 2025

	Budgeted Amounts		Actual GAAP	Variance with Final Budget Positive
	Original	Final	Basis	(Negative)
Revenues				
Taxes:				
Property	$ 6,209,872	$ 6,209,872	$ 6,456,313	$ 246,441
Sales	2,391,591	2,391,591	3,088,581	696,990
Franchise fees	-	-	489,770	489,770
Licenses and permits	450,000	450,000	348,389	(101,611)
Fines and forfeitures	1,047,915	1,047,915	332,349	(715,566)
Public safety fees	-	-	350,335	350,335
Intergovernmental	165,000	165,000	694,571	529,571
Charges for service	292,000	292,000	154,546	(137,454)
Investment earnings	6,959	6,959	288,551	281,592
Other	370,300	370,300	145,725	(224,575)
Total revenues	10,933,637	10,933,637	12,349,130	1,415,493
Expenditures				
Current:				
General government	2,554,819	2,689,682	2,326,948	362,734
Public safety	7,306,191	7,401,191	7,474,273	(73,082)
Public works	2,205,734	2,255,734	770,885	1,484,849
Culture and recreation	715,936	715,936	680,882	35,054
Capital outlay	-	-	374,866	(374,866)
Debt service:				
Principal	-	-	61,029	(61,029)
Interest and other	-	-	7,402	(7,402)
Total expenditures	12,782,680	13,062,543	11,696,285	1,366,258
Excess (deficiency) of revenues over (under) expenditures	(1,849,043)	(2,128,906)	652,845	2,781,751
Other Financing Sources				
Proceeds from sale of assets	-	-	43,600	43,600
Total other financing sources	-	-	43,600	43,600
Net Change in Fund Balances	(1,849,043)	(2,128,906)	696,445	2,825,351
Fund Balances, Beginning of Year	4,306,342	4,306,342	4,306,342	-
Fund Balances, End of Year	$ 2,457,299	$ 2,177,436	$ 5,002,787	$ 2,825,351

Budgets and Budgetary Accounting

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

1. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.
4. Expenditures may not legally exceed appropriations at the division level for legally adopted operating budgets. The City Manager has the authority to transfer appropriation balances from one department, the primary subunits of each fund, or division and the primary subunit of each department, to another within a single fund of the City. Department heads may approve amendments of amounts between line items within a division so long as the transfers do not significantly change the work program contemplated in the approved budget.
5. Annual budgets are adopted for the General and Debt Service Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The budgetary data presented has been amended from the original budget by the City Council.

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Combining and Individual Fund Statements and Schedules (Unaudited)

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Special Revenue Funds

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

Law Enforcement Officer Standards and Education (LEOSE) – to account for grant revenue that is legally restricted to expenditures for LEOSE program.

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

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

Capital Projects Funds

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

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

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

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

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

City of Kennedale, Texas
Combining Balance Sheet
Governmental Funds - Nonmajor
September 30, 2025

	Special Revenue Funds			Capital Projects
	LEOSE	**Police Seizure**	**Hotel Motel**	**Park Dedication**
Assets				
Cash, cash equivalents, and investments	$ 1,889	$ 5,394	$ 93,153	$ 269,869
Receivables (net of allowance for uncollectibles)	-	-	4,022	-
Due from other funds	-	-	-	-
Total assets	$ 1,889	$ 5,394	$ 97,175	$ 269,869
Liabilities and Fund Balances (Deficit)				
Liabilities				
Due to other funds	$ -	$ -	$ -	$ -
Total liabilities	-	-	-	-
Fund Balances (Deficit)				
Restricted for:				
Capital projects	-	-	-	-
Tourism	-	-	97,175	-
Public safety	1,889	5,394	-	-
Assigned:				
Parks	-	-	-	269,869
Unassigned (deficit)	-	-	-	-
Total fund balances (deficit)	1,889	5,394	97,175	269,869
Total liabilities and fund balances (deficit)	$ 1,889	$ 5,394	$ 97,175	$ 269,869

Capital Projects			
Capital Projects	Roadway Impact Fee	Library Building	Total Nonmajor Governmental Fund
$ 301,173	$ 209,916	$ 1,020	$ 882,414
-	-	-	4,022
-	147,972	-	147,972
$ 301,173	$ 357,888	$ 1,020	$ 1,034,408
$ -	$ -	$ 1,780	$ 1,780
-	-	1,780	1,780
301,173	357,888	-	659,061
-	-	-	97,175
-	-	-	7,283
-	-	-	269,869
-	-	(760)	(760)
301,173	357,888	(760)	1,032,628
$ 301,173	$ 357,888	$ 1,020	$ 1,034,408

City of Kennedale, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - Nonmajor
Year Ended September 30, 2025

