



**SPECIAL CITY COUNCIL MEETING
APRIL 22, 2021 – 6:00 P.M.
CITY COUNCIL CHAMBERS IN THE RUHMAN C. FRANKLIN MUNICIPAL BUILDING
303 W. MAIN ST., KENEDY, TX. 78119**

NOTICE IS HEREBY GIVEN OF A SPECIAL CITY COUNCIL MEETING ON THE 22ND DAY OF APRIL, 2021 AT 6:00 P.M. AT WHICH TIME BUSINESS WILL BE CONDUCTED IN ACCORDANCE WITH LOCAL GOVERNMENT CODE 551 AS FOLLOWS:

1. Call Special City Council meeting to order.
2. Call Roll and establish a quorum is present.
3. Prayer.
4. Pledge of Allegiance.
5. Citizens comments.

Ordinance / Resolution / Other Action Items:

This section shall provide for all other official discussion and action items provided for consideration by the Council

6. Presentation of the City of Kenedy's 2020 Annual Financial Report and update on the City of Kenedy Volunteer Fire Department Forensic Audit. **(Presenter: Auditor Donald L. Allman, CPA)**
7. Consideration and possible action in regard to the acceptance of the City of Kenedy's 2020 Annual Financial Report prepared by Donald L. Allman, CPA. **(Presenter: Mayor Baker)**
8. Consideration and possible action in regard to Ordinance 21-07, an Ordinance amending the Adopted Budget of the City of Kenedy, Texas for the Fiscal Year beginning October 1, 2021 and ending September 30, 2022 for the Purpose of Funding Line Items relating to the daily operations of the municipality.. **(Presenter: City Manager Linn)**
9. Consideration and possible action in regards to authorizing and directing the City Manager to purchase one (1) 800KW Generator and 1600 Amp Stainless Steel Automatic Transfer Switch to be placed at the Reverse Osmosis (R/O) Water Treatment Plant; one (1) 125KW Generator and 400 Amp NEMA 3R Painted Steel Automatic Transfer Switch to be placed at Well No. 14; one (1) 200KW Generator and 400 Amp NEMA 3R Painted Steel Automatic Transfer Switch to be placed at Well No. 15; one (1) 200KW Generator and 400 Amp NEMA 3R Painted Steel Automatic Transfer Switch to be placed at Well No. 16; and all labor, ancillary parts, and contingencies necessary for installation at a cost not to exceed \$850,00.00. **(Presenter: City Manager Linn)**



THE MEETING SITE IS ACCESSIBLE TO INDIVIDUALS WITH DISABILITIES AND THE GENERAL PUBLIC

10. **Closed Session:** City Council will meet in Closed Session in accordance with the Texas Open Meetings Act, Texas Government Code under *Section 551.074* (Personnel Matters) to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee.

A. City Secretary

11. **Open Session:** The City Council will reconvene in Open Session at which time action on the matter discussed in Closed Session may be considered.

A. City Secretary: Action to be taken regarding items discussed in executive session.

12. Items to consider for placement on future agendas. (**Governing Body, City Manager, City Attorney**)

13. Announcements of Community interest and/or upcoming events. (**Governing Body, City Manager, City Secretary**)

14. Adjourn.

The City Council of the City of Kenedy reserves the right to convene in Executive Session in accordance with the Texas Open Meetings Act, Texas Government Code: Section 551.071 (Consultations with Attorney), Section 551.072 (Deliberations about Real Property), Section 551.074 (Personnel Matters), Section 551.076 (Deliberations about Security Devices), or Section 551.087 (Deliberations Regarding Economic Development Negotiations) on any of the above items.

I, William Linn, certify that the above notice of this Special City Council Meeting was posted at the front doors to the City Hall, 303 W. Main St., Kenedy, Texas on the 19th day of April, 2021 at 2:17 P.M.


William Linn, City Manager



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CORRECTED AGENDA REGARDING:

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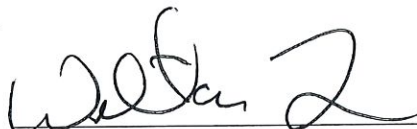
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I, William Linn, certify that the above notice of this Special City Council Meeting was posted at the front doors to the City Hall, 303 W. Main St., Kenedy, Texas on the 20th day of April, 2021 at 8:19 A.M.




William Linn, City Manager



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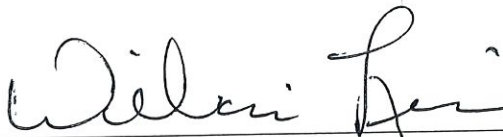
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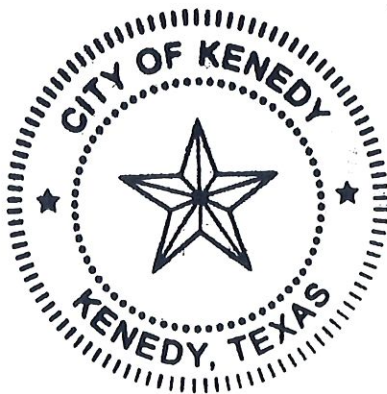
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I, William Linn, certify that the above notice of this Special City Council Meeting was posted at the front doors to the City Hall, 303 W. Main St., Kenedy, Texas on the 20th day of April, 2021 at 7:51 A.M.


