

**BEYER & Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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To the Mayor and City Council  
City of Kenedy, Texas

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kenedy, Texas as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Kenedy, Texas' 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 of Kenedy, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kenedy, Texas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiencies in internal control to be material weaknesses:

Administrative – We noted the Accounts Payable list did not reconcile with the general ledger and the due to/from accounts did not reconcile between funds. We recommend routine checks be done monthly to ensure accuracy.

Payroll – We noted that the employee side of the retirement expense is being posted to the expense accounts. We recommend the city-side of the retirement expense be posted in the expense accounts instead.

Payroll – We noted that contract labor is being posted to the payroll accounts. We recommend that all contract labor be posted into contract labor accounts instead of the payroll accounts to ensure proper records.

Deposit Collateral – The City's deposits (not including the Kenedy 4B Corporation) were not fully covered by depository insurance and/or collateralization. The total amount of cash in the bank at September 30, 2019 was \$19,391,489 (not including the Kenedy 4B Corporation) while the total pledged securities were \$3,846,524 and the FDIC insurance coverage is \$250,000; thus, under securing the cash monies above by \$1,529,965.

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. We consider the following deficiencies in internal control to be significant deficiencies:

Segregation of Duties – Due to the limited number of people working in the office, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible. *This comment was listed on prior year's report.*

Cash – We noted the Disbursement Fund has old outstanding checks. We recommend the City research the matter to determine ownership; and remit the monies to the respective owner(s), escheat them to the state, or remit them to the general fund.

Minutes – We noted some minutes were not signed. We recommend that all minutes be approved and signed by City Council after each meeting.

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

*Beyer & Co.*

BEYER & COMPANY  
Certified Public Accountants  
August 24, 2020

**CITY OF KENEDY, TEXAS**

**ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended  
September 30, 2019

**City of Kenedy, Texas**  
Annual Financial Report  
For the Fiscal Year Ended September 30, 2019

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## FINANCIAL SECTION

**BEYER & Co.**  
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**INDEPENDENT AUDITOR'S REPORT**

To the Mayor and City Council  
City of Kenedy, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Kenedy, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kenedy, Texas, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Debt Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Employee Retirement System Information, and the OPEB system information on pages 3-12, 80-81, and 82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Bayer & Co.*

BEYER & COMPANY  
Certified Public Accountants  
August 24, 2020

## Management's Discussion and Analysis

As management of the City of Kenedy, Texas, we offer readers of the City of Kenedy, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Kenedy, Texas for the fiscal year ended September 30, 2019.

### Financial Highlights

- . The assets of the City of Kenedy, Texas exceeded its liabilities at the close of the most recent fiscal year by \$50,898,244 (Net Position). Of this amount, \$12,523,452 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net position increased by \$6,475,444. This increase is attributable to oil and gas lease income and royalties of \$2,225,341, occupancy taxes of \$969,213, sales taxes of \$1,793,985, an operating income in the utility fund of \$3,329,129, and careful budget management.
- . As of the close of the current fiscal year, the City of Kenedy, Texas' governmental funds reported combined ending fund balances of \$25,482,028. Approximately 22% of this total amount, \$5,607,081, is available for spending at the government's discretion (unassigned fund balance).
- . At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,607,081, or 128 percent of total general fund expenditures.
- . The City of Kenedy, Texas' total debt increased by \$7,362,348 (103.56 percent) during the current fiscal year. The key factor in this increase was the issuance of Bonds of \$6,720,000.



### *Overview of the Financial Statements*

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

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the City of Kenedy, Texas' finances, in a manner like a private-sector business.

The statement of net position presents information on all the City of Kenedy, Texas' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Kenedy, Texas is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Kenedy, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Kenedy, Texas include general administration, public safety, public transportation, and culture and recreation. The business-type activities of the City of Kenedy, Texas include the Utility fund.

The government-wide financial statements include only the City of Kenedy, Texas itself (known as the primary government).

The government-wide financial statements can be found on pages 13-14 of this report.

The government-wide financial statements include not only the City of Kenedy (the primary government) but also the legally separate Tax Increment Reinvestment Zone 2 (the component unit). Financial information for the Tax Increment Reinvestment Zone 2 is reported separately from the financial information reported for the City of Kenedy.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kenedy, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City of Kenedy, Texas 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 on 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 Kenedy, Texas maintains eight 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, the grant fund, the debt service fund, the paving fund, the Kenedy 4-B corporation fund, the capital improvement fund, the hotel occupancy fund, and the sports complex bond fund.

The City of Kenedy, Texas adopts an annual appropriated budget for its general fund and debt service fund. A budgetary comparison statement has been provided for the general fund and the debt service fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-20 of this report.

Proprietary funds: The City of Kenedy, Texas maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Kenedy, Texas uses enterprise funds to account for its Utility activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility fund which is a major fund of the City of Kenedy, Texas.

The basic proprietary fund financial statements can be found on pages 21-25 of this report.

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 on pages 26-79 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Kenedy, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 80-82 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Kenedy, Texas, assets exceeded liabilities by \$50,898,244 at the close of the most recent fiscal year.

A portion of the City of Kenedy, Texas' net position (52 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Kenedy, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Kenedy, Texas' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### CITY OF KENEDY, TEXAS NET POSITION

	Governmental Activities		Business-Type Activities		Total Primary Government Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$6,917,665	\$6,693,838	\$7,330,188	\$6,713,601	\$14,247,853	\$13,407,439
Restricted Assets	18,670,137	10,561,913	856,108	1,531,466	19,526,245	12,093,379
Capital Assets:	10,784,689	9,305,605	20,870,410	16,799,020	31,655,099	26,104,625
Total Assets	36,372,491	26,561,356	29,056,706	25,044,087	65,429,197	51,605,443
Total Deferred Outflows of Resources	276,332	148,941	335,156	277,833	611,488	426,774
Long-Term Liabilities	8,996,853	1,389,583	5,474,756	5,719,677	14,471,609	7,109,260
Other Liabilities (Payable from Restricted Assets)		0	91,902	93,251	91,902	93,251
Other Liabilities	(53,401)	53,394	547,082	157,653	493,681	211,047
Total Liabilities	8,943,452	1,442,977	6,113,740	5,970,581	15,057,192	7,413,558
Total Deferred Inflows of Resources	54,653	120,097	30,596	75,762	85,249	195,859
Invested in Capital Assets, Net of Related Debt	9,877,725	8,195,968	16,442,158	12,746,011	26,319,883	20,941,979
Restricted	12,052,409	10,867,729	2,500	2,500	12,054,909	10,870,229
Unrestricted	5,720,584	6,083,526	6,802,868	6,527,066	12,523,452	12,610,592
Total Net Position	\$27,650,718	\$25,147,223	\$23,247,526	\$19,275,577	\$50,898,244	\$44,422,800

An additional portion of the City of Kenedy, Texas' net position (24 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$12,523,452) may be used to meet the governments on going obligations to citizens and creditors. At the end of the current fiscal year, the City of Kenedy, Texas reported a positive balance in the governmental activities and a positive balance in the business-type activities. For the prior fiscal year, the City of Kenedy, Texas reported positive balances in all three categories of net position, both for the government, as well as for its separate governmental and business-type.

The government's total net position increased by \$6,475,444. This increase is attributable to oil and gas lease income and royalties of \$2,225,341, occupancy taxes of \$969,213, sales taxes of \$1,793,985, an operating income in the utility fund of \$3,329,129, and careful budget management.

Governmental activities:

Governmental activities increased the City of Kenedy, Texas' net position by \$2,503,495, thereby accounting for 39 percent of the total growth in the net position of the City of Kenedy, Texas. This increase is attributable to oil and gas lease income and royalties of \$2,225,341, occupancy taxes of \$969,213, sales taxes of \$1,793,985, and careful budget management.

**CITY OF KENEDY, TEXAS  
CHANGE IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$1,988,328	\$2,143,147	\$8,530,439	\$8,814,015	\$10,518,767	\$10,957,162
Operating Grants and Contributions		0			0	0
Capital Grants and Contributions	328	274,584		0	328	274,584
General Revenues:					640,097	598,584
Maintenance and Operations Taxes	640,097	598,584			1,793,985	1,546,167
Sales Taxes	1,793,985	1,546,167			170,489	188,172
Franchise Taxes	170,489	188,172			1,002,430	589,495
Other Taxes (Occupancy - \$969,213)	1,002,430	589,495			82,881	20,229
Licenses and Permits	82,881	20,229			206,912	111,381
Unrestricted Investment Earnings	202,789	106,713	4,123	4,668	0	2,387,131
Oil and Gas Lease Income and Royalties	2,225,341	2,387,131			2,225,341	2,387,131
Miscellaneous	274,599	496,786			274,599	496,786
Total Revenue	8,381,267	8,351,008	8,534,562	8,818,683	16,915,829	17,169,691
Expenses:					2,124,298	2,219,362
General Administration	2,124,298	2,219,362			1,782,253	1,752,721
Public Safety	1,782,253	1,752,721			1,774	1,774
Public Works	1,774	1,774			711,186	760,302
Public Transportation	711,186	760,302			440,564	756,426
Culture and Recreation	440,564	756,426			30,014	38,341
Interest and Fiscal Charges	30,014	38,341			5,350,296	4,448,820
Utility			5,350,296	4,448,820	5,350,296	4,448,820
Total Expenses	5,090,089	5,528,926	5,350,296	4,448,820	10,440,385	9,977,746
Increase in Net Position Before Transfers and Special Items	3,291,178	2,822,082	3,184,266	4,369,863	6,475,444	7,191,945
Transfers	(787,683)	(832,496)	787,683	832,496	0	0
Increase in Net Position	2,503,495	1,989,586	3,971,949	5,202,359	6,475,444	7,191,945
Net Position at 09/30/2018 - Restated	25,147,223	23,157,637	19,275,577	14,073,218	44,422,800	37,230,855
Net Position at 09/30/2019	\$27,650,718	\$25,147,223	\$23,247,526	\$19,275,577	\$50,898,244	\$44,422,800

# Expenses and Program Revenues - Governmental Activities

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	Capital
		Services	Grants and	Grants and
			Contributions	Contributions
<b>Primary government</b>				
Government Activities:				
General Administration	\$2,124,298	\$1,813,440	\$0	\$0
Public Safety	1,782,253	174,888		
Public Works	1,774			328
Public Transportation	711,186			
Culture and Recreation	440,564			
Interest and Fiscal Charges	30,014			
Total Government Activities	\$5,090,089	\$1,988,328	\$0	\$328

## Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	\$1,988,328	24%
Capital Grants and Contributions	328	0%
Maintenance and Operations Taxes	640,097	8%
Sales Taxes	1,793,985	21%
Franchise Taxes	170,489	2%
Other Taxes	1,002,430	12%
Licenses and Permits	82,881	1%
Unrestricted Investment Earnings	202,789	2%
Oil and Gas Lease Income	2,225,341	27%
Miscellaneous	274,599	3%
	\$8,381,267	100%

For the most part, increases and decreases in expenses in the Governmental Activities closely paralleled inflation and growth or decline in the demand for services.

#### Business-type activities:

Business-type activities increased the City of Kenedy, Texas' net position by \$3,971,949 thereby accounting for 61 percent of the total growth in the net position of the City of Kenedy, Texas. This increase is attributable to an operating income in the utility fund of \$3,329,129, and careful budget management.

#### Expenses and Program Revenues - Business Activities

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Business-Type Activities:			
Utility	\$5,350,296	\$8,530,439	\$0
Total Business-Type Activities	\$5,350,296	\$8,530,439	\$0

#### Revenues by Source - Business-Type Activities

	REVENUES	%
Charges for Services	\$8,530,439	100%
Unrestricted Investment Earnings	4,123	0%
	\$8,534,562	100%

#### Financial Analysis of the Government's Funds

As noted earlier, the City of Kenedy, Texas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental funds:

The focus of the City of Kenedy, Texas' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Kenedy, Texas' financing requirements. Unassigned fund balance may serve as a useful measure of a 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 of Kenedy, Texas' governmental funds reported combined ending fund balances of \$25,482,028, an increase of \$8,456,487 in comparison with the prior year. Approximately 22 percent of this total amount \$5,607,081 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed to indicate that it is not available for new spending.

The general fund is the chief operating fund of the City of Kenedy, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,607,081, while total fund balance was \$ 5,702,251. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 128 percent of total general fund expenditures, while total fund balance represents 130 percent of that same amount.

The fund balance of the City of Kenedy, Texas' general fund decreased by \$455,561 during the current fiscal year. Key factors in this decrease are as follows: This decrease is attributable to an increase in expenditures of \$549,014 while revenues generally remained the same. The increase in expenditures was basically consistent throughout the various departments.