	Special Revenue Funds			Capital Projects Funds
	LEOSE	**Police Seizure**	**Hotel Motel**	**Park Dedication**
Revenues				
Occupancy taxes	$ -	$ -	$ 17,223	$ -
Licenses and permits	-	-	-	3,600
Intergovernmental	1,602	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	89	1,005	4,907	14,172
Miscellaneous	-	10,063	12,110	346
Total revenues	1,691	11,068	34,240	18,118
Expenditures				
Current:				
Public safety	2,030	-	-	-
Public works	-	11,952	-	-
Culture and recreation	-	-	27,990	-
Capital outlay	-	10,500	-	27,561
Total expenditures	2,030	22,452	27,990	27,561
Excess (Deficiency) of Revenues Over (Under) Expenditures	(339)	(11,384)	6,250	(9,443)
Other Financing Uses				
Transfers out	-	-	-	-
Total other financing uses	-	-	-	-
Net Change in Fund Balances	(339)	(11,384)	6,250	(9,443)
Fund Balances (Deficit), Beginning of Year	2,228	16,778	90,925	279,312
Fund Balances (Deficit), End of Year	$ 1,889	$ 5,394	$ 97,175	$ 269,869

Capital Projects Funds			
Capital Projects	Roadway Impact Fee	Library Building	Total Nonmajor Governmental Fund
$ -	$ -	$ -	$ 17,223
-	30,121	-	33,721
-	-	-	1,602
165,235	-	-	165,235
-	-	353	353
14,612	12,147	40	46,972
-	-	-	22,519
179,847	42,268	393	287,625
-	-	-	2,030
-	6,498	-	18,450
-	-	-	27,990
-	-	-	38,061
-	6,498	-	86,531
179,847	35,770	393	201,094
(108,265)	(107,525)	-	(215,790)
(108,265)	(107,525)	-	(215,790)
71,582	(71,755)	393	(14,696)
229,591	429,643	(1,153)	1,047,324
$ 301,173	$ 357,888	$ (760)	$ 1,032,628

City of Kennedale, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes - property	$ 2,387,462	$ 2,387,462	$ 2,460,199	$ 72,737
Intergovernmental	138,848	138,848	138,847	(1)
Investment earnings	43,985	43,985	54,996	11,011
Total revenues	2,570,295	2,570,295	2,654,042	83,747
Expenditures				
Debt service:				
Principal	1,644,125	1,644,125	1,860,000	(215,875)
Interest and other fiscal charges	959,645	959,645	881,177	78,468
Total expenditures	2,603,770	2,603,770	2,741,177	(137,407)
Excess (deficiency) of revenues over (under) expenditures	(33,475)	(33,475)	(87,135)	(53,660)
Other Financing Sources (Uses)				
Transfers in	336,494	336,494	336,494	-
Total other financing sources (uses)	336,494	336,494	336,494	-
Net Change in Fund Balances	303,019	303,019	249,359	(53,660)
Fund Balances, Beginning of Year	947,981	947,981	947,981	-
Fund Balances, End of Year	$ 1,251,000	$ 1,251,000	$ 1,197,340	$ (53,660)

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Statistical Section
(Unaudited)

Statistical Section
(Unaudited)

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

Contents Tables

Financial Trends	A – D

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

Revenue Capacity	E – G

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

Debt Capacity	H – K

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

Economic and Demographic Indicators	L – M

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

Operating Information	N – P

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

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

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

	2016	2017	2018	2019
Governmental Activities				
Net investment in capital assets	$ 24,048,321	$ 24,362,252	$ 24,410,280	$ 27,195,004
Restricted	400,170	481,742	867,754	998,047
Unrestricted	689,620	457,818	454,903	(2,450,204)
Total governmental activities net position	$ 25,138,111	$ 25,301,812	$ 25,732,937	$ 25,742,847
Business-type Activities				
Net investment in capital assets	$ 13,054,176	$ 13,238,962	$ 13,310,004	$ 13,397,767
Restricted	-	204,223	274,043	92,694
Unrestricted	655,058	1,644,150	2,103,785	2,670,080
Total business-type activities net position	$ 13,709,234	$ 15,087,335	$ 15,687,832	$ 16,160,541
Primary Government				
Net investment in capital assets	$ 37,102,497	$ 37,601,214	$ 37,720,284	$ 40,592,771
Restricted	400,170	685,965	1,141,797	1,090,741
Unrestricted	1,344,678	2,101,968	2,558,688	219,876
Total primary governmental net position	$ 38,847,345	$ 40,389,147	$ 41,420,769	$ 41,903,388