William Linn, City Manager



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April 22, 2021

CITY OF KENEDY

CITY COUNCIL

SPECIAL MEETING

ITEM# 6

CITY OF KENEDY, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

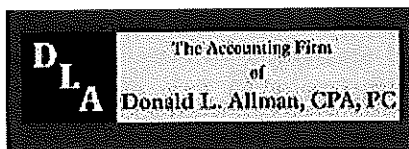
September 30, 2020

City of Kenedy, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2020

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FINANCIAL SECTION



Donald L. Allman, CPA, PC
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Georgetown, Texas 78633
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CERTIFIED PUBLIC ACCOUNTANT

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, 2020, 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, 2020, 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 required 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.

Donald L. Allman, CPA, PC
Certified Public Accountant
April 19, 2021

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, 2020.

Financial Highlights

- The assets of the City of Kenedy, Texas exceeded its liabilities at the close of the most recent fiscal year by \$56,175,639 (net position). Of this amount, \$ 9,179,638 (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 \$ 5,277,395. This increase is attributable to oil and gas lease income and royalties of \$ 2,920,194, ad valorem taxes of \$ 635,829, sales taxes of \$ 1,893,594, and operating income in the utility fund of \$ 2,966,001, 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 \$17,795,804. Approximately 30% of this total amount, \$ 5,394,120, is available for spending at the government's discretion as unassigned fund balance.
- The City of Kenedy, Texas' added over \$8 million in construction in progress in the General Fund with the Sports Complex and over \$4 million in land and over \$5 million in Water and Sewer Distribution capital assets in the Proprietary Fund.

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 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 date 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 \$ 56,175,639 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	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 7,056,815	\$ 6,917,665	\$ 4,761,852	\$ 7,330,188	\$ 11,818,667	\$ 14,247,853
Restricted Assets	11,160,543	18,670,137	1,219,879	856,108	12,380,422	19,526,245
Capital Assets	18,723,239	10,784,689	30,926,041	20,870,410	49,649,280	31,655,099
Total Assets	<u>36,940,597</u>	<u>36,372,491</u>	<u>36,907,772</u>	<u>29,056,706</u>	<u>73,848,369</u>	<u>65,429,197</u>
Total Deferred Outflows of Resources	<u>195,696</u>	<u>276,332</u>	<u>291,737</u>	<u>335,156</u>	<u>487,433</u>	<u>611,488</u>
Long-Term Liabilities	7,826,040	8,996,853	7,822,336	5,474,756	15,648,376	14,471,609
Other liabilities (Payable from Restricted Assets)	-	-	90,444	91,902	90,444	91,902
Other liabilities (Payable from Total Liabilities)	<u>653,466</u>	<u>(53,401)</u>	<u>1,434,377</u>	<u>547,082</u>	<u>2,087,843</u>	<u>493,681</u>
Total Liabilities	<u>8,479,506</u>	<u>8,943,452</u>	<u>9,347,157</u>	<u>6,113,740</u>	<u>17,826,663</u>	<u>15,057,192</u>
Total Deferred Inflows of Resources	<u>216,016</u>	<u>54,653</u>	<u>117,484</u>	<u>30,596</u>	<u>333,500</u>	<u>85,249</u>
Invested in Capital Assets, net of Related Debt	10,689,540	9,877,725	22,759,319	16,442,158	33,448,859	26,319,883
Restricted	12,327,263	12,052,409	1,219,879	2,500	13,547,142	12,054,909
Unrestricted	5,423,968	5,720,584	3,755,670	6,802,868	9,179,638	12,523,452
Total Net Position	<u>\$ 28,440,771</u>	<u>\$ 27,650,718</u>	<u>\$ 27,734,868</u>	<u>\$ 23,247,526</u>	<u>\$ 56,175,639</u>	<u>\$ 50,898,244</u>

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 \$9,179,638 may be used to meet the governments ongoing 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 governments' total net position increased by \$ 5,277,395. This increase is attributable to oil and gas lease income and royalties of \$ 2,920,194, ad valorem taxes of \$ 635,829, sales taxes of \$ 1,893,594, an operating income in the utility fund of \$ 2,966,001, and careful budget management.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 905,467	\$ 1,988,328	\$ 8,274,044	\$ 8,530,439	\$ 9,179,511	\$ 10,518,767
Operating Grants and Contributions	-	-	-	-	-	-
Capital Grants and Contributions	152,570	328	-	-	152,570	328
General Revenues						
Maintenance and Operations Taxes	635,829	640,097	-	-	635,829	640,097
Sales Taxes	1,893,534	1,793,985	-	-	1,893,534	1,793,985
Franchise Taxes	175,525	170,489	-	-	175,525	170,489
Other Taxes (Occupancy-\$969,213)	602,602	1,002,430	-	-	602,602	1,002,430
Licenses and Permits	39,195	82,881	-	-	39,195	82,881
Unrestricted Investment Earnings	130,707	202,789	4,028	4,123	134,735	206,912
Oil and Gas Lease Income and Royalties	2,920,194	2,225,341	-	-	2,920,194	2,225,341
Miscellaneous	375,239	274,599	-	-	375,239	274,599
Total Revenue	<u>7,830,862</u>	<u>8,381,267</u>	<u>8,278,072</u>	<u>8,534,562</u>	<u>16,108,934</u>	<u>16,915,829</u>
Expenses:						
General Administration	1,800,701	2,124,298	-	-	1,800,701	2,124,298
Public Safety	1,832,899	1,782,253	-	-	1,832,899	1,782,253
Public Works	1,774	1,774	-	-	1,774	1,774
Public Transportation	1,096,540	711,186	-	-	1,096,540	711,186
Culture and Recreation	579,936	440,564	-	-	579,936	440,564
Interest and Fiscal Charges	207,618	30,014	198,823	-	406,441	30,014
Utility	-	-	5,113,248	5,350,296	5,113,248	5,350,296
Total Expenses	<u>5,519,468</u>	<u>5,090,089</u>	<u>5,312,071</u>	<u>5,350,296</u>	<u>10,831,539</u>	<u>10,440,385</u>
Increase in Net Position Before Transfers and Special Items	<u>2,311,394</u>	<u>3,291,178</u>	<u>2,966,001</u>	<u>3,184,266</u>	<u>5,277,395</u>	<u>6,475,444</u>
Transfers and Special Items	<u>(1,521,341)</u>	<u>(787,683)</u>	<u>1,521,341</u>	<u>787,683</u>	<u>-</u>	<u>-</u>
Increase in Net position	790,053	2,503,495	4,487,342	3,971,949	5,277,395	6,475,444
Net Position at 9/30/2019-Restated	<u>27,650,718</u>	<u>25,147,223</u>	<u>23,247,526</u>	<u>19,275,577</u>	<u>50,898,244</u>	<u>44,422,800</u>
Net Position at 9/30/2020	<u>\$ 28,440,771</u>	<u>\$ 27,650,718</u>	<u>\$ 27,734,868</u>	<u>\$ 23,247,526</u>	<u>\$ 56,175,639</u>	<u>\$ 50,898,244</u>