The following governmental funds contained no fund balance to expenditure ratio comparisons because they are either debt service funds, special revenue funds or capital project fund and such analysis would be illusory.

The grant fund had a net decrease of \$1,997. This decrease is immaterial.

The debt service fund had a net increase of \$438,201 during the year. This increase is a result of transfers in of \$588,035 outpacing debt expenditures of \$155,386.

The paving fund had a net increase of \$530,881 during the year. This increase is due to a transfer in from other funds of \$561,000.

The Kenedy 4-B corporation fund had a net increase of \$451,850 during the year. This increase is due to oil and gas royalties of \$1,226,948.

The capital improvement fund had a net decrease of \$452,807 during the year. This decrease is a result of transfers out of \$3,119,132.

The hotel occupancy tax fund had a net increase of \$445,920 during the year. This increase is due to occupancy taxes of \$969,213.

The 2019 sports complex fund had a net increase of \$7,500,000 during the year. This increase is due to the issuance of Series 2019 Combination Tax and Revenue Certificates of Obligation bonds.

#### Proprietary funds:

The City of Kenedy, Texas' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utility fund at the end of the year amounted to \$6,802,868. The increase in net position was \$3,971,949. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Kenedy, Texas' business-type activities.

#### **General Fund and Debt Service Fund Budgetary Highlights:**

The difference between the original budget and the final amended budget of the General Fund was an increase of \$101,194. This increase occurred in the street department, which occurred in the machinery and tools line item.

#### ***Capital Asset and Debt Administration***

##### Capital assets:

The City of Kenedy, Texas' investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$31,655,099 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Kenedy, Texas' investment in capital assets for the current fiscal year was 21 percent (a 16 percent increase for governmental activities and a 24 percent increase for business-type activities).



**CITY OF KENEDY, TEXAS**  
**CAPITAL ASSETS (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$457,313	\$447,192	\$507,679	\$196,274	\$964,992	\$643,466
Construction in Progress	1,817,535	2,261,730	2,178,695	2,063,474	3,996,230	4,325,204
Building and Improvements	4,904,866	4,909,661	294,084	289,966	5,198,950	5,199,627
Machinery Equipment	739,968	347,226	818,285	610,417	1,558,253	957,643
Infrastructure	2,865,007	1,339,796	17,071,667	13,638,889	19,936,674	14,978,685
Total	\$10,784,689	\$9,305,605	\$20,870,410	\$16,799,020	\$31,655,099	\$26,104,625

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

The City had major street and drainage improvements, airport improvements, water facility improvements, and park improvement projects during the year.

Additional information on the City of Kenedy, Texas' capital assets can be found in note IV C on pages 39-40 of this report.

Long-term debt:

At the end of the current fiscal year, the City of Kenedy, Texas had the following bonded debt.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
Bonds Payable	\$997,356	\$6,720,000	\$132,003	\$7,585,353	\$451,892	\$7,133,461
	997,356	6,720,000	132,003	7,585,353	451,892	7,133,461
<u>Business-Type Activities:</u>						
Bonds Payable	5,367,644		412,997	4,954,647	428,108	4,526,539
	5,367,644	0	412,997	4,954,647	428,108	4,526,539
Grand Total	\$6,365,000	\$6,720,000	\$545,000	\$12,540,000	\$880,000	\$11,660,000

The total bonded debt increased by \$6,175,000 during the year.

Additional information on the City of Kenedy, Texas' long-term debt can be found in note IV F on pages 42-44 of this report.

Economic Factors:

The Eagle Ford Oil and Gas Shale have brought in new businesses which have increased the sales taxes, oil and gas royalties, and charges for services significantly.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the City. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Requests for Information:

This financial report is designed to provide a general overview of the City of Kenedy, Texas' 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 Office of the Finance Department, 303 W. Main, Kenedy, Texas, 78119.

## BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF KENEDY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tax Incr. Reim. Zone 2
<b>ASSETS</b>				
Cash and Cash Equivalents	\$6,646,116	\$6,573,844	\$13,219,960	\$1,002
Receivables (Net of Allowance for Uncollectibles)	271,549	756,344	1,027,893	
Restricted Assets:				
Cash and Cash Equivalents	18,368,026	856,108	19,224,134	
Receivables (Net of Allowance for Uncollectibles)	302,111		302,111	
Capital Assets Not Being Depreciated:				
Land	457,313	507,679	964,992	
Construction in Progress	1,817,535	2,178,695	3,996,230	
Total Capital Assets Being Depreciated, Net	4,904,866	294,084	5,198,950	
Building and Improvements	739,968	818,285	1,558,253	
Machinery and Equipment	2,865,007	17,071,667	19,936,674	
Infrastructure	\$36,372,491	\$29,056,706	\$65,429,197	\$1,002
<b>Total Assets</b>				
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
GASB 68	97,419	54,537	151,956	
Contributions (after 12/31/18)	129,273	72,369	201,642	
Difference in projected and actual earnings	49,640	208,250	257,890	
Deferred Charge on Refunding	276,332	335,156	611,488	0
<b>Total Deferred Outflows of Resources</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$163,329	\$184,145	\$347,474	
Due to Other Funds	(287,602)	287,602	0	
Accrued Interest Payable	8,143	37,086	45,229	
Accrued Wages Payable	62,729	38,249	100,978	
Consumer Meter Deposit		91,902	91,902	
Noncurrent Liabilities:				
Due Within One Year	545,139	\$63,065	1,108,204	
Due in More Than One Year	8,451,714	4,911,691	13,363,405	
<b>Total Liabilities</b>	8,943,452	6,113,740	15,057,192	0
<b>DEFERRED INFLOWS OF RESOURCES</b>				
GASB 68	51,438	28,796	80,234	
Difference in expected and actual experience			0	
Difference in projected and actual earnings				
GASB 75	331	1,615	1,946	
Changes in assumptions and other inputs	2,884	185	3,069	
Difference in expected and actual experience	54,653	30,596	85,249	0
<b>Total Deferred Inflows of Resources</b>				
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	9,877,725	16,442,158	26,319,883	
Restricted				
Construction	1,380,865		1,380,865	
Debt Service	1,161,804	2,500	1,164,304	
Economic Development	4,321,685		4,321,685	1,002
Hotel/Motel Tax	2,928,030		2,928,030	
Street Repair	2,260,025		2,260,025	
Unrestricted	5,720,584	6,802,868	12,523,452	
<b>Total Net Position</b>	\$27,650,718	\$23,247,526	\$50,898,244	\$1,002

The accompanying notes are an integral part of this statement.

CITY OF KENEDY, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in	Total Primary Government Net (Expense) Revenue and Changes in Total	Component Unit Tax Incr. Rein. Zone 2
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities			
<b>Primary Government</b>								
Government Activities:								
General Administration	\$2,124,298	\$1,813,440	\$0	\$0	(\$310,858)		(\$310,858)	(\$25,834)
Public Safety	1,782,253	174,888			(1,607,365)		(1,607,365)	
Public Works	1,774			328	(1,446)		(1,446)	
Public Transportation	711,186				(711,186)		(711,186)	
Culture and Recreation	440,564				(440,564)		(440,564)	
Interest and Fiscal Charges	30,014				(30,014)		(30,014)	
Total Government Activities	5,090,089	1,988,328	0	328	(3,101,433)	0	(3,101,433)	(25,834)
Business-Type Activities:								
Utility	5,350,296	8,530,439		0		3,180,143	3,180,143	
Total Business-Type Activities	5,350,296	8,530,439	0	0		3,180,143	3,180,143	
Total Primary Government	\$10,440,385	\$10,518,767	\$0	\$328	(3,101,433)	3,180,143	78,710	(25,834)
General Revenues					640,097		640,097	
Property Taxes, Levies for General Purposes					1,793,985		1,793,985	
Sales Taxes					170,489		170,489	
Franchise Taxes					1,002,430		1,002,430	
Other Taxes (Occupancy - \$969,213)					82,881		82,881	
Licenses and Permits					202,789	4,123	206,912	4
Unrestricted Investment Earnings					2,225,341		2,225,341	
Oil and Gas Lease Income and Royalties					274,599		274,599	25,825
Miscellaneous					(787,683)	787,683	0	
Transfers					5,604,928	791,806	6,396,734	25,829
Total General Revenues and Transfers					2,503,495	3,971,949	6,475,444	(5)
Change in Net Position					25,147,223	19,275,577	44,422,800	1,007
Net Position - Beginning - Restated					\$27,650,718	\$23,247,526	\$50,898,244	\$1,002
Net Position - Ending								

The accompanying notes are an integral part of this statement.

## FUND FINANCIAL STATEMENTS

CITY OF KENEDY, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019

	General Fund	Grant Fund	Debt Service Fund	Paving Fund	Kenedy 4-B Corporation	Capital Improvement Fund	Hotel Occupancy Tax	2019 Sports Complex Bond	Total Governmental Funds
<b>ASSETS</b>									\$6,669,316
Cash and Cash Equivalents	\$6,669,316								195,361
Receivables (Net of Allowance for Uncollectibles)	195,361								443,023
Due from Other Funds	443,023								
Restricted Assets:									
Cash and Cash Equivalents	95,170		828,764	2,461,943	4,230,724	476,714	2,774,611	7,500,100	18,368,026
Receivables (Net of Allowance for Uncollectibles)					90,961	28,426	182,724		302,111
Due from Other Funds		89,130	333,040			1,045,199			1,467,369
<b>Total Assets</b>	<b>\$7,402,870</b>	<b>\$89,130</b>	<b>\$1,161,804</b>	<b>\$2,461,943</b>	<b>\$4,321,685</b>	<b>\$1,550,339</b>	<b>\$2,957,335</b>	<b>\$7,500,100</b>	<b>\$27,445,206</b>
<b>LIABILITIES AND FUND BALANCES:</b>									\$163,329
Accounts Payable	\$155,293	\$8,036							23,200
Bank Overdraft		23,200		201,918			29,305	100	1,622,790
Due to Other Funds	1,391,467								62,729
Accrued Wages Payable	62,729								1,872,048
<b>Total Liabilities</b>	<b>1,609,489</b>	<b>31,236</b>	<b>0</b>	<b>201,918</b>	<b>0</b>	<b>0</b>	<b>29,305</b>	<b>100</b>	<b>91,130</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Deferred Property Taxes	91,130								
<b>Fund Balances:</b>									
Restricted		57,894				1,550,339		7,500,000	9,108,233
Construction			1,161,804						1,161,804
Debt Service					4,321,685				4,321,685
Economic Development							2,928,030		2,928,030
Hotel/Motel Tax				2,260,025					2,260,025
Street Repair									14,182
Committed	14,182								66,250
Public Housing	66,250								14,738
Public Safety - Fire	14,738								5,607,081
Public Safety - Police	5,607,081								25,482,028
Unassigned	5,702,251	57,894	1,161,804	2,260,025	4,321,685	1,550,339	2,928,030	7,500,000	
<b>Total Fund Balance</b>	<b>5,702,251</b>	<b>57,894</b>	<b>1,161,804</b>	<b>2,260,025</b>	<b>4,321,685</b>	<b>1,550,339</b>	<b>2,928,030</b>	<b>7,500,000</b>	<b>\$27,445,206</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$7,402,870</b>	<b>\$89,130</b>	<b>\$1,161,804</b>	<b>\$2,461,943</b>	<b>\$4,321,685</b>	<b>\$1,550,339</b>	<b>\$2,957,335</b>	<b>\$7,500,100</b>	

The accompanying notes are an integral part of this statement.

CITY OF KENEDY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds Balance Sheet

Amounts reported for governmental activities in the statement of net position ("SNA") are different because:	\$25,482,028
Capital assets used in governmental activities are not reported in the funds.	10,784,689
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	91,130
Deferred charge on refunding are expenditures in the funds but are recorded as assets in the governmental activities.	49,640
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	248,227
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(9,004,996)
	<u>\$27,650,718</u>

Net Position of Governmental Activities - Statement of Net Position

The accompanying notes are an integral part of this statement.