2020	2021	2022	2023	2024	2025
$ 25,002,224	$ 25,697,075	$ 26,469,802	$ 26,548,461	$ 28,095,130	$ 28,064,962
3,447,408	3,770,054	1,817,752	2,518,064	1,799,661	4,152,170
(1,546,077)	(722,995)	1,198,194	1,582,423	2,259,681	2,907,601
$ 26,903,555	$ 28,744,134	$ 29,485,748	$ 30,648,948	$ 32,154,472	$ 35,124,733
$ 13,173,241	$ 12,898,376	$ 13,041,116	$ 13,159,202	$ 13,275,187	$ 14,476,680
-	218,327	294,597	242,734	207,371	161,899
3,233,259	4,075,192	3,090,961	2,684,657	3,135,468	3,989,410
$ 16,406,500	$ 17,191,895	$ 16,426,674	$ 16,086,593	$ 16,618,026	$ 18,627,989
$ 38,175,465	$ 38,595,451	$ 39,510,918	$ 39,707,663	$ 41,370,317	$ 42,541,642
3,447,408	3,988,381	2,112,349	2,760,798	2,007,032	4,314,069
1,687,182	3,352,197	4,289,155	4,267,080	5,395,149	6,897,011
$ 43,310,055	$ 45,936,029	$ 45,912,422	$ 46,735,541	$ 48,772,498	$ 53,752,722

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Expenses					
Governmental activities					
General government	$ 1,340,991	$ 1,460,659	$ 1,526,536	$ 1,979,235	$ 2,105,441
Public safety	4,658,016	4,494,080	4,680,243	5,213,493	4,950,888
Public works	1,838,124	1,743,770	1,615,294	1,737,211	1,815,849
Culture and recreation	370,519	397,477	436,270	372,805	420,777
Interest and fiscal charges	521,675	348,741	403,223	349,118	265,057
Total governmental activities expenses	8,729,325	8,444,727	8,661,566	9,651,862	9,558,012
Business-type activities					
Water, wastewater, and storm water drainage	3,506,506	3,271,916	4,558,939	4,089,637	4,263,029
Total business-type activities expenses	3,506,506	3,271,916	4,558,939	4,089,637	4,263,029
Total primary government expenses	$ 12,235,831	$ 11,716,643	$ 13,220,505	$ 13,741,499	$ 13,821,041
Program Revenues					
Governmental activities					
Charges for services					
General government	$ 540,893	$ 457,595	$ 709,603	$ 630,969	$ 748,228
Public safety	515,906	353,139	547,621	486,937	577,428
Public works	150,936	92,502	143,445	127,549	151,253
Culture and recreation	164,817	49,410	76,621	68,131	80,792
Operating grants and contributions	126,520	145,560	152,588	154,825	344,278
Capital grants and contributions	2,595,371	154,819	-	-	-
Total governmental activities program revenues	$ 4,094,443	$ 1,253,025	$ 1,629,878	$ 1,468,411	$ 1,901,979

Fiscal Year				
2021	2022	2023	2024	2025
$ 1,852,414	$ 2,156,521	$ 2,377,029	$ 2,516,232	$ 2,689,791
6,244,588	5,916,631	6,733,488	7,450,881	8,012,668
1,938,720	1,870,100	2,306,021	2,324,535	2,172,296
393,212	411,125	546,019	602,906	862,979
331,754	404,756	304,739	681,480	849,057
10,760,688	10,759,133	12,267,296	13,576,034	14,586,791
4,321,340	5,782,249	5,499,345	6,493,745	7,184,047
4,321,340	5,782,249	5,499,345	6,493,745	7,184,047
$ 15,082,028	$ 16,541,382	$ 17,766,641	$ 20,069,779	$ 21,770,838
$ 1,330,239	$ 831,242	$ 726,997	$ 813,119	$ 676,926
1,026,555	641,493	561,043	627,506	522,402
268,906	168,035	146,962	164,371	136,840
143,636	89,755	78,498	87,797	73,091
482,486	140,941	592,540	650,302	679,392
-	-	-	-	958,657
$ 3,251,822	$ 1,871,466	$ 2,106,040	$ 2,343,095	$ 3,047,308

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Business-type Activities					
Charges for services					
Water, wastewater, and storm water drainage	$ 4,782,055	$ 5,086,486	$ 4,832,378	$ 4,467,770	$ 4,482,591
Capital grants and contributions	1,479,937	374,296	325,676	51,247	10,099
Total business-type activities program revenues	6,261,992	5,460,782	5,158,054	4,519,017	4,492,690
Total primary government program revenues	$ 10,356,435	$ 6,713,807	$ 6,787,932	$ 5,987,428	$ 6,394,669
Net (Expenses) Revenues					
Governmental activities	$ (4,634,882)	$ (7,191,702)	$ (7,031,688)	$ (8,183,451)	$ (7,656,033)
Business-type activities	2,755,486	2,188,866	599,115	429,380	229,661
Total primary government net expenses	$ (1,879,396)	$ (5,002,836)	$ (6,432,573)	$ (7,754,071)	$ (7,426,372)
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property	$ 4,521,765	$ 4,703,870	$ 5,140,105	$ 5,321,225	$ 6,144,664
Sales	1,253,391	1,208,557	1,459,743	1,774,698	1,765,996
Franchise	545,140	537,454	777,768	764,887	806,115
Investment earnings	3,986	13,272	53,986	112,609	59,584
Miscellaneous	308,179	143,633	141,834	219,942	40,382
Grants not restricted to a specific purpose	-	-	-	-	-
Gain on sale of capital assets	-	-	-	-	-
Transfers	953,377	748,617	-	-	-
Total governmental activities	7,585,838	7,355,403	7,573,436	8,193,361	8,816,741
Business-type activities					
Investment earnings	521	3,919	17,591	43,329	16,298
Transfers	(953,377)	(748,617)	-	-	-
Total business-type activities	(952,856)	(744,698)	17,591	43,329	16,298
Total primary government	6,632,982	6,610,705	7,591,027	8,236,690	8,833,039
Change in Net Position					
Governmental activities	2,950,956	163,701	541,748	9,910	1,160,708
Business-type activities	1,802,630	1,444,168	616,706	472,709	245,959
Total primary government	$ 4,753,586	$ 1,607,869	$ 1,158,454	$ 482,619	$ 1,406,667