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General Administration	\$ 1,800,701	\$ 733,367	\$ -	\$ -
Public Safety	1,832,899	184,096	-	-
Public Works	1,774	-	-	152,570
Public Transportation	1,096,540	-	-	-
Culture and Recreation	579,936	-	-	-
Interest and Fiscal Charges	207,618	-	-	-
Total Government Activities	\$ 5,519,468	\$ 917,463	\$ -	\$ 152,570

Revenues by Source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$ 905,467	12%
Capital Grants and Contributions	152,570	2%
Maintenance and Operations Taxes	635,829	8%
Sales Taxes	1,893,534	24%
Franchise Taxes	175,525	2%
Other Taxes	602,602	8%
Licenses and Permits	39,195	1%
Unrestricted Investment Earnings	130,707	2%
Oil and Gas Lease Income	2,920,194	37%
Miscellaneous	375,239	5%
	<u>\$ 7,830,862</u>	<u>100%</u>

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 \$ 2,966,001 thereby accounting for 56 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 \$2,966,001, 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	\$ 5,312,071	\$ 8,274,044	\$ -
Total Business - Type Activities	\$ 5,312,071	\$ 8,274,044	\$ -

Revenues by Source - Business-Type Activities

	REVENUES	%
Charges for Services	8,274,044	100%
Unrestricted Investment Earnings	4,028	0%
Total	\$ 8,278,072	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.

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 \$ 17,795,804, a decrease of \$7,686,224 in comparison with the prior year. The reason for the decrease is the addition of capital improvements for the Sports Complex and other areas in the amount of \$8,182,471 which are recorded as expenditures in governmental funds and not capitalized.

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 \$ 5,394,120, while total fund balance was \$ 17,795,804.

The following governmental funds contained no fund alliance 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 increase of \$ 7,501. This increase is immaterial.

The debt service fund had a net decrease of \$ (59,155) during the year. The reason for the decrease is increased debt service amounts.

The paving fund had a net increase of \$,382,247 during the year. This increase is due to a transfer in from other funds of \$ 396,000.

The Kenedy 4-B corporation fund had a net increase of \$ 697,499 during the year. This increase is due to oil and gas royalties of \$1,159,373.

The capital improvement fund had a net decrease of \$ (966,116) during the year. This decrease is a result of transfers out of \$ 4,949,967.

The hotel occupancy tax fund had a net increase of \$332,876 during the year. This increase is due to occupancy taxes of \$ 572,012.

The 2019 sports complex fund had a net decrease of \$(7,847,366) during the year. This decrease is due to the construction costs for the Sports Complex.

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 \$ 3,755,670. This increase in net position was \$ 4,487,342. 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:

Actual revenues were \$511,638 less than budgeted revenues of \$3,809,200. Actual expenses were \$381,137 less than budgeted expenses of \$4,710,938.

General Fund and Debt Service Fund Budgetary Highlights:

Actual revenues were \$511,638 less than budgeted revenues of \$3,809,200. Actual expenses were \$381,137 less than budgeted expenses of \$4,710,938.

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, 2020, amounts to \$49,649,280 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. Major additions for the year were over \$8 million in construction in progress for the Sports Complex, over \$ 4 million in new land for the Proprietary fund, and over \$5 million in improvements for the Water & Sewer Distribution System.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	20200	2019
Land	457,313	457,313	4,850,708	507,679	5,308,021	964,992
Construction in Progress	10,180,804	1,817,535	3,231,607	2,178,695	13,412,411	3,996,230
Building and Improvements	4,759,931	4,904,866	295,372	294,084	5,055,303	5,198,950
Machinery Equipment	524,912	739,968	702,047	818,285	1,226,959	1,558,253
Infrastructure	2,800,279	2,865,007	21,846,307	17,071,667	24,646,586	19,936,674
Total	18,723,239	10,784,689	30,926,041	20,870,410	49,649,280	31,655,099

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
Governmental Activities:						
Bonds Payable	\$ 7,585,353	\$ -	\$ 451,892	\$ 7,133,461	\$ 369,337	\$ 6,764,124
	7,585,353	-	451,892	7,133,461	369,337	6,764,124
Business-Type Activities						
Bonds Payable	4,954,647	3,762,000	666,108	8,050,539	435,664	7,614,875
	4,954,647	3,762,000	666,108	8,050,539	435,664	7,614,875
Grand Total	\$ 12,540,000	\$ 3,762,000	\$ 1,118,000	\$15,184,000	\$ 805,001	\$14,378,999

The total bonded debt increased by \$3,762,000 during the year.