CITY OF KENEDY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Grant Fund	Debt Service Fund	Paving Fund	Kenedy J-B Corporation	Capital Improvement Fund	Hotel Occupancy Tax	2019 Sports Complex Bond	Total Governmental Funds
<b>REVENUES</b>									\$645,027
Taxes	\$645,027				595,658				1,793,985
Property	1,198,327								170,489
Sales	170,489						969,213		1,002,430
Franchise	33,217								82,881
Other	82,881								328
Licenses and Permits	328								1,813,440
Intergovernmental	1,813,440								188,699
Charges for Services	188,699						38,483		202,789
Fines and Forfeitures	83,753		318	2,059	74,653	3,523			2,225,341
Interest					1,226,948	998,393			274,585
Oil and Gas Lease Income and Royalties	173,938		5,234		42,011	53,402			8,399,994
Miscellaneous	4,390,099	0	5,552	2,059	1,939,270	1,055,318	1,007,696	0	
Total Revenues									
<b>EXPENDITURES</b>									1,994,777
Current:					382,757		201,800		1,935,237
General Administration	1,408,223	1,997							677,871
Public Safety	1,935,237			11,343					290,923
Public Transportation	666,528								
Culture and Recreation	290,923								1,616,134
Capital Projects -				20,835	1,104,663	130,660	359,976		202,673
Capital Outlay and Other									138,662
Debt Service	70,670		132,003						26,915
Principal Retirement									6,883,192
Bond Issuance Costs	3,532		23,383						
Interest and Fiscal Charges	4,375,113	1,997	155,386	32,178	1,487,420	130,660	561,776	138,662	
Total Expenditures									
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,986	(1,997)	(149,834)	(30,119)	451,850	924,658	445,920	(138,662)	1,516,802
<b>OTHER FINANCING SOURCES (USES):</b>									6,720,000
Bond Issuance Proceeds									918,662
Bond Issuance Premium									88,706
Capital Lease Proceeds	88,706					1,741,667			2,915,702
Operating Transfers In	25,000		588,035	561,000		(3,119,132)			(3,703,385)
Operating Transfers Out	(584,253)	0	588,035	561,000	0	(1,377,465)	0	7,638,662	6,939,685
Total Other Financing Sources (Uses)	(470,547)	0	438,201	530,881	451,850	(452,807)	445,920	7,500,000	8,456,487
Net Changes in Fund Balances	(455,561)	(1,997)	438,201	530,881	451,850	(452,807)	445,920	7,500,000	17,025,541
Fund Balances - Beginning - Restated	6,157,812	59,891	723,603	1,729,144	3,869,835	2,003,146	2,482,110	\$7,500,000	\$25,482,028
Fund Balances - Ending	\$5,702,251	\$57,894	\$1,161,804	\$2,260,025	\$4,321,685	\$1,550,339	\$2,928,030		

The accompanying notes are an integral part of this statement.

CITY OF KENEDY, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2019

\$8,456,487

Net Changes in Fund Balances - Total Governmental Funds

Amounts reported for governmental activities in the statement of net position  
("SNA") 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 expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,479,084
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	(13,811)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(4,930)
 GASB 68	 8,894
Contribution. This is the change in these amounts this year.	(9,090)
Difference in expected and actual experience. This is the change in these amounts this year.	207,022
Dif. in proj. and actual earnings on pension plan investments. This is the change in these amounts this year.	
 GASB 75	 (2,833)
Difference in Changes in assumptions and other inputs. This is the change in these amounts this year.	(2,884)
Difference in expected and actual experience. This is the change in these amounts this year.	
	(6,720,000)
Issuance of Series 2019 Bonds	(88,706)
Issuance of Capital Lease Debt	202,673
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	6,286
(Increase) decrease in compensated absences from beginning of period to end of period.	(8,274)
(Decrease) increase in loss on refunding from beginning of period to end of period.	(914,587)
(Decrease) increase in bond issuance premium from beginning of period to end of period.	1,100
(Increase) decrease in accrued interest from beginning of period to end of period.	862
(Increase) decrease in OPEB liability from beginning of period to end of period.	(93,798)
(Increase) decrease in net pension liability from beginning of period to end of period.	<u>\$2,503,495</u>
Change in Net Position of Governmental Activities - Statement of Activities	

The accompanying notes are an integral part of this statement.

CITY OF KENEDY, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Budgetary	Variance with Final Budget - Positive (Negative)
	Original	Final	Basis	
<b>REVENUES</b>				
Taxes	\$1,041,000	\$1,041,000	\$645,027	(\$395,973)
Property	1,020,000	1,020,000	1,198,327	178,327
Sales	182,500	182,500	170,489	(12,011)
Franchise	0	0	33,217	33,217
Other	2,500	2,500	328	(2,172)
Intergovernmental	20,200	20,200	82,881	62,681
Licenses and Permits	1,925,000	1,925,000	1,813,440	(111,560)
Charges for Services	226,250	226,250	188,699	(37,551)
Fines and Forfeitures	35,000	35,000	83,753	48,753
Interest	328,875	328,875	173,938	(154,937)
Miscellaneous	4,781,325	4,781,325	4,390,099	(391,226)
Total Revenues				
<b>EXPENDITURES</b>				
Current:				
General Administration	1,403,926	1,403,926	1,408,223	(4,297)
General Administration				
Public Safety	105,713	105,713	87,943	17,770
Animal Control	176,788	176,788	156,247	20,541
Community Development	5,200	5,200	494	4,706
Emergency Management	241,580	241,580	235,206	6,374
Fire Department	192,560	192,560	174,495	18,065
Municipal Court	1,199,623	1,199,623	1,192,146	7,477
Police Department				
Public Transportation	755,671	856,865	666,528	190,337
Streets				
Culture and Recreation	58,800	58,800	87,338	(28,538)
Airport	7,100	7,100	7,789	(689)
Library	231,926	231,926	195,796	36,130
Parks				
Debt Service	70,670	70,670	70,670	0
Principal Retirement	3,532	3,532	3,532	0
Interest Retirement	4,453,089	4,554,283	4,286,407	267,876
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under)	328,236	227,042	103,692	(123,350)
Expenditures				
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	25,000	25,000	25,000	0
Operating Transfers Out	(353,000)	(353,000)	(584,253)	(231,253)
Operating Transfers Out	(328,000)	(328,000)	(559,253)	(231,253)
Total Other Financing Sources (Uses)				
Net Changes in Fund Balances - Budgetary Basis	236	(100,958)	(455,561)	(354,603)
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>				
Capital Lease Proceeds			88,706	
Capital Lease Purchases			(88,706)	
Capital Lease Purchases			(455,561)	
Net Changes in Fund Balances - Modified Accrual Basis			6,157,812	
Fund Balances - Beginning - Restated			\$5,702,251	
Fund Balances - Ending				

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

CITY OF KENEDY, TEXAS  
DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest	\$0	\$0	\$318	\$318
Miscellaneous	0	0	5,234	5,234
Total Revenues	0	0	5,552	5,552
<b>EXPENDITURES</b>				
Debt Service				
Principal Retirement	715,680	715,680	132,003	583,677
Interest Retirement			23,383	(23,383)
Total Expenditures	715,680	715,680	155,386	560,294
Excess (Deficiency) of Revenues Over (Under) Expenditures	(715,680)	(715,680)	(149,834)	565,846
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	715,680	715,680	588,035	(127,645)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	715,680	715,680	588,035	(127,645)
Net Changes in Fund Balances	0	0	438,201	438,201
Fund Balances - Beginning	723,603	723,603	723,603	
Fund Balances - Ending	\$723,603	\$723,603	\$1,161,804	\$438,201

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

CITY OF KENEDY, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2019

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
<b>ASSETS</b>			
Current Assets	\$6,573,844	\$5,980,263	\$6,573,844
Cash and Cash Equivalents			
Accounts Receivables (Net of Allowance for Uncollectibles)	756,344	733,338	756,344
Total Current Assets	7,330,188	6,713,601	7,330,188
Noncurrent Assets			
Restricted Assets:	2,500	2,500	2,500
Cash and Cash Equivalents - Debt Service	853,608	1,528,966	853,608
Cash and Cash Equivalents - Construction	856,108	1,531,466	856,108
Total Restricted Assets			
Capital Assets	507,679	196,274	507,679
Land	1,055,526	1,025,526	1,055,526
Buildings and Improvements	3,510,728	3,117,664	3,510,728
Machinery and Equipment	26,552,797	22,500,728	26,552,797
Distribution System	2,178,695	2,063,474	2,178,695
Construction in Progress	33,805,425	28,903,666	33,805,425
Total Capital Assets	(12,935,015)	(12,104,646)	(12,935,015)
Less Accumulated Depreciation			
Total Capital Assets (Net of Accumulated Depreciation)	20,870,410	16,799,020	20,870,410
Total Noncurrent Assets	21,726,518	18,330,486	21,726,518
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>GASB 68</b>		55,845	0
Deferred Outflow of Resources-Contributions (after 12/31/17)	54,537		54,537
Deferred Outflow of Resources-Contributions (after 12/31/18)	72,369		72,369
Difference in projected and actual earnings			
<b>GASB 75</b>		1,488	0
Changes in assumptions and other inputs			
Deferred Charge on Refunding	208,250	220,500	208,250
Total Deferred Outflow of Resources	335,156	277,833	335,156
<b>TOTAL ASSETS</b>	<b>\$29,391,862</b>	<b>\$25,321,920</b>	<b>\$29,391,862</b>

(continued)

(continued)

**LIABILITIES, FUND EQUITY  
AND OTHER CREDITS**

**Liabilities**

**Current Liabilities (Payable from Current Assets)**

	Utility Current Year	Utility Prior Year	Totals Current Year
Accounts Payable	\$184,145	\$0	\$184,145
Due to Other Funds	287,602	80,282	287,602
Compensated Absences	21,059	17,892	21,059
Accrued Wages Payable	38,249	34,177	38,249
Accrued Interest Payable	37,086	43,194	37,086
Capital Lease Payable - Current	113,898	43,085	113,898
Bonds - Current	428,108	412,997	428,108
<b>Total Current Liabilities</b>	<b>1,110,147</b>	<b>631,627</b>	<b>1,110,147</b>

**Current Liabilities (Payable from Restricted Assets)**

Consumer Meter Deposits	91,902	93,251	91,902
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**Total Current Liabilities  
Payable from Restricted Assets**

<b>91,902</b>	<b>93,251</b>	<b>91,902</b>
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**Noncurrent Liabilities**

Capital Lease Payable	86,866	34,529	86,866
Bonds Payable (Plus Bond Premium)	4,652,988	5,091,364	4,652,988
Net Pension Liability	151,803	99,293	151,803
GASB 75 Payable	20,034	20,517	20,034
<b>Total Noncurrent Liabilities</b>	<b>4,911,691</b>	<b>5,245,703</b>	<b>4,911,691</b>

**Total Liabilities**

<b>6,113,740</b>	<b>5,970,581</b>	<b>6,113,740</b>
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**DEFERRED INFLOWS OF RESOURCES**

**GASB 68**

Difference in expected and actual experience	28,796	26,715	28,796
Difference in projected and actual earnings		49,047	0

**GASB 75**

Difference in expected and actual experience	1,615		1,615
Changes in assumption and other inputs	185		185

**Total Deferred Inflows of Resources**

<b>30,596</b>	<b>75,762</b>	<b>30,596</b>
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**Invested in Capital Assets, Net of Related Debt**

Restricted for:	16,442,158	12,746,011	16,442,158
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**Debt Service - Expendable**

Unrestricted	2,500	2,500	2,500
	6,802,868	6,527,066	6,802,868

**Total Net Position**

<b>\$23,247,526</b>	<b>\$19,275,577</b>	<b>\$23,247,526</b>
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The notes to the financial statements are an integral part of this statement.