Fiscal Year				
2021	2022	2023	2024	2025
$ 4,350,305	$ 4,721,496	$ 4,655,420	$ 5,082,982	$ 6,468,076
265,392	134,266	29,035	86,309	56,733
4,615,697	4,855,762	4,684,455	5,169,291	6,524,809
$ 7,867,519	$ 6,727,228	$ 6,790,495	$ 7,512,386	$ 9,572,117
$ (7,647,047)	$ (8,887,667)	$ (10,161,255)	$ (11,232,939)	$ (11,539,483)
596,654	(926,487)	(814,890)	(1,324,454)	(659,238)
$ (7,050,393)	$ (9,814,154)	$ (10,976,145)	$ (12,557,393)	$ (12,198,721)
$ 6,820,007	$ 6,959,571	$ 7,420,296	$ 8,811,356	$ 9,164,261
1,958,164	1,859,721	2,218,382	2,285,133	3,088,581
809,838	887,603	798,218	714,945	489,770
3,490	107,759	576,953	869,197	1,258,555
83,651	150,819	211,495	219,749	185,467
-	139,053	190,984	731,152	2,124,119
-	-	-	29,275	43,600
(187,524)	(127,525)	(97,525)	(922,344)	(1,844,609)
9,487,626	9,977,001	11,318,803	12,738,463	14,509,744
1,217	33,741	377,284	933,543	824,592
187,524	127,525	97,525	922,344	1,844,609
188,741	161,266	474,809	1,855,887	2,669,201
9,676,367	10,138,267	11,793,612	14,594,350	17,178,945
1,978,785	1,089,334	1,157,548	1,505,524	2,970,261
785,395	(765,221)	(340,081)	531,433	2,009,963
$ 2,764,180	$ 324,113	$ 817,467	$ 2,036,957	$ 4,980,224

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

	2016	2017	2018	2019	2020
General Fund					
Nonspendable	$ 240,850	$ 206,755	$ 86,778	$ 54,346	$ 66,280
Restricted	-	-	106,347	106,347	113,983
Assigned	367,218	-	915,608	915,608	501,973
Unassigned	1,972,229	2,264,414	1,746,714	1,597,593	2,453,218
Total general fund	$ 2,580,297	$ 2,471,169	$ 2,855,447	$ 2,673,894	$ 3,135,454
All Other Governmental Funds					
Restricted for					
Debt service	$ 11,861	$ -	$ 194,135	$ 315,015	$ 489,285
Tourism	-	-	-	-	-
Public safety	-	155	-	1,895	4,320
Other	-	-	1,747	-	-
Capital projects	400,170	425,432	565,525	3,164,782	2,839,820
Assigned					
Parks	-	-	158,092	84,108	101,611
Unassigned (deficit)	-	-	(788,591)	(594,328)	(422,643)
Total all other governmental funds	$ 412,031	$ 425,587	$ 130,908	$ 2,971,472	$ 3,012,393

Source: Annual Comprehensive Financial Report

2021	2022	2023	2024	2025
$ 74,707	$ -	$ 259	$ -	$ 62,486
118,515	127,536	129,938	152,614	139,009
296,074	28,081	39,437	-	-
2,653,244	2,313,960	3,297,372	4,153,728	4,801,292
$ 3,142,540	$ 2,469,577	$ 3,467,006	$ 4,306,342	$ 5,002,787
$ 687,654	$ 838,141	$ 698,325	$ 947,981	$ 1,197,340
-	41,928	67,419	90,925	97,175
2,549	4,652	4,626	19,006	7,283
-	-	-	-	-
2,961,336	8,863,433	9,821,216	20,636,940	18,092,180
648,018	699,737	558,723	279,312	269,869
(233,953)	(22,889)	(1,652)	(1,153)	(760)
$ 4,065,604	$ 10,425,002	$ 11,148,657	$ 21,973,011	$ 19,663,087