Additional information on the City of Kenedy, Texas' long-term debt can be found in a 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 STATEMENT

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF KENNEDY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tax Incre Rein Zone 2
ASSETS				
Cash and Cash Equivalents	\$ 6,128,458	\$ 3,790,837	\$ 9,919,295	\$1,012
Receivables (Net of Allowance for Uncollectibles)	236,366	971,015	1,027,893	
Restricted Assets				
Cash and Cash Equivalents	10,948,486	1,219,879	19,224,134	
Receivables (net Allowance for Uncollectibles)	212,057		212,057	
Other Assets	21,040		21,040	
Capital Assets Not Being Depreciated				
Land	457,313	4,850,708	5,308,021	
Construction in Progress	10,180,804	3,231,607	13,412,411	
Total Capital Assets Being Depreciated, Net				
Building and Improvements	4,759,931	295,372	5,055,303	
Machinery and Equipment	524,912	702,047	1,226,959	
Infrastructure	2,800,279	21,846,307	24,646,586	
Total Assets	<u>\$36,269,646</u>	<u>\$36,907,772</u>	<u>\$80,053,699</u>	<u>\$1,012</u>
DEFERRED OUTFLOWS OF RESOURCES				
GASB 68				
Contributions (after 12/31/2019)	132,558	73,458	206,016	
Difference in projected and actual earnings	17,507	12,188	29,695	
Deferred Charge on Refunding	45,631	206,091	251,722	
Total Deferred Outflows of Resources	<u>195,696</u>	<u>291,737</u>	<u>487,433</u>	<u>-</u>
LIABILITIES:				
Accounts Payable	162,209	155,358	317,567	
Due to Other funds	(670,951)	670,951	-	
Accrued Interest Payable	-	9,151	9,151	
Accrued Expenses Payable	121,920	163,253	285,173	
Consumer Meter Deposit		90,444	90,444	
Noncurrent Liabilities				
Due Within One Year	369,337	435,664	805,001	
Due in More than One Year	7,826,040	7,822,336	15,648,376	
Total Liabilities	<u>7,808,555</u>	<u>9,347,157</u>	<u>17,155,712</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
GASB 68				
Difference in expected and actual experience	92,404	50,855	143,259	
Difference in projected and actual earnings	117,640	63,345	180,985	
GASB 75				
Changes in assumptions and other inputs	3,088	1,615	4,703	
Difference in expected and actual experience	2,884	1,669	4,553	
Total Deferred Inflows of Resources	<u>216,016</u>	<u>117,484</u>	<u>333,500</u>	<u>-</u>
NET POSITION				
Invested in Capital Assets, Net of Related Debt	10,689,540	22,759,319	33,448,859	
Restricted				
Construction	302,252	580,246	882,498	
Debt Service	1,102,649	639,633	1,742,282	
Economic Development	5,019,184		5,019,184	1,012
Hotel / Motel Tax	3,260,906		3,260,906	
Street Repair	2,642,272		2,642,272	
Unrestricted	5,423,968	3,755,670	9,179,638	
Total Net Position	<u>\$28,440,771</u>	<u>\$27,734,868</u>	<u>\$56,175,639</u>	<u>\$1,012</u>

The accompanying notes are an integral part of this statement.

CITY OF KENEDY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in		Total Primary Component	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Government	Unit
							Net (Expense) Revenue and Changes in Total	Tax Incre. Rein Zone 2
Primary Government								
Government Activities								
General Administration	\$ 1,846,996	\$ 733,367	\$ -	\$ -	\$ (1,113,629)		\$ (1,113,629)	\$ (30,294)
Public Safety	1,832,899	184,096			\$ (1,648,803)		\$ (1,648,803)	
Public Works	1,774	-		152,570	\$ 150,796		\$ 150,796	
Public Transportation	1,096,540	-			\$ (1,096,540)		\$ (1,096,540)	
Culture and Recreation	579,936	-			\$ (579,936)		\$ (579,936)	
Interest and Fiscal Charges	406,441	-			\$ (406,441)	(198,823)	\$ (605,264)	
Total Government Activities	5,764,586	917,463	-	152,570	(4,694,553)	(198,823)	(4,893,376)	(30,294)
Business-Type Activities:								
Utility	5,113,248	8,274,044				3,160,796	3,160,796	
Total Business-Type Activities	5,113,248	8,274,044	-	-	-	3,160,796	3,160,796	-
Total Primary Government	\$ 10,877,834	\$ 9,191,507	\$ -	\$ 152,570	\$ (4,694,553)	\$ 2,961,973	\$ (1,732,580)	\$ (30,294)
General Revenues								
Property Taxes, Levies for General Purposes					635,829		635,829	
Sales Taxes					1,893,534		1,893,534	
Franchise Taxes					175,525		175,525	
Other Taxes (Occupancy - \$969,213)					602,602		602,602	
Licenses and Permits					39,195		39,195	
Unrestricted Investment Earnings					130,707	4,028	134,735	10
Oil and Gas Leas Income and Royalties					2,920,194		2,920,194	
Miscellaneous					375,239		375,239	30,294
Transfers					(1,521,341)	1,521,341	-	
Total General Revenues and Transfers					5,251,484	1,525,369	6,776,853	30,304
Change in Net Position					790,053	4,487,342	5,277,395	10
Net Position - Beginning					27,650,718	23,247,526	50,898,244	1,002
Net Position - Ending					\$ 28,440,771	\$ 27,734,868	\$ 56,175,639	\$ 1,012