CITY OF KENEDY, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
OPERATING REVENUES:			
Charges for Services - Water	\$5,323,663	\$5,565,036	\$5,323,663
Charges for Services - Sewer	3,101,539	3,158,195	3,101,539
Miscellaneous	105,237	90,784	105,237
Total Operating Revenues	8,530,439	8,814,015	8,530,439
OPERATING EXPENSES:			
Personal Services	1,044,621	988,025	1,044,621
Supplies	6,845	5,311	6,845
Other Services and Charges	3,278,592	2,624,236	3,278,592
Depreciation	871,252	671,587	871,252
Total Operating Expenses	5,201,310	4,289,159	5,201,310
Operating Income (Loss)	3,329,129	4,524,856	3,329,129
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	4,123	4,668	4,123
Interest and Fiscal Charges	(148,986)	(159,661)	(148,986)
Total Non-Operating Revenues (Expenses)	(144,863)	(154,993)	(144,863)
Income Before Transfers	3,184,266	4,369,863	3,184,266
Abandoned Water Wells			0
Bond Issuance Costs			0
Transfers Out	787,683	832,496	787,683
Change in Net Position	3,971,949	5,202,359	3,971,949
Total Net Position - Beginning	19,275,577	14,073,218	19,275,577
Total Net Position - Ending	\$23,247,526	\$19,275,577	\$23,247,526

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

CITY OF KENEDY, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$8,506,084	\$8,485,517	\$8,506,084
Payments to Suppliers	(3,095,150)	(2,624,368)	(3,095,150)
Payments to Employees	(892,774)	(1,072,887)	(892,774)
Net Cash Provided (Used) by Operating Activities	4,518,160	4,788,262	4,518,160
Cash Flows from Non-Capital and Related Financing Activities			
Transfers Out	787,683	832,496	787,683
Subsidy from Federal Grant	0	0	0
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	787,683	832,496	787,683
Cash Flows from Capital and Related Financing Activities			
Principal Payment on Revenue Bonds, Notes and Capital Leases	(561,057)	(533,210)	(561,057)
Proceeds from Capital debt	260,942	97,138	260,942
Interest and Fiscal Charges	(148,986)	(159,661)	(148,986)
Purchases of Capital Assets	(4,942,642)	(2,576,833)	(4,942,642)
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,391,743)	(3,172,566)	(5,391,743)
Cash Flows from Investing Activities			
Interest Received	4,123	4,668	4,123
Net Cash Provided (Used) by Investment Activities	4,123	4,668	4,123
Net Increase (Decrease) in Cash Equivalents	(81,777)	2,452,860	(81,777)
Cash and Cash Equivalents at Beginning of Year	7,511,729	5,058,869	7,511,729
Cash and Cash Equivalents at End of Year	\$7,429,952	\$7,511,729	\$7,429,952
Unrestricted Assets:			
Cash and Cash Equivalents	\$6,573,844	\$5,980,263	\$6,573,844
Restricted Assets:			
Cash and Cash Equivalents	856,108	2,500	856,108
Total	\$7,429,952	\$5,982,763	\$7,429,952

(continued)



(continued)

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$3,329,129	\$4,524,856	\$3,329,129
Adjustments to Reconcile to Net Cash Flow			
Non-Cash Items Included in Net Income			
Depreciation	871,252	671,587	871,252
Changes in Current Items			
Decrease (Increase) in Accounts Receivable	(23,006)	(328,324)	(23,006)
<b>GASB 68</b>			
Decrease (Increase) Deferred Outflow of Resources-Contributions	1,308	2,478	1,308
Difference in expected and actual experience	2,081	41,320	2,081
Difference in projected and actual earnings	(121,416)	48,958	(121,416)
Increase (Decrease) in Net pension Liability	52,510	(93,744)	52,510
<b>GASB 75</b>			
Changes in assumptions and other inputs	1,673	(1,488)	1,673
Difference in expected and actual earnings	1,615		1,615
Increase (Decrease) in GASB 75 payable	(483)	4,445	(483)
Decrease (Increase) Deferred Outflow-Deferred Charge on Refunding	12,250	12,250	12,250
Increase (Decrease) in Accounts Payable	184,145	(813)	184,145
Increase (Decrease) in Due to Other Funds	207,320	(97,933)	207,320
Increase (Decrease) in Compensated Absences	3,167	4,331	3,167
Increase (Decrease) in Accrued Wages Payable	4,072	6,771	4,072
Increase (Decrease) in Accrued Interest Payable	(6,108)	(6,258)	(6,108)
Increase (Decrease) in Consumer Meter Deposits	(1,349)	(174)	(1,349)
Net Cash Provided (Used) by Operating Activities	<u>\$4,518,160</u>	<u>\$4,788,262</u>	<u>\$4,518,160</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Borrowing from Capital Debt	<u>\$260,942</u>	<u>\$97,138</u>	<u>\$260,942</u>
	<u>\$260,942</u>	<u>\$97,138</u>	<u>\$260,942</u>

Note: The above funds are all enterprise funds.

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

CITY OF KENEDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019

I. Summary of significant accounting policies

A. Reporting entity/ Basis of Accounting/Measurement Focus

The City of Kenedy, Texas, was incorporated by an election. The City operates under a General Law type of government and provides the following services: public safety (fire, ambulance, and law enforcement), public transportation (streets), health, culture, recreation, public facilities, legal, election functions, and general administrative services. The accounting policies of the City of Kenedy, Texas, (the City) conform to generally accepted accounting principles. The City also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the City are organized based on funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled.

B. Government-wide and fund financial statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the Net Position and changes in Net Position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The City's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, and franchise taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

The general fund is the government'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 grant fund is used to administer all grants of the City and to administer the 2004 Certificate of Obligation bond proceeds.

The debt service fund is used to administer the payment of the Series 2003 Refunding Bonds and the 2004 Certificates of Obligation Bonds.

The Kenedy paving fund is used to collect monies to be used for paving City streets.

The Kenedy 4-B Corporation is used to collect sales tax monies to promote new business activity in the City.

The capital improvement fund is used to collect oil and gas revenues to be used for infrastructure improvements.

The hotel occupancy tax fund is used to collect hotel occupancy tax revenues to be used for general City projects.

The 2019 sports complex fund is used to administer the issuance of Series 2019 Combination Tax and Revenue Certificates of Obligation bonds.

D. Proprietary fund financial statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility Fund (Water and Sewer) are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major proprietary funds:

The utility fund accounts for the activities of the government's water and sewer operations.

E. Blended Component Units

The Kenedy 4B Corporation is governed by a board appointed by the City Council. Although they are legally separate from the City, the Kenedy 4B Corporation is reported as if they are a part of the primary government because their primary purpose is to provide services to the citizens of the City. It is reported as a special revenue fund of the City. Separate financial statements are not prepared for the blended component unit.

F. Discretely Presented Component Units

The component unit's column in the combined financial statements includes the financial data of the City's one component unit. It is reported in a separate column to emphasize that it is legally separated from the City. The component unit did not issue a separate audited financial statement.

The Tax Increment Reinvestment Zone 2 was organized as a non-profit corporation. The board of the corporation is made up as follows: one appointee from each of Karnes County, the City, Esc. Watershed District, Karnes County Hospital District, and SARA. The Corporation is charged with the collection of ad valorem tax monies from each member entity and the following remitting such monies to Silverback Homes, a developer of 169 acres of mix use property. The Corporation is presented as a governmental fund type. Its accounting policies are identical to the City's policies.

G. Assets, liabilities, and Net Position or equity

1. Deposits and investments

The government's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury. Investments for the government are reported at fair value.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Receivables and payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at September 30, 2019, the trade accounts receivable allowance in excess of 60 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2019, the trade accounts receivable allowance in excess of 90 days is equal to 100 percent of outstanding trade accounts receivable at September 30, 2019. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2019, and 10 percent of delinquent outstanding property taxes at September 30, 2019.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and prepaid items

Inventories are considered immaterial and, therefore, there were no inventory items at September 30, 2019.

There were no prepaid items at September 30, 2019.

4. Fund restricted assets

The fund restricted assets were as follows: Public Housing - \$14,182, Public Safety – Fire - \$66,250, Public Safety – Police - \$14,738, Construction - \$9,139,569, Debt Service - \$1,161,804, Economic Development - \$4,321,685, Hotel/Motel Tax - \$2,957,335, Street Repair - \$2,461,943 in the Governmental Funds and Debt Service - \$2,500 in the Business-type activities.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life more than two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at acquisition value. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation; but donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

Major capital asset events during the current fiscal year included the following: The City had major street improvements and drainage improvements, airport improvements, water facility improvements, and park improvement projects during the year.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

6. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds.

7. 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 statement of fund net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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 withheld from the actual debt proceeds received, are reported as expenditures.

8. ***Fund Balances – Governmental Funds***

As of September 30, 2019, fund balances of the governmental funds are classified as follows:

***Restricted*** — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

***Committed*** — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

***Unassigned*** — all other spendable amounts.

As of September 30, 2019, fund balances are composed of the following:

Fund Balances:	
Restricted	
Construction	\$9,108,233
Debt Service	1,161,804
Economic Development	4,321,685
Hotel/Motel Tax	2,928,030
Street Repair	2,260,025
Committed	
Public Housing	14,182
Public Safety - Fire	66,250
Public Safety - Police	14,738
Unassigned	<u>5,607,081</u>
Total Fund Balance	<u>\$25,482,028</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2011, the City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 25 percent of the subsequent year's budgeted General Fund expenditures.

9. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements to provide an understanding of the changes in the financial position and operations of these funds.



10. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government has two items that qualify for reporting in this category. They are amounts deferred under GASB 68 and deferred charges on refunding.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. They are amounts deferred under GASB 68 and GASB 75.

The City reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measureable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the City and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Pursuant to GASB 65 we have included deferred ad valorem taxes as deferred inflows in the fund financial statements.

11. Net position flow assumption

Sometimes the government 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 government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

## II. Reconciliation of government-wide and fund financial statements

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$9,004,996 difference are as follows:

Capital Lease Payable	\$130,317
Bonds Payable	7,585,353
Accrued Interest Payable	8,143
Compensated Absences	35,010
Net Pension Liability	269,423
OPEB Liability	33,641
Bond Premium	943,109
	<u>\$9,004,996</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in Net Position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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 expense." The details of this \$10,784,689 difference are as follows:

Capital Assets Being Depreciated	\$2,274,848
Capital Assets Being Depreciated	11,466,230
Accumulated Depreciation	(2,956,389)
Net Adjustment To Increase Net Changes in Fund balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$10,784,689</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$91,130 difference are as follows:

Property Taxes Receivable	\$99,255
Allowance for Doubtful Accounts	(8,125)
Net	<u>\$91,130</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this \$248,227 difference are as follows:

Fines and Fees Receivable	\$324,683
Allowance for Doubtful Accounts	(248,495)
GASB 68	
Deferred Outflow of Resources-Contributions (after 12/31/18)	97,419
Difference in expected and actual experience	(51,438)
Difference in projected and actual earnings	129,273
GASB 75	
Changes in assumptions and other inputs	(331)
Difference in expected and actual experience	(2,884)
Net	<u>\$248,227</u>

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in Net Position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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 expense." The details of this \$1,479,084 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$1,376,517
Capital Outlay - Additions - Being Depreciated	610,369
Capital Outlay - Transfers - Net	(2,997)
Depreciation Expense	(504,805)
Net Adjustment To	
Increase Net Changes	
in Fund balances - Total	
Governmental Funds to	
Arrive at Changes in	
Net Assets of	
Governmental Activities	<u>\$1,479,084</u>

### III. Stewardship, compliance, and accountability

#### A. Budgetary information

The Mayor has been authorized by the council to prepare the budget. He is assisted by the City Secretary. The budget is adopted on budgetary basis in conformity with generally accepted accounting principles. After the budget is prepared, it is reviewed by the City Council. The budget is adjusted by the City Council if desired. Then a final budget is prepared by the Mayor. A public hearing is held on the budget by the City Council. Department heads may appear. Before determining the final budget, the City Council may increase or decrease the amounts requested by the various departments or citizens. Amounts finally budgeted may not exceed the estimate of revenues and available cash. Appropriations lapse at year end.

When the budget is adopted by the City Council, the City Secretary is responsible for monitoring the expenditures of the various departments of the City to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the City Council advised of the conditions of the various funds and accounts. The level of control is the fund. Expenditures can exceed appropriations if they do not exceed available revenues and cash balances. The legal level of control (the level on which the City Council must approve over expenditures) is on an object class basis.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (IE. the level at which expenditures may not legally exceed appropriations) is the department level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. There were no outstanding encumbrances at September 30, 2019.

The budget for the general fund and the debt service fund are included in the financial statements. There were no budgets presented for the Kenedy 4-B corporation, the grant fund, the capital improvements fund, the hotel occupancy fund, and the 2019 sports complex bond fund.

#### B. Excess of expenditures over appropriations

Excess of expenditures over appropriations did not occur in any fund for the year ended September 30, 2019.

#### C. Deficit fund equity

The City had no deficit fund balances as of September 30, 2019.

#### IV. Detailed notes on all funds

##### A. Deposits and investments

###### Legal and Contractual Provisions Governing 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, (9) and 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, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies. In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

###### ***Deposits:***

**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. The City was exposed to custodial credit risk because:

Its deposits (not including the Kenedy 4B Corporation) were not fully covered by depository insurance and/or collateralization. The total amount of cash in the bank at September 30, 2019 is \$19,391,489 (not including the Kenedy 4B Corporation) while the total pledged securities are \$3,846,524 and the FDIC insurance coverage is \$250,000; thus, under securing the cash monies above by \$1,529,965.

The Kenedy 4B Corporation had a balance of \$419,744 at September 30, 2019. This amount was not secured by any pledged investments.