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Revenues					
Taxes	$ 6,330,577	$ 6,399,207	$ 6,703,224	$ 7,169,500	$ 7,896,341
Licenses, fees, and permits	727,163	465,917	462,291	182,210	244,188
Franchise fees	-	-	777,768	764,887	806,115
Fines and penalties	232,660	196,564	189,315	144,181	90,778
Public safety fees	237,104	264,317	184,260	194,930	193,734
Charges for services	73,840	76,682	81,142	82,754	308,599
Intergovernmental	787,432	339,415	712,870	864,336	1,064,680
Investment earnings	3,986	13,272	53,986	112,609	59,584
Contributions	1,527	4,399	-	-	-
Miscellaneous	306,652	184,530	141,834	219,942	40,382
Total revenues	8,700,941	7,944,303	9,306,690	9,735,349	10,704,401
Expenditures					
Current					
General government	1,247,881	1,321,110	1,473,009	1,611,757	1,982,013
Public safety	4,346,827	4,271,460	4,390,751	4,966,865	4,709,552
Public works	681,748	728,228	718,519	788,130	878,155
Culture and recreation	301,411	322,353	373,593	328,507	376,479
Capital outlay	1,339,271	972,098	207,510	725,256	595,069
Debt service					
Principal	895,356	1,122,944	1,205,033	1,428,543	1,435,439
Interest and fiscal charges	536,710	349,041	384,963	296,008	276,866
Bond issuance costs	-	-	-	66,550	-
Total expenditures	9,349,204	9,087,234	8,753,378	10,211,616	10,253,573
Excess (deficiency) of revenues over (under) expenditures	(648,263)	(1,142,931)	553,312	(476,267)	450,828
Other Financing Sources (Uses)					
Issuance of debt	-	-	-	2,760,000	-
Issuance of lease	4,087,218	331,865	-	375,378	-
Issuance of subscription	-	-	-	-	-
Premiums on bonds issued	-	-	-	-	-
Payment to escrow agent	-	-	-	-	(1,214,150)
Refunding bonds/lease issued	(3,646,951)	-	-	-	1,265,803
Proceeds from sale of asset	-	-	-	-	-
Transfers in	1,036,598	1,006,384	277,217	230,437	251,926
Transfers out	(83,221)	(257,767)	(277,217)	(230,437)	(251,926)
Total other financing sources (uses)	1,393,644	1,080,482	-	3,135,378	51,653
Net Change in Fund Balances	$ 745,381	$ (62,449)	$ 553,312	$ 2,659,111	$ 502,481
Debt service as a percentage of noncapital expenditures	17.9%	18.1%	18.6%	18.2%	17.7%

Source: Annual Comprehensive Financial Report

Fiscal Year 2021	2022	2023	2024	2025
$ 8,736,857	$ 8,831,392	$ 9,644,422	$ 11,057,915	$ 12,326,779
1,646,852	481,548	330,375	585,656	382,110
809,838	887,603	798,218	714,945	489,770
85,918	151,404	205,857	350,123	332,702
337,044	312,188	265,096	375,099	350,335
245,453	206,069	252,015	221,960	319,781
937,032	1,000,251	1,166,624	1,509,398	3,917,796
3,490	107,759	576,953	869,197	1,258,555
-	-	-	-	-
83,648	150,819	211,495	193,616	168,244
12,886,132	12,129,033	13,451,055	15,877,909	19,546,072
1,873,559	1,815,767	1,546,170	1,897,163	2,326,948
6,071,051	6,009,309	6,435,275	7,116,727	7,614,375
1,005,271	954,724	1,384,535	1,362,798	1,212,385
348,914	372,340	477,597	502,659	761,004
516,446	896,568	2,392,709	4,634,069	6,381,306
1,554,474	1,623,959	1,659,777	1,675,718	1,921,029
263,296	418,173	255,972	332,003	888,579
-	-	52,702	290,088	-
11,633,011	12,090,840	14,204,737	17,811,225	21,105,626
1,253,121	38,193	(753,682)	(1,933,316)	(1,559,554)
-	5,735,000	2,355,000	13,790,000	-
-	-	113,937	-	-
-	-	-	121,258	-
-	408,296	97,702	578,817	-
(1,545,300)	-	-	-	-
1,540,000	-	-	-	-
-	-	-	29,275	43,600
195,560	116,501	114,800	346,284	415,545
(383,084)	(244,026)	(212,325)	(1,268,628)	(513,070)
(192,824)	6,015,771	2,469,114	13,597,006	(53,925)
$ 1,060,297	$ 6,053,964	$ 1,715,432	$ 11,663,690	$ (1,613,479)
16.4%	18.2%	16.2%	15.2%	19.1%