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF KENEDY, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Grant Fund	Debt Service Fund	Paving Fund	Kenedy 4-B Corporation	Capital Improvement Fund	Hotel Occupancy Tax	2019 Sports Complex Fund	Total Governmental Funds
ASSETS									
Cash and Cash Equivalents	6,128,458								6,128,458
Receivable (Net of Allowance for Uncollectibles)	236,366								236,366
Due from Other Funds	471,430								471,430
Other Assets	21,040								
Restricted Assets									
Cash and Cash Equivalents	74,421		769,858	2,844,190	5,019,184	148,297	3,213,341	-	12,069,291
Receivables (Net of Allowance for Uncollectibles)					-	135,197	76,860		212,057
Due from Other Funds		190,127	589,167			486,805		629,201	1,895,300
Total Assets	<u>\$ 6,931,715</u>	<u>\$ 190,127</u>	<u>\$ 1,359,025</u>	<u>\$ 2,844,190</u>	<u>\$ 5,019,184</u>	<u>\$ 770,299</u>	<u>\$ 3,290,201</u>	<u>\$ 629,201</u>	<u>\$ 21,033,942</u>
LIABILITIES AND FUND BALANCES									
Accounts Payable	162,209	-							162,209
Bank Overdraft		15,700				186,076		919,029	1,120,805
Due to Other Funds	1,041,620	109,032	256,376	201,918			29,295	57,538	1,695,779
Accrued Expenses payable	121,920								121,920
Total Liabilities	<u>1,325,749</u>	<u>124,732</u>	<u>256,376</u>	<u>201,918</u>	<u>-</u>	<u>186,076</u>	<u>29,295</u>	<u>976,567</u>	<u>3,100,713</u>
DEFERRED INFLOWS OF RESOURCES									
Deferred Property Taxes	<u>137,425</u>								<u>137,425</u>
Fund Balances:									
Restricted									
Construction		65,395				584,223		(347,366)	302,252
Debt Service			1,102,649						1,102,649
Economic Development					5,019,184				5,019,184
Hotel Motel Tax							3,260,906		3,260,906
Street Repair				2,642,272					2,642,272
Committed									
Public Housing	14,182								14,182
Public Safety - Fire	48,040								48,040
Public Safety - Police	12,199								12,199
Unassigned	5,394,120								5,394,120
Total Fund Balance	<u>5,468,541</u>	<u>65,395</u>	<u>1,102,649</u>	<u>2,642,272</u>	<u>5,019,184</u>	<u>584,223</u>	<u>3,260,906</u>	<u>(347,366)</u>	<u>17,795,804</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>6,931,715</u>	<u>190,127</u>	<u>1,359,025</u>	<u>2,844,190</u>	<u>5,019,184</u>	<u>770,299</u>	<u>3,290,201</u>	<u>629,201</u>	<u>21,033,942</u>

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, 2020

Total Fund Balances - Governmental Fund Balance Sheet

Amounts reported for governmental activities in the statement of net position ("SNA") are different because:	17,795,804
Capital assets used in governmental activities are not reported in the funds	18,723,239
Property taxes receivable unavailable to pay for current period expenditures are deferred in the fund (net of allowance for uncollectibles).	137,425
Deferred Outflows are expenditures in the funds but are recorded as assets in the governmental activities.	195,696
Deferred Inflows are not available to pay for current period expenditures and therefore, are deferred in the funds.	(216,016)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(8,195,377)

Net Position of Governmental Activities - Statement of Net Position

\$ 28,440,771

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, 2020

	General Fund	Grant Fund	Debt Service Fund	Paving Fund	Kenedy 4-B Corporation	Capital Improvement Fund	Hotel Occupancy Tax	2019 Sports Complex Fund	Total Governmental Funds
REVENUES:									
Taxes									
Property	\$ 589,534								\$ 589,534
Sales	1,276,405				617,129				1,893,534
Franchise	175,525								175,525
Other	30,590						572,012		602,602
	39,195								39,195
Licenses and Permits	-								-
Intergovernmental	733,367								733,367
Charges for Services	172,100								172,100
Fines and Forfeitures	64,902		260	4,145	37,019	2,369	22,012		130,707
Interest	10,095	142,475			1,159,373	1,760,821			152,570
Grant income						169,384			2,920,194
Oil and Gas Lease Income and Royalties			6						375,239
Miscellaneous	205,849	142,475	266	4,145	1,813,521	1,932,574	594,024		7,784,567
Total Revenues	3,297,562	142,475	266	4,145	1,813,521	1,932,574	594,024	-	
EXPENDITURES									
Current:									
General Administration	1,201,259	-			628,622		261,148		2,091,029
Public Safety	1,385,019	134,974							1,519,993
Public Transportation	957,273								957,273
Culture and Recreation	407,657								407,657
Capital Projects / Capital Outlay & Other	241,085					94,020		7,847,366	8,182,471
Debt Service									-
Principal Retirement	130,316		451,892						582,208
Bond Insurance Costs									-
Interest and Fiscal Charges			201,627						208,819
Total Expenditures	4,329,801	134,974	653,519	-	628,622	94,020	261,148	7,847,366	13,949,450
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,032,239)	7,501	(653,253)	4,145	1,184,899	1,838,554	332,876	(7,847,366)	(6,164,883)
OTHER FINANCING SOURCES (USES)									
Bond Insurance Proceeds									-
Bond Issuance Premium									-
Capital Lease proceeds									-
Operating Transfers In	1,637,529		626,676	396,000		2,145,297			4,805,502
Operating Transfers Out	(839,000)		(32,578)	(17,898)	(487,400)	(4,949,967)			(6,326,843)
Total Other Financing Sources (Uses)	798,529		594,098	378,102	(487,400)	(2,804,670)			(1,521,341)
Net Changes in Fund Balances	(233,710)	7,501	(59,155)	382,247	697,499	(966,116)	332,876	(7,847,366)	(7,086,224)
Fund Balances - Beginning - Restricted	5,702,251	57,894	1,161,804	2,260,025	4,321,685	1,550,339	2,928,030	7,500,000	25,482,028
Fund Balances - Ending	\$ 5,468,541	\$ 65,395	\$ 1,102,649	\$ 2,642,272	\$ 5,019,184	\$ 584,223	\$ 3,260,906	\$ (347,366)	\$ 17,795,804