The book balance of cash at September 30, 2019 was \$19,004,019.

###### ***Investments:***

The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool, through which political subdivisions and other entities may invest public funds.

TexPool uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool does not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. TexPool has a credit rating of AAAM from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high-quality portfolio of debt securities investments that are legally permissible for local governments in the state. All funds participate in a pooling of cash and investment income to maximize investment opportunities. Each fund may liquidate its equity in the pool on demand.

The City's investments are authorized by City resolutions, bond ordinances, and State statutes. The City is authorized to invest in obligations of the U.S. Government and its agencies or instrumentalities; direct obligations of Texas and its agencies and instrumentalities; obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating; insured or collateralized certificates of deposit; fully collateralized repurchase agreements; and government pools.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City's investments by fair value level are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The City has no Level 1 investments (investments valued using prices quoted in active markets for identical securities) or Level 3 investments (investments valued using significant unobservable inputs). As of September 30, 2019, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
TexPool Funds	\$13,439,675	Less than 1 year	Less than 1 year

*Interest Rate Risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

*Credit Risk.* The City's investment policy is to apply the "prudent investor" standard: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The City's investments were rated as follows: TexPool Funds AAAM.

*Concentration of Credit Risk.* The City places no limit on the amount that may be invested in any one issuer. The City's portfolio is 100 invested in an external investment pool.

#### B. Receivables

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

	General Fund	Kenedy 4-B Corporation	Capital Improvement Fund	Hotel Occupancy Tax	Utility Fund	Total
<u>Receivables</u>						
Taxes	\$99,255					\$99,255
Accounts	136,980				1,084,116	1,221,096
Occupancy Tax				182,724		182,724
Franchise Tax	14,465					14,465
Royalties		90,961	28,426			119,387
Other	19,686					19,686
Fines	324,683					324,683
Gross Receivables	595,069	90,961	28,426	182,724	1,084,116	1,981,296
Less: Allowance for Uncollectibles	323,520				327,772	651,292
Net Total Receivables	\$271,549	\$90,961	\$28,426	\$182,724	\$756,344	\$1,330,004

C. Capital asset activity for the year ended September 30, 2019 was as follows:

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$447,192	\$10,121		\$457,313
Construction in Progress	2,261,730	1,366,396	1,810,591	1,817,535
Total capital assets not being depreciated:	2,708,922	1,376,517	1,810,591	2,274,848

Capital assets being depreciated:				
Building and Improvements	5,942,379	180,281		6,122,660
Machinery, Equipment and Vehicles	1,499,327	650,740	42,882	2,107,185
Infrastructure	1,646,446	1,589,939		3,236,385
Total capital assets being depreciated:	9,088,152	2,420,960	42,882	11,466,230

Less: Accumulated Depreciation for:				
Building and Improvements	1,032,718	185,076		1,217,794
Machinery, Equipment and Vehicles	1,152,101	255,001	39,885	1,367,217
Infrastructure	306,650	64,728		371,378
Total Accumulated Depreciation	2,491,469	504,805	39,885	2,956,389
Total Capital Assets Depreciated, Net	6,596,683	1,916,155	2,997	8,509,841
Governmental Activities capital assets, Net	\$9,305,605	\$3,292,672	\$1,813,588	\$10,784,689

Business-type Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$196,274	\$311,405		\$507,679
Construction in Progress	2,063,474	2,446,533	2,331,312	2,178,695
Total capital assets not being depreciated:	2,259,748	2,757,938	2,331,312	2,686,374

Capital assets being depreciated:				
Building and Improvements	1,025,526	30,000		1,055,526
Machinery, Equipment and Vehicles	3,117,664	459,850	66,786	3,510,728
Distribution System	22,500,728	4,052,069		26,552,797
Total capital assets being depreciated:	26,643,918	4,541,919	66,786	31,119,051

Less: Accumulated Depreciation for:				
Building and Improvements	735,560	25,882		761,442
Machinery, Equipment and Vehicles	2,507,247	226,079	40,883	2,692,443
Distribution System	8,861,839	619,291		9,481,130
Total Accumulated Depreciation	12,104,646	871,252	40,883	12,935,015
Total Capital Assets Depreciated, Net	14,539,272	3,670,667	25,903	18,184,036
Business-type Activities capital assets, Net	\$16,799,020	\$6,428,605	\$2,357,215	\$20,870,410

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

Governmental Activities	
General Administration	\$16,008
Public Safety	\$142,312
Public Works	1,774
Public Transportation	155,805
Culture and Recreation	188,906
Total Depreciation Expense - Governmental Activities	<u>\$504,805</u>
Business-Type Activities	
Utility	<u>\$871,252</u>
Total Depreciation Expense - Business-Type Activities	<u>\$871,252</u>

Construction commitments:

The City had major street improvements and drainage improvements, airport improvements, water facility improvements, and park improvement projects during the year.

D. Inter-fund receivables, payables, and transfers

Due to/from other funds at September 30, 2019 are as follows:

	AMOUNT	EXPLANATION	EXPECTED TO BE LIQUIDATED
<b>INTERFUND</b>			
DUE FROM UTILITY FUND TO GENERAL FUND	\$443,023	FOR UTILITY OPERATIONS	WITHIN YEAR
DUE FROM PAVING FUND TO UTILITY FUND	(201,919)	FOR CONSTRUCTION	WITHIN YEAR
DUE FROM GENERAL FUND TO UTILITY FUND	46,498	FOR GENERAL OPERATIONS	WITHIN YEAR
	<u>\$287,602</u>		
<b>INTRAFUND</b>			
DUE FROM GENERAL FUND TO CAPITAL IMPROVEMENT FUND	\$1,045,199	FOR CONSTRUCTION	WITHIN YEAR
DUE FROM GENERAL FUND TO HOTEL OCCUPANCY TAX FUND	(29,305)	COMMUNITY DEVELOPMENT	WITHIN YEAR
DUE FROM GENERAL FUND TO 2019 SPORTS COMPLEX FUND	(100)	COMMUNITY DEVELOPMENT	WITHIN YEAR
DUE FROM GENERAL FUND TO GRANT FUND	89,131	CONSTRUCTION	WITHIN YEAR
DUE FROM GENERAL FUND TO I&S FUND	333,040	FOR DEBT SERVICE	WITHIN YEAR
	<u>\$1,437,965</u>		



Transfers for the year ended September 30, 2019 are as follows:

TRANSFER OUT	TRANSFER IN					TOTAL
	GENERAL FUND	DEBT SERVICE FUND	PAVING FUND	UTILITY FUND	CAPITAL IMPROV	
GENERAL FUND				(\$584,253)		(\$584,253)
4B CORPORATION			136,000			\$136,000
CAPITAL IMPROVEMENT FUND				(3,119,132)		(\$3,119,132)
UTILITY FUND	25,000	588,035	425,000		1,741,667	\$2,779,702
TOTALS	<u>\$25,000</u>	<u>\$588,035</u>	<u>\$561,000</u>	<u>(\$3,703,385)</u>	<u>\$1,741,667</u>	<u>(\$787,683)</u>

The transfers to the debt service fund are recurring and are for the payment of the City's debt service. The transfers to the paving were to assist in the costs of paving City streets and are recurring. All other transfers are non-recurring and were for operating costs.

#### E. Leases

##### Operating Leases

The government leases equipment under non-cancelable operating leases. Total costs for such leases were \$8,941 for the year ended September 30, 2019. The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30,	Amount
2020	\$ 6,205
2021	\$ 4,750
2022	\$ 2,172
2023	\$ <u>0</u>
Total	<u>\$13,127</u>

Rent expenditures were \$0 for the year ended September 30, 2019. Rental income was \$300 for the year ended September 30, 2019.

F. Long-term debt

Capital Leases

The government has entered into a lease agreement as lessee for financing the acquisition of equipment for the City. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The security pledged for the capital leases is the equipment financed.

The assets acquired through capital leases are as follows:

ASSET	Governmental Activities				Business-type Activities		
	THREE FORD TRUCKS	2017 INTER-NATIONAL FIRE TRUCK	TWO FORD EXPLORERS	TOTAL	THREE FORD TRUCKS	SEVEN FORD TRUCKS	TOTAL
COST	\$25,197	\$256,910	\$256,910	\$539,017	\$106,279	\$36,838	\$143,117
ACCUMULATED DEPRECIATION	(5,039)	(154,146)	(51,382)	(210,567)	(42,512)	(7,368)	(49,879)
NET ASSET	\$20,158	\$102,764	\$205,528	\$328,450	\$63,767	\$29,470	\$93,238

The above debts are serviced by the general fund and the utility fund.

The following for the above debt is a schedule of the future minimum lease payments and the present value of net minimum lease payments at September 30, 2019.

YEAR	Governmental Activities				Business-type Activities		
	THREE FORD TRUCKS	2017 INTER-NATIONAL FIRE TRUCK	TWO FORD EXPLORERS	TOTAL	THREE FORD TRUCKS	SEVEN FORD TRUCKS	TOTAL
2020	\$10,480	\$32,728	\$21,204	\$64,412	\$34,516	\$92,512	\$127,028
2021	10,480	32,728	21,204	64,412		92,512	92,512
2022		11,911		11,911			0
	20,960	77,367	42,408	140,735	34,516	185,024	219,540
INTEREST	1,880	4,072	4,466	10,418	2,183	16,594	18,777
NET	\$19,080	\$73,295	\$37,942	\$130,317	\$32,333	\$168,430	\$200,763

F. Long-term debt (continued)

Bonds

Bonds currently outstanding along with any covenants and securities pledged are as follow:

PURPOSE	RATE	AMOUNTS	SERIES	MATURITY DATE	PLEDGED ASSETS	COVENANTS
Governmental activities	2.00% -2.50%	\$865,353	2013	2025	None	Ad Valorem Tax and Utility Fees
Governmental activities	4.00%	\$6,720,000	2019	2039	None	Ad Valorem Tax and Utility Fees
Business-type activities	2.00% -2.50%	904,647	2013	2025	None	Ad Valorem Tax and Utility Fees
Business-type activities	3.00% -4.75%	355,000	2009	2029	Sinking Fund	Ad Valorem Tax and Utility Fees
Business-type activities	2.00% -2.50%	1,895,000	2016	2025	None	Ad Valorem Tax and Utility Fees
Business-type activities	3.00% -4.75%	1,800,000	2016	2029	None	Ad Valorem Tax and Utility Fees
		<u>\$12,540,000</u>				

Annual debt service requirements to maturity for the Bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$451,892	\$19,544	\$428,108	\$216,061
2021	369,337	16,806	435,664	203,969
2022	381,781	14,019	448,219	113,220
2023	396,670	11,184	463,330	103,997
2024	409,115	7,517	470,886	93,250
2025-2029	1,616,559	759,189	1,833,441	314,343
2030-2034	1,785,000	654,600	600,000	129,000
2035-2039	2,175,000	267,800	275,000	16,600
TOTALS	<u>\$7,585,353</u>	<u>\$1,750,658</u>	<u>\$4,954,647</u>	<u>\$1,190,441</u>

Changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
General Obligation Bonds	\$997,356	\$6,720,000	\$132,003	\$7,585,353	\$451,892	\$7,133,461
Less Deferred Amounts:						
For Bond Premium	28,522	918,662	4,075	943,109		943,109
Total Bonds Payable	1,025,878	7,638,662	136,078	8,528,462	451,892	8,076,570
Capital Leases	112,281	88,706	70,670	130,317	58,237	72,080
Net Pension Liability	175,625	93,798		269,423		269,423
OPEB Liability	34,503		862	33,641		33,641
Compensated Absences	41,296	35,010	41,296	35,010	35,010	0
	1,389,583	7,856,176	248,906	8,996,853	545,139	8,451,714
<u>Business-Type Activities:</u>						
Revenue Bonds	5,367,644		412,997	4,954,647	428,108	4,526,539
Less Deferred Amounts:						
For Bond Premium	136,717		10,267	126,450		126,450
Total Bonds Payable	5,504,361	0	423,264	5,081,097	428,108	4,652,989
Capital Leases	77,614	260,942	137,793	200,763	113,898	86,865
Net Pension Liability	99,293	52,510		151,803		151,803
OPEB Liability	20,517		483	20,034		20,034
Compensated Absences	17,892	21,059	17,892	21,059	21,059	0
	5,719,677	334,511	579,432	5,474,756	563,065	4,911,691
 Grand Total	 \$7,109,260	 \$8,190,687	 \$828,338	 \$14,471,609	 \$1,108,204	 \$13,363,405

The general fund and the utility fund are used to service the compensated absences. The estimated amount due in the 2019-20 year is \$56,069. The government-wide statement of activities includes \$1,108,203 as "noncurrent liabilities, due within one year".