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2016	$ 423,074,019	$ 133,607,106	$ 42,937,171	$ 50,198,154	$ 549,420,142	0.76750	$ 549,420,142	100.00%
2017	434,127,908	137,328,197	21,506,171	25,203,051	567,759,225	0.76750	567,759,225	100.00%
2018	479,936,919	147,896,807	35,746,004	33,925,413	629,654,317	0.77750	629,654,317	100.00%
2019	517,326,245	155,373,286	29,734,655	11,730,455	690,703,731	0.72571	690,703,731	100.00%
2020	584,136,210	111,486,922	23,929,984	57,395,099	662,158,017	0.73497	662,158,017	100.00%
2021	610,463,688	114,757,038	25,308,936	55,313,812	695,215,850	0.77409	695,215,850	100.00%
2022	738,320,131	141,805,669	26,707,811	73,032,853	833,800,758	0.76409	833,800,758	100.00%
2023	928,544,958	288,569,538	28,185,966	86,177,943	1,159,122,519	0.70619	1,159,122,519	100.00%
2024	977,391,410	382,435,682	66,063,155	80,391,663	1,345,498,584	0.70619	1,345,498,584	100.00%
2025	966,778,856	431,299,188	56,021,190	60,884,844	1,393,214,390	0.70619	1,393,214,390	100.00%

Source: Tarrant Appraisal District Totals Report (September).

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

	City Direct Rates			Overlapping Rates			
Fiscal Year	City Rate	General Obligation Debt Service	Total Direct	Kennedale Independent School District	Tarrant County	Tarrant County College District	Tarrant County Hospital District
2016	0.575204	0.192296	0.76750	1.486724	0.264000	0.149500	0.227897
2017	0.581711	0.185789	0.76750	1.486724	0.254000	0.144730	0.227897
2018	0.578750	0.198750	0.77750	1.480000	0.244000	0.140060	0.224429
2019	0.535219	0.190495	0.72571	1.451694	0.234000	0.136070	0.224429
2020	0.544429	0.190541	0.73497	1.350000	0.234000	0.130170	0.224429
2021	0.582686	0.191399	0.77409	1.336400	0.234000	0.130170	0.224429
2022	0.572949	0.191136	0.76409	1.226400	0.224000	0.130170	0.224429
2023	0.569154	0.137036	0.70619	1.226400	0.224000	0.130170	0.224429
2024	0.509273	0.196917	0.70619	1.137500	0.194500	0.112170	0.194500
2025	0.510974	0.195216	0.70619	1.135200	0.187500	0.112280	0.182500

Source: Tarrant Appraisals District (2024 Tax Rates).

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

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

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year	Taxes Levied for the Fiscal Year*	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2016	$ 4,501,716	$ 4,464,778	99.18%	$ 78	$ 4,464,856	99.18%
2017	4,644,955	4,589,538	98.81%	33	4,589,571	98.81%
2018	5,086,080	5,045,734	99.21%	151	5,045,885	99.21%
2019	5,219,526	5,169,354	99.04%	262	5,169,616	99.04%
2020	5,949,183	5,798,463	97.47%	44	5,798,507	97.47%
2021	6,521,122	6,063,561	92.98%	240	6,063,801	92.99%
2022	7,123,299	6,824,573	95.81%	779	6,825,352	95.82%
2023	8,464,672	8,194,905	96.81%	7,837	8,202,742	96.91%
2024	8,756,567	8,655,195	98.84%	68,154	8,723,349	99.62%
2025	8,828,483	8,749,248	99.10%	-	8,749,248	99.10%

* Excludes levy for TIRZ #1 New Hope Fund.

Source: Tarrant County Tax Office, Summary Part C (As Of September 30, 2025).

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

	Governmental Activities				
Fiscal Year	General Obligation/ Certificates of Obligation	Premium on Bonds	Leases Obligations	Subscription Obligations	Tax Notes
2016	$ 11,001,843	$ -	$ 424,473	$ -	$ -
2017	10,026,300	-	600,557	-	-
2018	9,024,582	-	554,114	-	-
2019	8,099,682	-	722,846	-	2,575,000
2020	7,178,035	-	451,985	-	2,275,000
2021	6,186,673	-	559,180	-	1,805,000
2022	10,666,262	386,226	145,422	-	1,530,000
2023	11,839,675	467,747	151,169	-	1,160,000
2024	24,450,000	1,032,641	77,250	79,134	780,000
2025	22,975,000	1,011,259	54,801	40,554	395,000

Source: Notes to the financial statements and Table L

Business-type Activities						
General Obligation/ Certificates of Obligation	Premium on Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita	Population
$ 2,728,413	$ -	$ 1,445,849	$ 15,600,578	0.47%	1,943	8,031
2,475,575	-	1,350,209	14,452,641	0.50%	1,738	8,315
2,213,912	-	1,254,570	13,047,178	0.56%	1,565	8,338
1,941,512	-	1,149,939	14,488,979	0.52%	1,696	8,543
1,660,288	-	1,035,195	12,600,503	0.64%	1,526	8,255
1,363,322	-	923,206	10,837,381	0.73%	1,272	8,517
1,118,734	-	805,984	14,652,628	0.70%	1,756	8,342
15,575,322	609,130	684,236	30,487,279	0.37%	3,268	9,329
15,140,000	602,089	557,789	42,718,903	0.28%	4,250	10,052
14,850,000	597,948	426,460	40,351,022	0.29%	3,746	10,771