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, 2020

Net Changes in Fund Balances - Total Governmental Funds	(7,686,224)
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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.	7,688,011
--	-----------

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.	-
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Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(46,295)
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GASB 68	
Contribution. This is the change in these amounts this year.	35,139
Difference in expected and actual experience. This is the change in these amounts this year.	(111,766)
Dif in proj and actual earnings on pension plan investments. This is the change in these amounts this year.	117,640

GASB 75	
Difference in Changes in assumptions and other inputs. This is the change in these amounts this year.	2,757
Difference in expected and actual experience. This is the change in these amounts this year.	(14,818)

Repayment of capital lease principal is an expenditure in the funds but not an expense in the SOA	-
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA	-
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA	582,208
(Increase) decrease in compensated absences from beginning of period to end of period	(17,141)
(Decrease) increase in loss on refunding from beginning of period to end of period	(4,009)
(Decrease) increase in bond insurance premium from beginning of period to end of period	42,871
(Increase) decrease in accrued interest from beginning of period to end of period	8,143
(Increase) decrease in OPEB liability from beginning of period to end of period	(10,711)
(Increase) decrease in net position liability from beginning of period to end of period	204,248
Change in Net position of Governmental Activities - Statement of Activities	\$ 790,053

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, 2020

	Budgeted Amounts		Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$ 1,129,500	\$ 1,129,500	\$ 589,534	\$ (539,966)
Sales	1,018,000	1,018,000	1,276,405	258,405
Franchise	160,000	160,000	175,525	15,525
Other	-	-	30,590	30,590
Intergovernmental	5,000	5,000	10,095	5,095
License and Permits	43,850	43,850	39,195	(4,655)
Charges for Services	775,000	775,000	733,367	(41,633)
Fines and Forfeitures	176,250	176,250	172,100	(4,150)
Interest	50,000	50,000	64,902	14,902
Miscellaneous	451,600	451,600	205,849	(245,751)
Total Revenues	<u>3,809,200</u>	<u>3,809,200</u>	<u>3,297,562</u>	<u>(511,638)</u>
EXPENDITURES				
Current				
General Administration				
General Administration	1,405,104	1,405,104	1,003,146	401,958
Public Safety				
Animal Control	137,340	137,340	118,031	19,309
Community Development	199,768	199,768	235,421	(35,653)
Emergency Management	5,220	5,220	6,268	(1,048)
Fire Department	285,186	285,186	234,603	50,583
Municipal Court	200,525	200,525	219,008	(18,483)
Police Department	1,199,337	1,199,337	1,252,575	(53,238)
Public Transportation				
Streets	672,734	672,734	870,971	(198,237)
Culture and Recreation				
Airport	81,320	81,320	73,205	8,115
Library	8,600	8,600	6,829	1,771
Parks	515,804	515,804	172,236	343,568
Debt Service				
Principal Retirement	-	-	130,316	(130,316)
Interest Retirement	-	-	7,192	(7,192)
Total Expenditures	<u>4,710,938</u>	<u>4,710,938</u>	<u>4,329,801</u>	<u>381,137</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(901,738)</u>	<u>(901,738)</u>	<u>(1,032,239)</u>	<u>130,501</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	1,762,000	1,762,000	1,637,529	(124,471)
Operating Transfers Out	(743,000)	(743,000)	(839,000)	(96,000)
Total Other financing Sources (Uses)	<u>1,019,000</u>	<u>1,019,000</u>	<u>798,529</u>	<u>(220,471)</u>
Net Changes in Fund Balances - Budgetary Basis	<u>117,262</u>	<u>117,262</u>	<u>(233,710)</u>	<u>350,972</u>
Reconciliation from Budgetary Basis to Modified Accrual Basis				
Capital Lease Proceeds			-	
Capital Lease Purchases			-	
Net Changes in Fund Balances - Modified Accrual Basis			<u>(233,710)</u>	
Fund Balance - Beginning - Restated			5,702,251	
Fund Balances Ending			<u>\$ 5,468,541</u>	