V. Other information

A. 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. Claim liabilities are estimated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts) and other economic and social factors (including the effects of specific, incremental claim adjustment expense, salvage, and subrogation).

1. General Liability Insurance

The City is insured for general, police officers and automobile liability. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred. The City has joined with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims more than \$1,000,000 to \$2,000,000 for each insurance event. The City anticipates no contingent losses. TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas. The City continues to carry commercial fidelity bonds for elected officials and for management.

2. Property and Casualty Insurance

Property, casualty, mobile equipment, boiler, and machinery insurance is provided by TML.

3. Workers' Compensation Insurance

The City insures against workers' compensation claims through TML.

4. Group Health and Life Insurance

The City maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

5. Unemployment Compensation Insurance

The City self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

B. Related party transactions

Amanda Hines' (City Secretary) father does contract work for the City, The Company's name is Rodriguez Remodeling. Expenditures were \$30,000 for the year ended September 30, 2019.

Marin Cantu's (Street Department) son, Gunner Cantu, is the owner of Mixxdd Marketing. Expenditures were \$4,818 for the year ended September 30, 2019.

There were no amounts due to either party as of September 30, 2019.

C. 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 government expects such amounts, if any, to be immaterial. The City was not a defendant in any lawsuit at September 30, 2019.

D. Subsequent events

**Kenedy 4B Corporation – Board**

In October 2019, the Board members approved to pay the San Antonio River Authority in the amount of \$150,000.00 for the Escondido Creek Parkway Skate Park.

In November 2019, the Board members approved to pay the San Antonio River Authority in the amount of \$240,000.00 for the Escondido Creek Parkway Skate Park.

In December 2019, the Board members approved to pay the San Antonio River Authority in the amount of \$100,000.00 for the Escondido Creek Parkway Skate Park.

In May 2020, the Board members approved \$16,047.80 for sports complex score board poles to the L. Bingham Construction, LLC; \$59,124.00 for the sport's complex scoreboards to Spectrum; and \$487,400.00 for the sports complex bond payment.

**City of Kennedy - City Council**

In October 2019, the City Council approved Resolution 19-23 for the acceptance of a cost proposal for Sports Fields and Site Construction at Larry Kiesling Youth Sports Complex from Hellas Construction Inc, in the amount of \$3,444,638.00 and authorize Mayor to execute the agreement with Hellas Construction for the above price. Project to be completed by January 15, 2020.

In November 2019, the City Council approved Resolution 19-25 approving the expenditure of funds in the amount of \$150,000.00 for advertising, promoting, and hosting the Kenedy Music Festival. They also authorized the City Manager to spend \$50,000.00 toward escrow on the land for the Kenedy Carrizo Water Well Project and authorize the Mayor to execute the contract. Council members went on to approve Resolution 19-26 authorizing the City to enter into a purchase and sale agreement with Union Pacific Railroad for the City's purchase of approximately 280.64 acres of real property for construction of a water pipeline and facilities to transport water from the Carrizo well field to the City in the amount of \$3,762,000.00, regarding the City of Kenedy Carrizo Water Well Project. Council then moved forward with approval of Resolution 19-27 for the cost of Building A at the Larry Kiesling Youth Sports Complex from Heartland Park & Recreation, LLC in the amount of \$599,479.00 and authorized the Mayor to execute the agreement at the price stated above.

In December 2019, the City Council approved Resolution 19-29 approving the quote and purchase of scoreboards from Spectrum Scoreboards in the amount of \$59,124.00 for the Larry Kiesling Youth Sports Complex, paid by Kenedy 4B Corporation budgeted funds.

In January 2020, the City Council approved a change order to the Civil Sitework contract with R.L. Rohde General Contracting Inc in the amount of \$31,874.76; and change order #1 in the amount of \$22,497.00, change order # 2 in the amount of \$10,800.00, and change order #3 in the amount of \$14,767.50 with Hellas Construction Inc; and Change Order #1 to the Civil Sitework Contract with R.L. Rohde Contracting in the amount of \$5,952.00 all for the Larry Kiesling Youth Sports Complex.

In February 2020, the City Council approved Resolution 20-04 authorizing a professional Service Agreement with Wet Rock Groundwater Services, LLC to complete plans and specs on two different water wells (Carrizo Well #1 and #2) not exceeding \$170,000.00. They also approved Resolution 20-06 authorizing a Construction Contract with Play and Park Structures of Southern Texas for bleacher and shade structures in the amount of \$209,467.00, and Change Order #2 to Civil Sitework Contract with R.L. Rohde in the amount of \$10,002.21 for the Larry Kiesling Youth Sports Complex. On February 18, 2020, the Council approved Change Order #2 for the East Main Street Drainage Project in the amount of \$166,072.71, and approved partial payment 3 to Hellas Construction Inc, in the amount of \$1,016,948.88 for the Larry Kiesling Youth Sports Complex.

In March 2020, the City Council approved Resolution 20-12 authorizing the construction contract with Luke Bingham Construction for the Maytag Waterline Project in the amount of \$198,791.00; approved a contribution of \$100,000.00 to the Karnes City VFD for the Karnes City Training Facility. Per March 30, 2020 minutes, the Council also placed an additional \$188,000.00 in escrow for the Purchase and Sales Agreement on the land for the Kenedy Carrizo Water Well Project and authorize City Manager to execute the contract.

In April 2020, the City Council approved Ordinance 20-05, amending the 2019/2020 FY budget for the purchase of roll offs for the Wastewater Treatment Plant in the amount of \$94,500.00.

E. Prior Period Adjustments

The City has determined that certain transactions were recorded incorrectly in a prior year. The City had a prior period adjustment whereby Governmental Activities' Net Position and the Governmental Funds fund balances were restated as follows: The Governmental Activities' Net Position and the Governmental Funds were restated upward by a Kenedy 4-B transfer to the general fund which should have been recorded in the 2018 year. The restatements had the corresponding effect on the beginning Net Position as follows:

	Net Assets, as Previously Reported	Kenedy 4-B Transfer Restatement	Net Assets As Restated
Governmental Activities:			
Net Assets	\$25,139,223	\$8,000	\$25,147,223
Total Governmental Activities	\$25,139,223	\$8,000	\$25,147,223

  

	Fund Balance as Previously Reported	Kenedy 4-B Transfer Restatement	Fund Balance As Restated
Governmental Funds			
Fund Balance	\$17,017,541	\$8,000	\$17,025,541
Total Governmental Funds	\$17,017,541	\$8,000	\$17,025,541



## F. Defined Benefit Pension Plans

### EXECUTIVE SUMMARY

as of December 31, 2018

Actuarial Valuation and Measurement Date, December 31,

<b>Membership</b>	2017	2018
Number of		
- Inactive employees or beneficiaries currently receiving benefits	10	11
- Inactive employees entitled to but not yet receiving benefits	28	37
- Active employees	43	49
- Total	<u>81</u>	<u>97</u>
 Covered Payroll	 \$1,983,548	 \$2,010,526
 <b>Net Pension Liability</b>		
Total Pension Liability	\$2,866,075	\$3,058,666
Plan Fiduciary Net Position	<u>2,585,778</u>	<u>2,632,061</u>
Net Pension Liability/(Asset)	\$280,297	\$426,605
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 90.22%	 86.05%
 Net Pension Liability/(Asset) as a Percentage of Covered Payroll	 14.13%	 21.22%
 <b>Development of the Single Discount Rate</b>		
Single Discount Rate	6.75%	6.75%
Long-Term Expected Rate of Return	6.75%	6.75%
Long-Term Municipal Bond Rate	3.31%	3.71%
 Last year ending December 31 in the 100-year projection period for which projected benefit payments are fully funded	 N/A	 N/A

## SCHEDULE OF PENSION EXPENSE

	\$	163,456
1. Total Service Cost		196,791
2. Interest on the Total Pension Liability		0
3. Changes in Current Period Benefits Including Substantively Automatic Status		(100,526)
4. Employee Contributions (Reduction of Expense)		(174,540)
5. Projected Earnings on Plan Investments (Reduction of Expense)		1,497
6. Administrative Expense		78
7. Other Changes in Fiduciary Net Position		(22,665)
8. Recognition of Current Year Outflow (Inflow) of Resources-Liabilities		50,410
9. Recognition of Current Year Outflow (Inflow) of Resources-Assets		43,200
10. Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities		(2,848)
11. Amortization of Prior Year Outflows (Inflows) of Resources-Assets		<u>154,853</u>
12. Total Pension Expense (Income)	\$	

# **SCHEDULE OF OUTFLOWS AND INFLOWS- CURRENT AND FUTURE EXPENSE**

A.	Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	2018 Recognized in current pension expense	Deferred (Inflow)/Outflow in future expense
<b>Due to Liabilities:</b>				
Difference in expected and actual experience [actuarial (gains) or losses]	4.54	\$ (102,899)	\$ (22,665)	\$ (80,234)
Change in assumptions [actuarial (gains) or losses]	4.54	\$ 0	\$ 0	\$ 0
			\$ (22,665)	\$ (80,234)
<b>Due to Assets:</b>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0	\$ 252,052	\$ 50,410	\$ 201,642
			\$ 50,410	\$ 201,642
<b>Total:</b>				\$ 121,408

## **B. Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension**

	Net deferred Outflows (inflows) of resources
2019	\$ 32,548
2020	(13,451)
2021	(20,130)
2022	38,173
2023	0
Thereafter	0
<b>Total</b>	\$ 37,140

GASB 68 requires 10 fiscal years of data to be provided in the Schedule of Contributions; the City will build this report over the next 10-year period. The data in this schedule is based on the City's fiscal year-end, not the valuation/measurement date as provided in other schedules of this report.

The Actuarially Determined Contribution (ADC) dollar amount can be calculated by multiplying the City's Full Retirement Rate (excludes portion of rate for Supplemental Death Benefits Fund) by the applicable payroll amount (for payroll, cities can use "gross earnings" as noted on line 1 of their TMRS-3 "Summary of Monthly Payroll Report"). The applicable months for the City's fiscal year are summed to determine the total ADC. Actual contribution amounts (employer-portion) remitted to TMRS will equal the "contributions in relation to ADC", with the deficiency/(excess) result then calculated. Covered payroll is the sum of the "gross earnings" for the applicable months of the TMRS-3 reports.

For additional detailed information, please reference the TMRS "GASB 68 Employer Reporting Guide."

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$868,785	\$426,605	\$64,875

## SUMMARY OF ACTUARIAL ASSUMPTIONS

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The postretirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy.

### I. Economic Assumptions

A. General Inflation — General Inflation is assumed to be 2.50% per year.

#### B. Discount/Crediting Rates

1. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers.

2. Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

C. Overall Payroll Growth — 3.00% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2005 to

2014, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

D. Individual Salary Increases —

Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

<u>Years of Service</u>	<u>Rate (%)</u>
1	10.50%
2	7.50%
3	7.00%
4	6.50%
5	6.00%
6	5.50%
7	5.25%
8-10	4.75%
11	4.50%
12-13	4.25%
14-16	4.00%
17-24	3.75%
25 +	3.50%

- E. Annuity Increase — The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Kenedy annual annuity increases of 1.86% are assumed when calculating the TPL.