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

	General Bonded Debt Outstanding				
Fiscal Year	General Obligation Bonds/ Certificates of Obligation	Premium on Bonds	Total	Percentage of Actual Taxable Value of Property	Per Capita
2016	$ 13,730,256	$ -	$ 13,730,256	2.50%	$ 1,710
2017	12,501,875	-	12,501,875	2.20%	1,504
2018	11,238,494	-	11,238,494	1.78%	1,348
2019	10,041,194	-	10,041,194	1.45%	1,175
2020	8,838,323	-	8,838,323	1.33%	1,071
2021	7,549,995	-	7,549,995	1.09%	886
2022	11,784,996	386,226	12,171,222	1.46%	1,459
2023	27,414,997	1,076,877	28,491,874	2.46%	3,054
2024	39,590,000	1,634,730	41,224,730	3.06%	4,101
2025	37,825,000	1,609,207	39,434,207	2.83%	3,661

Source: Table E, H, and L

City of Kennedale, Texas
Table J - Direct and Overlapping Governmental Activities Debt (Unaudited)
September 30, 2025

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes:			
Arlington ISD	$ 1,224,080,000	0.02%	$ 244,816
Fort Worth ISD	1,561,440,000	0.09%	1,405,296
Kennedale ISD	98,815,025	42.47%	41,966,741
Mansfield ISD	1,260,570,000	0.18%	2,269,026
Tarrant County	314,050,000	0.37%	1,161,985
Tarrant County College District	547,535,000	0.37%	2,025,880
Tarrant County Hospital District	431,255,000	0.37%	1,595,644
Subtotal overlapping debt			50,669,387
Total direct - City of Kennedale	$ 24,476,614	100.00%	24,476,614
Direct and Overlapping Debt			$ 75,146,001
Total Direct and Overlapping Debt % of A.V:		6.93%	
Total Direct and Overlapping Debt per Capita		$ 8,253	

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

Source: Municipal Advisory Council of Texas

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

The city charter of the City of Kennedale (section 6.05), Texas does not provide for a debt limit. The debt portion of the overall tax rate may rise as high as necessary to retire debt for the coming year without triggering the threat of rollback. Under the provision of Texas State law, the maximum tax rate is limited to $2.50 per $100 assessed valuation. The tax rate for fiscal year 2025 was established at $0.706190 per $100 assessed valuation based on 100% of net taxable value.

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

Year	Estimated Population	Median Household Income	Per Capita Median Household Income	Unemployment Rate
2016	8,031	$ 73,909	$ 31,163	4.1%
2017	8,315	71,875	31,904	5.3
2018	8,338	72,461	31,335	4.5
2019	8,543	75,000	32,435	3.5
2020	8,255	80,565	35,350	3.3
2021	8,517	79,575	36,588	6.9
2022	8,342	102,217	40,477	3.3
2023	9,329	112,646	44,483	3.9
2024	10,052	117,853	47,452	3.5
2025	10,771	118,794	49,602	3.8

Sources: United States Census Bureau, Quick Facts, Kennedale, TX

Texas Workforce Commission

Note: Personal Income & Per Capita Personal Income & Unemployment Rate:

United States Census Bureau, 2025 American Community Survey, Federal Reserve Bank of St. Louis

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

Employer	2025 Employees	2016 Employees
Sabre Industries/Fort Worth Tower	450-500	450-500
Kennedale Independent School District	400-450	400-450
Speed Fab Crete	100-150	100-150
ARK Contracting Services	50-100	50-100
Hawk Steel	50-100	50-100
RE Watson & Associates	50-100	50-100
Harrison Jet Guns	50-100	50-100
City of Kennedale	50-100	50-100
Quick Roofing	25-50	25-50
Beard's Towing	1-25	1-25

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

Note: Employees listed by employers are estimates.

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

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government										
Management services	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Finance	3.0	2.5	2.5	3.0	3.0	3.7	3.5	3.8	3.8	3.8
Planning	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0
Building	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Municipal court	2.0	2.0	2.0	1.5	1.0	1.0	2.0	2.0	2.0	3.0
Police										
Officers	20.0	20.0	21.0	21.0	21.0	21.0	21.0	22.0	22.0	22.0
Civilians	2.5	2.1	2.5	2.5	2.5	2.7	3.0	3.0	4.0	4.0
Fire										
Firefighters and officers	16.0	16.0	16.0	20.0	17.0	19.0	19.0	20.0	20.0	20.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other public works										
Streets & Parks	8.0	8.0	8.0	8.0	11.0	10.8	10.4	8.0	9.7	9.7
Library	3.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0
Water/Wastewater	11.5	11.5	11.5	11.5	-	-	-	-	-	-
Total	75.5	75.1	76.5	80.5	68.5	71.2	71.9	71.8	75.5	77.5

Sources: FY2024-25 Adopted Budget.