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, 2020

	Budgeted Amounts		Actual	Variance Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 251	\$ 251	\$ 260	\$ 9
Miscellaneous	-	-	6	6
Total Revenues	251	251	266	15
EXPENDITURES				
Debt Service				
Principal Retirement	1,209,200	1,209,200	451,892	757,308
Interest Retirement	-	-	201,627	(201,627)
Total Expenditures	1,209,200	1,209,200	653,519	555,681
Excess (Deficiency) of Revenues over (Under) Expenditures	(1,208,949)	(1,208,949)	(653,253)	555,696
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	1,209,200	1,209,200	626,676	(582,524)
Operating Transfers Out			(32,578)	(32,578)
Total Other Financing Sources (Uses)	1,209,200	1,209,200	594,098	(615,102)
Net Changes in Fund Balances	251	251	(59,155)	(59,406)
Fund Balances - Beginning	723,603	723,603	1,161,804	438,201
Fund Balances - Ending	\$ 723,854	\$ 723,854	\$ 1,102,649	\$ 378,795

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, 2020

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 3,790,837	\$ 6,573,844	\$ 3,790,837
Accounts Receivables (Net of Allowance for Uncollectibles)	971,015	756,344	971,015
Total Current Assets	<u>4,761,852</u>	<u>7,330,188</u>	<u>4,761,852</u>
Noncurrent Assets			
Restricted Assets			
Cash and Cash Equivalents - Debt Service	639,633	2,500	639,633
Cash and Cash Equivalents - Construction	580,246	853,608	580,246
Total Restricted Assets	<u>1,219,879</u>	<u>856,108</u>	<u>1,219,879</u>
Capital Assets			
Land	4,850,708	507,679	4,850,708
Buildings and Improvements	1,083,393	1,055,526	1,083,393
Machinery and Equipment	3,632,773	3,510,728	3,632,773
Distribution System	32,126,422	26,552,797	32,126,422
Construction in Progress	3,231,607	2,178,695	3,231,607
Total Capital Assets	<u>44,924,903</u>	<u>33,805,425</u>	<u>44,924,903</u>
Less Accumulated Depreciation	<u>(13,998,862)</u>	<u>(12,935,015)</u>	<u>(13,998,862)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>30,926,041</u>	<u>20,870,410</u>	<u>30,926,041</u>
Total Noncurrent Assets	<u>32,145,920</u>	<u>21,726,518</u>	<u>32,145,920</u>
DEFERRED OUTFLOWS OF RESOURCES			
GASB68			
Deferred Outflow of Resources-Contributions (after 12/31/17)		54,537	-
Deferred Outflow of Resources-Contributions (after 12/31/18)	73,458	72,369	73,458
Difference in projected and actual earnings	12,188	-	12,188
GASB75			
Changes in assumptions and other inputs		-	-
Deferred Charge on Refunding	206,091	208,250	206,091
Total Deferred Outflow of Resources	<u>291,737</u>	<u>335,156</u>	<u>291,737</u>
TOTAL ASSETS	<u>\$37,199,509</u>	<u>\$29,391,862</u>	<u>\$37,199,509</u>

(continued)

(continued)

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities			
Current Liabilities (Payable from Current Assets)			
Accounts Payable	\$ 155,358	\$ 184,145	\$ 155,358
Due to Other Funds	670,951	287,602	670,951
Compensated Absences	23,653	21,059	23,653
Accrued Wages Payable	163,253	38,249	163,253
Accrued Interest Payable	9,151	37,086	9,151
Capital Lease Payable - Current	-	113,898	-
Bonds - Current	435,664	428,108	435,664
Total Current Liabilities	1,458,030	1,110,147	1,458,030
Current Liabilities (Payable from Restricted Assets)			
Consumer Meter Deposits	90,444	91,902	90,444
Total Current Liabilities	90,444	91,902	90,444
Payable from Restricted Assets			
Noncurrent Liabilities			
Capital Lease Payable	-	86,866	-
Bonds Payable (Plus Bond Premium)	4,207,058	4,652,988	4,207,058
Notes Payable	3,524,000	-	3,524,000
Net Pension Liability	41,823	151,803	41,823
GASB 75 Payable	25,802	20,034	25,802
Total Noncurrent Liabilities	7,798,683	4,911,691	7,798,683
Total Liabilities	9,347,157	6,113,740	9,347,157
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in expected and actual experience	50,855	28,796	50,855
Difference in projected and actual earnings	63,345	-	63,345
GASB 75			
Difference in expected and actual experience	1,615	1,615	1,615
Changes in assumption and other inputs	1,669	185	1,669
Total Deferred Inflows of Resources	117,484	30,596	117,484
Invested in Capital Assets, Net of Related Debt	22,759,319	16,442,158	22,759,319
Restricted for:			
Construction	580,246		580,246
Debt Service - Expendable	639,633	2,500	639,633
Unrestricted	3,755,670	6,802,868	3,755,670
Total Net Position	27,734,868	23,247,526	27,734,868

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, 2020

	Business-Type Activities		
	Enterprise Funds		
	Utility Current Year	Utility Prior Year	Total Current Year
OPERATING REVENUES:			
Charges for Services - Water	\$ 5,215,025	\$ 5,323,663	\$ 5,215,025
Charges for Services - Sewer	3,045,391	3,101,539	3,045,391
Miscellaneous	13,628	105,237	13,628
Total Operating Revenues	<u>\$ 8,274,044</u>	<u>\$ 8,530,439</u>	<u>\$ 8,274,044</u>
OPERATING EXPENSES:			
Personal Services	1,090,922	1,044,621	1,090,922
Supplies	46,886	6,845	46,886
Other Services and Charges	2,911,593	3,278,592	2,911,593
Depreciation	1,063,847	871,252	1,063,847
Total Operating Expenses	<u>5,113,248</u>	<u>5,201,310</u>	<u>5,113,248</u>
Operating Income (Loss)	<u>3,160,796</u>	<u>3,329,129</u>	<u>3,160,796</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	4,028	4,123	4,028
Interest and Fiscal Charges	(198,823)	(148,986)	(198,823)
Total Non-Operating Revenues (Expenses)	<u>(194,795)</u>	<u>(144,863)</u>	<u>(194,795)</u>
Income Before Transfers	2,966,001	3,184,266	2,966,001
Abandoned Water Wells			-
Bond Issuance costs			-
Transfers In	<u>1,521,341</u>	<u>787,683</u>	<u>1,521,341</u>
Change in Net Position	4,487,342	3,971,949	4,487,342
Total Net Position - Beginning	<u>23,247,526</u>	<u>19,275,577</u>	<u>23,247,526</u>
Total Net Position - Ending	<u>\$ 27,734,868</u>	<u>\$ 23,247,526</u>	<u>\$ 27,734,868</u>