## II. Demographic Assumptions

### A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Kenedy the base table is then multiplied by a factor of 102.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire — 63%, 2) Police — 88%, or 3) Other — 108%. A sample of the base rates follows:

#### Males

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.2920	0.2623	0.2186	0.1932	0.1850	0.1673	0.1529	0.1243	0.1022	0.0816
25	0.2653	0.2269	0.1812	0.1554	0.1429	0.1267	0.1148	0.1006	0.0926	0.0757
30	0.2451	0.2052	0.1610	0.1322	0.1079	0.0998	0.0896	0.0774	0.0744	0.0621
35	0.2505	0.2070	0.1577	0.1265	0.1050	0.0994	0.0848	0.0719	0.0621	0.0567
40	0.2467	0.2060	0.1561	0.1213	0.1046	0.0943	0.0805	0.0710	0.0601	0.0577
45	0.2268	0.1934	0.1556	0.1220	0.1053	0.0926	0.0813	0.0711	0.0605	0.0575
50	0.2078	0.1731	0.1412	0.1149	0.1016	0.0887	0.0807	0.0716	0.0604	0.0578
55	0.2003	0.1668	0.1265	0.1074	0.0861	0.0864	0.0771	0.0682	0.0609	0.0560
60	0.1999	0.1542	0.1231	0.1060	0.0790	0.0868	0.0753	0.0683	0.0571	0.0549
65	0.2000	0.1463	0.1238	0.1063	0.0803	0.0867	0.0757	0.0700	0.0547	0.0551
70	0.2000	0.1477	0.1237	0.1063	0.0802	0.0867	0.0756	0.0697	0.0551	0.0551

#### Females

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3030	0.2790	0.2221	0.2098	0.1997	0.2021	0.1536	0.1539	0.1564	0.157
25	0.2782	0.2409	0.2067	0.1962	0.1710	0.1663	0.1369	0.1352	0.1186	0.1125
30	0.2574	0.2188	0.1949	0.1762	0.1347	0.1348	0.1276	0.1126	0.0973	0.080
35	0.2424	0.2118	0.1805	0.1438	0.1273	0.1238	0.1112	0.1085	0.1000	0.0769
40	0.2244	0.1993	0.1614	0.1342	0.1295	0.1097	0.1023	0.0924	0.0834	0.0733
45	0.2191	0.1853	0.1427	0.1337	0.1054	0.1017	0.0894	0.0784	0.0705	0.0725
50	0.2201	0.1793	0.1347	0.1229	0.0886	0.0881	0.0823	0.0723	0.0675	0.0617
55	0.2200	0.1738	0.1350	0.1199	0.0834	0.0806	0.0713	0.0705	0.0685	0.0551
60	0.2200	0.1523	0.1350	0.1172	0.0798	0.0843	0.0646	0.0639	0.0429	0.0379
65	0.2200	0.1431	0.1350	0.1150	0.0800	0.0857	0.0667	0.0593	0.0276	0.028
70	0.2200	0.1447	0.1350	0.1154	0.0800	0.0854	0.0664	0.0601	0.0303	0.0298

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Kenedy the base table is then multiplied by a factor of 102.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire — 52%, 2) Police — 79%, or 3) Other — 115%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.72%	2.20%
2	2.29%	2.97%
3	2.71%	3.54%
4	3.06%	4.01%
5	3.35%	4.41%
6	3.61%	4.770/0
7	3.85%	5.10%
8	4.07%	5.40%
9	4.28%	5.68%
10	4.47%	5.94%
11	4.65%	6.19%
12	4.82%	6.43%
13	4.98%	6.66%
14	5.14%	6.87%
15	5.29%	7.08%

Termination rates end at first eligibility for retirement

- B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1 ½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Forfeiture rates end at first eligibility for retirement.



#### C. Service Retirees and Beneficiary Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

#### D. Disabled Annuitant Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

#### E. Pre-Retirement Mortality

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 54.5% and female rates multiplied by 51.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

#### F. Annuity Purchase Rates

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (AP Rs) for 2014 are based on the UP-1984 Table with an age setback of two years for retirees and an age setback of eight years for beneficiaries. Beginning in 2027 the APRs will be based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. From 2015 through 2026, the fully generational APRs will be phased into.

### G. Disability Rates

Age	Males & Females
20	0.000004
25	0.000025
30	0.000099
35	0.000259
40	0.000494
45	0.000804
50	0.001188
55	0.001647
60	0.002180
65	0.002787

### H. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by gender, entry age group, and age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

Age	Males Entry Age Groups			Females Entry Age Groups		
	Ages 32 & Under	Ages 33-47	Ages 48 & Over	Ages 32 & Under	Ages 33-47	Ages 48 & Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are loaded by 20% for ages below 60.

### Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1-1	0.75	0.80	0.84
1.5-1	0.81	0.86	0.92
2-1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA: 90%

### III. Methods and Assumptions

- A. Valuation of Assets — The actuarial value of assets is based on the market value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. The actuarial value of assets is further adjusted by 33% of any difference between the initial value and a 15% corridor around the market value of assets, if necessary.
- B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated. The unfunded actuarial accrued liability is paid off in accordance with a specified amortization procedure outlined in C below.

- C. Amortization Policy: For "underfunded" cities with twenty or more employees, the amortization as of the valuation date is a level percentage of payroll over a closed period using the process of "laddering". Bases that existed prior to this valuation continue to be amortized on their original schedule. Beginning January 1, 2016, all new experience losses are amortized over individual periods of not more than 25 years. Previously, some cities amortized their losses over a 30-year period. New gains (including lump sum contributions) are offset against and amortized over the same period as the current largest outstanding loss base for the specific City which in turn decreases contribution rate volatility.

Once a City reaches an "overfunded" status, all prior non-ad hoc bases are erased and the surplus for overfunded cities is amortized over a 25-year open period.

Ad hoc benefit enhancements are amortized over individual periods using a level dollar policy. The period will be based on the minimum of 15 years or the current life expectancy of the covered group.

For the December 31, 2013 actuarial valuation, there was a one-time change in the amortization policy for underfunded cities implemented in conjunction with the changes to the assumptions and cost method to minimize rate volatility associated with these changes. An initial ARC was developed using the methodology described above. For cities with a decrease in the rate compared to the rate calculated prior to changes, the amortization period for all non-ad hoc bases was shortened enough to keep the rates stable (if possible). Cities with an increase of more than 0.50% were allowed to extend the amortization periods for non-ad hoc bases up to 30 years to keep the full contribution rate from increasing. For cities with an increase of 0.50% or less, the amortization periods for all non-ad hoc bases could be extended to 25 years to keep the rate from increasing. The amortization period calculated in the prior steps was then rounded up to the nearest integer to calculate the final full contribution rate.

- D. Small City Methodology — For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, 100% for employers with 11 to 15 members, and 115% for employers with less than 100 members.

There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%).

For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20-member threshold. For example, an employer with 8 active members and a current maximum

amortization period of 25 will use  $(25-(20-8)) = 13$ -year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be  $25-(20-1) = 6$  years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years.

#### IV. Other Assumptions

1. Valuation payroll (used for determining the amortization contribution rate): An exponential average of the actual salaries paid during the prior fiscal years, with 33% weight given to the most recent year and 67% weight given to the expected payroll for the previous fiscal year, moved forward with one year's payroll growth rate and adjusted for changes in population.
2. Individual salaries used to project benefits: For members with more than three years of service, actual salaries from the past three fiscal years are used to determine the USC final average salary as of the valuation date. For future salaries, this three-year average is projected forward with two years of salary scale to create the salary for the year following the valuation. This value is then projected with normal salary scales.
3. Timing of benefit payments: Benefit payments are assumed to be made in the middle of the month. Although TMRS benefits are paid at the end of the month, eligibility for that payment is determined at the beginning of the month. A middle of month payment approximates the impact of the combination of eligibility determination and actual payment timing.
4. Percent married: 100% of the employees are assumed to be married.
5. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.
6. Optional Forms: Healthy members are assumed to choose a life only benefit when they retire. Disabled members are assumed to select a 50% Joint and Survivor option when they retire.
7. Percent electing annuity on death (when eligible): For vested members not eligible for retirement, 75% of the spouses of male members and 70% of the spouses of female members are assumed to commence an immediate benefit in lieu of a deferred annuity or a refund. Those not electing an immediate benefit are assumed to take a refund. All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity that commences immediately.
8. Partial Lump Sum Utilization: It is assumed that each member at retirement will withdraw 40% of their eligible account balance.

9. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and II(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(H).
10. There will be no recoveries once disabled.
11. No surviving spouse will remarry and there will be no children's benefit.
12. Decrement timing: Decrements of all types are assumed to occur mid-year.
13. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
14. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
15. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
16. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.
17. The decrement rates for service-related decrements are based on total TMRS eligibility service.

## **V. Participant Data**

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service, salary, employee contribution account balances, as well as the data used in the next calculation of the Updated Service Credit (USC). For retired members and

beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, form of payment code, and aggregate increase in the CPI that will be used in the next calculation of the cost of living adjustment.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Actual CPI is used to model the wear-away effect or "catch-up" when a city changes its COLA provisions. Adjustments are made for members who have service both in a city with "20 and out" retirement eligibility and one that hasn't adopted it to calculate the earliest possible retirement date.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

# Amortization Schedule

## Deferred (Inflows)/Outflows of Resources

Remaining Recognition period (or Amortization Years)	Total Remaining (Inflow) or Outflow of Resources	Measurement Year					
		2017	2018	2019	2020	2021	2022

### Due to liabilities:

#### difference in experiences (inflows) /outflows

2017	5.0000	\$	(84,413)	\$	(16,883)	\$	(16,883)	\$	(16,883)	\$	(16,881)	\$	0	\$	0
2016	3.6700		36,918		10,059		10,059		10,059		6,741		0		0
2015	2.6800		55,913		20,863		20,863		14,187		0		0		0
2014	1.9552		46,848		23,960		22,888		0		0		0		0
Total		\$	37,999	\$	36,927	\$	7,363	\$	(10,142)	\$	(16,881)	\$	0	\$	0

#### change in assumptions (inflows) /outflows

2015	2.6800	\$	16,810	\$	6,273	\$	6,273	\$	4,264	\$	0	\$	0	\$	0
Total		\$	6,273	\$	6,273	\$	4,264	\$	0	\$	0	\$	0	\$	0

### Due to Assets:

#### excess investment returns (inflows) /outflows

2017	5.0000	\$	(154,978)	\$	(30,996)	\$	(30,996)	\$	(30,996)	\$	(30,996)	\$	(30,994)	\$	0	\$	0
2016	4.0000		(226)		(56)		(56)		(56)		(58)		0		0		0
2015	3.0000		72,682		24,227		24,227		24,228		0		0		0		0
2014	2.0000		7,952		3,975		3,977		0		0		0		0		0
Total		\$	(2,850)	\$	(2,848)	\$	(6,824)	\$	(31,054)	\$	(30,994)	\$	0	\$	0		0



**G. GASB 75 Information****Actuarial and Financial Schedules****As of Measurement Date of December 31, 2017**

Actuarial Valuation and Measurement Date, December 31,	2017
<b>Membership *</b>	
Number of	
- Inactive employees currently receiving benefits	4
- Inactive employees entitled to but not yet receiving benefits	4
- Active employees	43
- Total	51
	<hr/>
	\$ 1,983,548
<b>Covered Payroll</b>	
<b>Changes in the Total OPEB Liability</b>	
Total OPEB Liability – beginning of year	\$ 43,100
Changes for the year	
Service Cost	5,951
Interest on Total OPEB Liability	1,734
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes in assumptions or other inputs	4,632
Benefit payments **	(397)
Net changes	<hr/>
	11,920
Total OPEB Liability – end of year	<hr/>
	\$ 55,020
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	2.77%

Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).

\*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates — service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates — disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

Note: The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

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

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB liability	\$66,800	\$55,020	\$45,968

**OPEB Expense:**

Service cost	\$ 5,951
Interest on total OPEB liability	1,734
Changes in benefit terms	0
Employer administrative costs	0
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience <sup>1</sup>	0
Changes in assumptions or other inputs <sup>2</sup>	642
Total OPEB expense	\$ 8,327

1. In the year of implementation, the beginning of year liability is rolled back from the measurement date, so there will be no experience loss / (gain).
2. Generally, this will only be the annual change in the municipal bond index rate.

**Deferred (Inflows)/Outflows of Resources:**

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
		0
Differences between expected and actual experience		3,990
Changes in assumptions and other inputs		
Contributions made subsequent to measurement date	None	None
Total (excluding contributions made subsequent to measurement date)		3,990

Note: The City shall include contributions made subsequent to the measurement date through the City's fiscal year end as deferred outflows of resources. Please see page 7 for retiree rates and a description of the calculation.