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

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

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government										
Building permits issued	504	292	593	41	40	664	694	638	652	704
Building inspections conducted	1,185	1,752	1,165	399	114	1,232	1,320	1,057	1,269	1,592
Police										
Physical arrests	203	374	109	111	163	154	241	211	205	163
Parking violations	24	6	7	8	6	16	56	163	53	123
Traffic violations	2,828	4,296	1,692	1,725	2,249	1,263	3,822	5,775	7,962	7,000
Fire										
Emergency responses	867	1,166	693	706	740	1,508	1,559	1,650	1,578	1,392
Fires extinguished	200	200	58	155	29	80	100	61	55	58
Inspections	178	218	66	87	56	45	104	205	115	361
Library										
Volumes in collection	16,292	16,831	16,322	16,322	16,671	14,896	18,990	15,986	15,139	12,209
Total volumes borrowed	20,288	21,579	18,007	18,007	17,863	16,291	20,035	24,494	25,739	21,859
Water and Wastewater										
New connections	39	59	65	81	111	79	63	4	13	8
Average daily consumption	898,918	980,413	909,919	1,003,523	772,156	921,301	1,163,573	1,129,573	2,241,830	994,104
Peak daily consumption	2,021,800	1,884,040	2,449,850	2,015,488	-	2,190,436	1,994,745	9,827,980	7,055,683	2,711,788

Source: Various City departments

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

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1	1
Patrol units	17	8	8	8	8	9	9	11	11	11
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	42	46	46	46	46	49	49	49	49	49
Streetlights	332	346	346	346	346	376	376	376	380	380
Parks and recreation										
Acreage	28	27	27	27	27	27	28	28	28	28
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	3	3	3	3	3	3	3	3	3	3
Community centers	1	1	1	1	1	1	1	1	1	1
Water and Wastewater										
Water mains (miles)	48	49	49	49	67	68	68	64	64	64
Fire hydrants (thousands)	5	5	5	5	5	5	5	5	5	5
Storage (thousands of gallons)	3,350	3,350	3,350	3,350	3,325	3,300	2,820	2,825	2,825	2,825
Elevated	1,250	1,250	1,250	1,250	1,145	1,250	1,720	1,720	1,000	1,000
Ground	2,100	2,100	2,100	2,100	2,180	2,150	1,100	1,100	1,825	1,825
Sanitary sewers (miles)	48	50	50	50	47	48	48	48	51	51
Storm sewers (miles)	4	4	4	4	5	6	6	6	6	6

Source: Various City departments

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2025-001 and 2025-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

City's Responses to Findings

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

Purpose of This Report

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

Forvis Mazars, LLP

Dallas, Texas
March 26, 2026

Reference Number	Finding
2025-001	Finding – Significant Deficiency in Year-End Close Criteria – Management is responsible for establishing and maintaining effective internal control over financial reporting. Condition – The City's year-end closing procedures were not performed accurately which resulted in initial errors in the trial balances and reconciliations and required numerous adjustments (by City and auditor). Cause – Internal controls and review processes were not in place to ensure all year-end close-related activity was completed timely. Effect – Adjustments to various accounts were necessary in order to correct the financial statements. Recommendation – The City develop an accounting policies and procedures manual that indicates all items to be completed during the year-end close and the individuals responsible for each item. Year-end procedures need to be developed and implemented to ensure account balances are reconciled timely and accurately. Views of Responsible Officials and Planned Corrective Actions – We understand the importance of the financial reporting process, and the City plans to implement controls and processes to improve accuracy of financial information.
2025-002	Finding – Significant Deficiency in Recognition of Grant Revenues Criteria – Generally accepted accounting principles for local governmental entities require that grant revenues be recognized in the period in which all applicable eligibility requirements are met. Condition – The City recognized grant revenues upon receipt of reimbursement payments rather than when the related expenditures were incurred and eligibility requirements were met. Cause – Internal controls and review processes were not in place to ensure grant revenues are accrued at year-end based on incurred eligible expenditures. Effect – The FY2025 grant revenues were overstated, and beginning fund balance/net position was misstated. The City recognized grant revenue in FY2025 that should have been recognized in FY2024. The City will be required to undergo a single audit or the SLFRF examination as a result of the FY2024 additional federal expenditures identified. Recommendation – The City identify all funding received by outside parties and the related requirements to properly account for the expenditures and revenues. Develop a grants policies and procedures manual that require periodic (at least quarterly and year-end) reconciliations performed by each department and submitted to the Finance Department of allowable grant expenditures to reimbursement requests and payments received for all active grant awards. Year-end procedures need to be developed and implemented to record grant revenue and receivables when qualifying expenditures are incurred and eligibility requirements are met to ensure proper grant revenue recognition. Views of Responsible Officials and Planned Corrective Actions – We understand the importance of the financial reporting process and the City plans to implement controls and processes to improve accuracy of financial information.

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Financial Advisory Services
Provided By:

SAMCO Capital