**Schedule of Outflows and Inflows — Current and future expense**

	Recognition Period (or amortization years) *	Total (Inflow) or Outflow of Resources	2017 Recognized in current OPEB expense	Deferred (Inflow)/Outflow in future expense
<b>Due to Liabilities:</b>				
Difference in expected and actual experience [actuarial (gains) or losses]	7.2200	\$ 0	\$ 0	\$ 0
Change in assumptions [actuarial (gains) or losses]	7.2200	\$ 4,632	\$ 642	\$ 3,990
Contributions made subsequent to measurement date		None	None	None
<b>Total (excluding city provided Contributions made subsequent to measurement date):</b>				<b>\$ 3,990</b>

**Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):**

	Net deferred outflows (inflows) of <u>resources</u>
2018	\$ 642
2019	642
2020	642
2021	642
2022	642
Thereafter	<u>780</u>
Total	\$ 3,990

\* The recognition period for liability (gains) or losses may differ from GASB 68 reporting due to differences in the covered inactive populations

# **Amortization Schedule - Deferred (Inflows)/Outflows of Resources**

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	Measurement Year						
			2018	2019	2020	2021	2022	2023	Thereafter
differences in experiences (inflows)/outflows									
2018	7.2200	(\$5,222)	(\$723)	(\$723)	(\$723)	(\$723)	(\$723)	(\$723)	(\$884)
		<b>Total</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0
change in assumptions (inflows)/outflows									
2018	7.2200	(\$4,485)	(\$621)	(\$621)	(\$621)	(\$621)	(\$621)	(\$621)	(\$759)
2017	6.2200	3,990	642	642	642	642	642	642	138
		<b>Total</b>	\$21	\$21	\$21	\$21	\$21	\$21	(\$621)

**Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):**

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.20%	0.02%
2018	0.18%	0.02%

Note 1: Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note 2: In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:

Total covered payroll \* Retiree Portion of SDB Contribution (Rate)

Consideration should be given to the time period of contributions incurred (i.e., City's fiscal year vs. calendar year) to ensure the proper contribution rate is utilized in the above calculation.

## Actuarial Assumptions

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

### I. Economic Assumptions

- A. General Inflation — General Inflation is assumed to be 2.50% per year.
- B. Discount Rates — Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.
- C. Individual Salary Increases — Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

<u>Years of Service</u>	<u>Rate (%)</u>
1	10.50%
2	7.50%
3	7.00%
4	6.50%
5	6.00%
6	5.50%
7	5.25%
8-10	4.75%
11	4.50%
12-13	4.25%
14-16	4.00%
17-24	3.75%
25 +	3.50%

## II. Demographic Assumptions

### A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Kenedy the base table is then multiplied by a factor of 102.0% based on the experience of the city in comparison to the group as a whole.  
A further multiplier is applied depending on an employee's classification: 1) Fire — 63%, 2) Police — 88%, or 3) Other— 108%. A sample of the base rates follows:

Males										
Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.2920	0.2623	0.2186	0.1932	0.1850	0.1673	0.1529	0.1243	0.1022	0.0816
25	0.2653	0.2269	0.1812	0.1554	0.1429	0.1267	0.1148	0.1006	0.0926	0.0757
30	0.2451	0.2052	0.1610	0.1322	0.1079	0.0998	0.0896	0.0774	0.0744	0.0621
35	0.2505	0.2070	0.1577	0.1265	0.1050	0.0994	0.0848	0.0719	0.0621	0.0567
40	0.2467	0.2060	0.1561	0.1213	0.1046	0.0943	0.0805	0.0710	0.0601	0.0577
45	0.2268	0.1934	0.1556	0.1220	0.1053	0.0926	0.0813	0.0711	0.0605	0.0575
50	0.2078	0.1731	0.1412	0.1149	0.1016	0.0887	0.0807	0.0716	0.0604	0.0578
55	0.2003	0.1668	0.1265	0.1074	0.0861	0.0864	0.0771	0.0682	0.0609	0.0560
60	0.1999	0.1542	0.1231	0.1060	0.0790	0.0868	0.0753	0.0683	0.0571	0.0549
65	0.2000	0.1463	0.1238	0.1063	0.0803	0.0867	0.0757	0.0700	0.0547	0.0551
70	0.2000	0.1477	0.1237	0.1063	0.0802	0.0867	0.0756	0.0697	0.0551	0.0551

Females										
Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3030	0.2790	0.2221	0.2098	0.1997	0.2021	0.1536	0.1539	0.1564	0.1574
25	0.2782	0.2409	0.2067	0.1965	0.1710	0.1663	0.1369	0.1352	0.1186	0.1125
30	0.2574	0.2188	0.1949	0.1762	0.1347	0.1348	0.1276	0.1126	0.0973	0.0804
35	0.2424	0.2118	0.1805	0.1438	0.1273	0.1238	0.1112	0.1085	0.1000	0.0769
40	0.2244	0.1993	0.1614	0.1342	0.1295	0.1097	0.1023	0.0924	0.0834	0.0733
45	0.2191	0.1853	0.1427	0.1337	0.1054	0.1017	0.0894	0.0784	0.0705	0.0725
50	0.2201	0.1793	0.1347	0.1229	0.0886	0.0881	0.0823	0.0723	0.0675	0.0617
55	0.2200	0.1738	0.1350	0.1199	0.0834	0.0806	0.0713	0.0705	0.0685	0.0551
60	0.2200	0.1523	0.1350	0.1172	0.0798	0.0843	0.0646	0.0639	0.0429	0.0379
65	0.2200	0.1431	0.1350	0.1150	0.0800	0.0857	0.0667	0.0593	0.0276	0.0280
70	0.2200	0.1447	0.1350	0.1154	0.0800	0.0854	0.0664	0.0601	0.0303	0.0298



2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Kenedy the base table is then multiplied by a factor of 102.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 52%, 2) Police - 79%, or 3) Other — 115%. A sample of the base rates follows:

Years from Retirement	Female	
1	1.72%	2.20%
2	2.29%	2.97%
3	2.71%	3.54%
4	3.06%	4.01%
5	3.35%	4.41%
6	3.61%	4.77%
7	3.85%	5.10%
8	4.07%	5.40%
9	4.28%	5.68%
10	4.47%	5.94%
11	4.65%	6.19%
12	4.82%	6.43%
13	4.98%	6.66%
14	5.14%	6.87%
15	5.29%	7.08%

Termination rates end at first eligibility for retirement

- B. Forfeiture Rates (Withdrawal of Member Deposits from T MRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1 1/2-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Forfeiture rates end at first eligibility for retirement.

#### C. Service Retirees and Beneficiary Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

#### D. Disabled Annuitant Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set forward for both males and females. In addition, a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

#### E. Pre-Retirement Mortality

For calculating the OPEB liability and the contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 54.5% and female rates multiplied by 51.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

#### F. Disability Rates

Age	Males & Females
20	0.000004
25	0.000025
30	0.000099
35	0.000259
40	0.000494
45	0.000804
50	0.001188
55	0.001647
60	0.002180
65	0.002787

G. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by gender, entry age group, and age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

Age	Males Entry Age Groups			Females Entry Age Groups		
	Ages 32	Ages 48	Ages 48	Ages 32	Ages 48	Ages 48
	& Under	33 - 47	& Over	& Under	33 - 47	& Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are loaded by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1-1	0.75	0.80	0.84
1.5 - 1	0.81	0.86	0.92
2-1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA: 90%

### III. Methods and Assumptions

- A. Valuation of Assets — For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
- B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.
- C. Supplemental Death Benefit — The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Fund, the SDB rate for retiree coverage is currently only one-third of the total term cost.

### IV. Other Assumptions

1. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and II(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(G).
2. There will be no recoveries once disabled.
3. Decrement timing: Decrements of all types are assumed to occur mid-year.
4. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
5. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
6. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.

7. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.
8. The decrement rates for service-related decrements are based on total TMRS eligibility service.

**V. Participant Data**

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service and salary. For retired members, the data included date of birth, gender and date of retirement.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Adjustments are made for members who have service both in a city with "20 and out" retirement eligibility and one that hasn't adopted it to calculate the earliest possible retirement date.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

# Glossary of Terms

<b><i>Actuarial Assumptions</i></b>	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
<b><i>Actuarial Cost Method</i></b>	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
<b><i>Actuarial Gain (Loss)</i></b>	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
<b><i>Actuarial Present Value (APV)</i></b>	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
<b><i>Actuarial Valuation</i></b>	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB.
<b><i>Actuarially Determined Contribution (ADC)</i></b>	A calculated contribution into a defined benefit OPEB plan for the reporting period, most often determined based on the funding policy of the plan.
<b><i>Covered Payroll</i></b>	The payroll of employees that are provided with OPEB.
<b><i>Deferred Inflows and Outflows</i></b>	The deferred inflows and outflows of OPEB resources are amounts used under GASB Statement No. 75 in developing the annual OPEB expense. Deferred inflows and outflows arise with differences between expected and actual experiences or changes of assumptions. The portion of these amounts not included in OPEB expense should be included in the deferred inflows or outflows of resources.

# Glossary of Terms

***Discount Rate***

The discount rate is the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

***Entry Age Normal Actuarial Cost Method (EAN)***

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the Actuarial Accrued Liability.

***GASB***

The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.

***Other Postemployment Benefits (OPEB)***

Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.

***Real Rate of Return***

The rate of return on an investment after adjustment to eliminate inflation.

***Service Costs***

The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.

***Total OPEB liability***

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of this Statement.

***Total OPEB Expense***

The total OPEB expense is the sum of the following items:

1. Service Cost
2. Interest on the Total OPEB Liability
3. Current-Period Benefit Changes
4. Administrative Expense
5. Recognition of Outflow (Inflow) of Resources due to Liabilities

REQUIRED SUPPLEMENTARY INFORMATION



A. Total pension liability

	2018	2017	2016
1. Service Cost	\$163,456	\$159,676	\$171,200
2. Interest (on the Total Pension Liability)	196,791	184,354	163,460
3. Changes of benefit terms	0	0	0
4. Difference between expected and actual experience	(102,899)	(84,413)	46,977
5. Changes of assumptions	0	0	0
6. Benefit payments, including refunds of employee contributions	(64,757)	(89,736)	(42,944)
7. Net change in total pension liability	192,591	169,881	338,693
8. Total pension liability -- beginning	2,866,075	2,696,194	2,357,501
9. Total pension liability - ending	3,058,066	2,866,075	2,696,194

B. Plan fiduciary net position

1. Contributions - employer	89,601	96,995	85,004
2. Contributions - employee	100,526	99,177	99,304
3. Net investment income	(77,512)	302,056	129,200
4. Benefit payments, including refunds of employee contributions	(64,757)	(89,736)	(42,944)
5. Administrative Expense	(1,497)	(1,565)	(1,458)
6. Other	(78)	(79)	(79)
7. Net change in plan fiduciary net position	46,283	406,848	269,027
8. Plan fiduciary net position - beginning	2,585,778	2,178,930	1,909,903
9. Plan fiduciary net position - ending*	2,632,061	2,585,778	2,178,930

C. Net pension liability (A.9 - B.9)

\$426,605	\$280,297	\$517,264
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D. Plan fiduciary net position as a percentage  
    of the total pension liability (B.9 / A.9)

86.05%	90.22%	80.82%
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E. Covered-employee payroll (B.9 / A.9)

\$2,010,526	\$1,983,548	\$1,986,081
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F. Net pension liability as a percentage  
    of covered employee payroll (C/E)

21.22%	14.13%	26.04%
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**SCHEDULE OF CONTRIBUTIONS**  
**Last 10 Fiscal Years (will ultimately be displayed)**

	2015	2016	2017	2018
Actuarially Determined Contribution	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
Contributions in relation to the actuarially determined contribution	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
Contribution deficiency (excess)	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
Covered payroll	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
Contributions as a percentage of covered payroll	xx.xx%	xx.xx%	xx.xx%	xx.xx%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

**Notes** Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

**Notes** There were no benefit changes during the year.

## OPEB Retirement System Information

### OPEB Plans

#### Changes in the Total OPEB Liability

Changes for the year	2018
1. Service Cost	\$6,836
2. Interest on Total OPEB Liability	1,928
3. Changes of benefit terms	0
4. Difference between expected and actual experience	(5,222)
5. Changes in assumptions or other inputs	(4,485)
6. Benefit payments	<u>(402)</u>
7. Net changes	(1,345)
Total OPEB Liability - beginning of year	<u>55,020</u>
Total OPEB Liability - end of year	<u>\$53,675</u>

E. Covered-employee payroll (B.9 / A.9) \$2,010,526

F. Total OPEB Liability as a Percentage of Covered Payroll 2.67%

## CITY OF KENEDY, TEXAS

## PAVING FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest	\$3,000	\$3,000	\$2,059	(\$941)
Total Revenues	3,000	3,000	2,059	(941)
<b>EXPENDITURES</b>				
Current:				
Public Transportation	530,000	530,000	32,178	497,822
Capital Projects -				
Capital Outlay and Other				0
Total Expenditures	530,000	530,000	32,178	497,822
Excess (Deficiency) of Revenues Over (Under) Expenditures	(527,000)	(527,000)	(30,119)	496,881
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	396,000	396,000	561,000	165,000
Total Other Financing Sources (Uses)	396,000	396,000	561,000	165,000
Net Changes in Fund Balances	(131,000)	(131,000)	530,881	661,881
Fund Balances - Beginning	1,729,144	1,729,144	1,729,144	
Fund Balances - Ending	\$1,598,144	\$1,598,144	\$2,260,025	\$661,881

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