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 EYAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities Enterprise Funds		
	Utility Current Year	Utility Prior Year	Totals Current Year
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 8,059,373	\$ 8,506,084	\$ 8,059,373
Payments to Suppliers	(2,628,177)	(3,095,150)	(2,628,177)
Payments to Employees	(1,090,922)	(892,774)	(1,090,922)
Net Cash Provided (Used) to Operating Activities	4,340,274	4,518,160	4,340,274
Cash Flows from Non-Capital and Related Financing Activities			
Transfers In/(Out)	1,521,341	787,683	1,521,341
Subsidy from Federal Grant	-	-	-
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	1,521,341	787,683	1,521,341
Cash Flows from Capital and Related Financing Activities			
Principal Payment on Revenue Bond, Notes and Capital Leases	(866,871)	(561,057)	(866,871)
Proceeds from Capital debt	3,762,000	260,942	3,762,000
Interest and Fiscal Charges	(198,823)	(148,986)	(198,823)
Purchases of Capital Assets	(11,119,475)	(4,942,642)	(11,119,475)
Net Cash Provided (Used) by Capital and Related Financing Activities	(8,423,169)	(5,391,743)	(8,423,169)
Cash Flows from Investing Activities			
Interest Received	4,028	4,123	4,028
Net Cash Provided (Used) by Investment Activities	4,028	4,123	4,028
Net Increase (Decrease) in Cash Equivalents	(2,557,526)	(81,777)	(2,557,526)
Cash and Cash Equivalents at Beginning of Year	7,429,952	7,511,729	7,429,952
Cash and Cash Equivalents and End of Year	\$ 4,872,426	\$ 7,429,952	\$ 4,872,426
Unrestricted Assets:			
Cash and Cash Equivalents	3,790,837	6,573,844	3,790,837
Restricted Assets:			
Cash and Cash Equivalents	1,219,879	856,108	1,219,879
Total	\$ 5,010,716	\$ 7,429,952	\$ 5,010,716
(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)	\$ 3,160,796	\$ 3,329,129	\$3,160,796
Adjustments to Reconcile to Net Cash Flow			
Non-Cash Items Included in Net Income			
Depreciation	1,063,847	871,252	1,063,847
Changes in Current Items			
Decrease (Increase) in Accounts Receivable	(214,671)	(23,006)	(214,671)
GASB 68			
Decrease (Increase) Deferred Outflow of Resources-Contributions	(18,921)	1,308	(18,921)
Difference in expected and actual experience	60,181	2,081	60,181
Difference in projected and actual earnings	(63,345)	(121,416)	(63,345)
Increase (Decrease) in Net Pension Liability	(109,980)	52,510	(109,980)
GASB 75			
Changes in assumptions and other inputs	1,673	1,673	1,673
Difference in expected and actual earnings	-	1,615	-
Increase (Decrease) in GASB 75 payable	5,768	(483)	5,768
Decrease (Increase) Deferred Outflow-Deferred Charge on Refunding	2,159	12,250	2,159
Increase (Decrease) in Accounts Payable	(28,787)	184,145	(28,787)
Increase (Decrease) in Due to Other Funds	383,349	207,320	383,349
Increase (Decrease) in Compensated Absences	2,594	3,167	2,594
Increase (Decrease) in Accrued Wages Payable	125,004	4,072	125,004
Increase (Decrease) in Accrued Interest Payable	(27,935)	(6,108)	(27,935)
Increase (Decrease) in Consumer Meter Deposits	(1,458)	(1,349)	(1,458)
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,340,274</u>	<u>\$ 4,518,160</u>	<u>\$4,340,274</u>
<u>Noncash Investing, Capital, and Financing Activities:</u>			
Borrowing from Capital Debt	<u>\$ 3,762,000</u>	<u>\$ 260,942</u>	<u>\$3,762,000</u>
	<u>\$ 3,762,000</u>	<u>\$ 260,942</u>	<u>\$3,762,000</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, 2020

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 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. Government resource are allocated to an 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 of Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

The 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 valances 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 a 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 004 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 Kendy 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 Kennedy 4B Corporation is governed by a board appointed by the City Council. Although they are legally separate from the City, the Kennedy 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 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 the 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 on September 30, 2020, the trade accounts receivable allowance in excess of 60 days is equal to 50 percent of outstanding trade accounts receivable at September 30, 2020, the trade accounts receivable allowance in excess of 90 days is equal to 100 percent of outstanding trade accounts receivable at September 30, 2020. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2020, and 10 percent of delinquent outstanding property taxes at September 30, 2020.

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, 2020.

There were not prepaid items at September 30, 2020.

4 Fund restricted assets

The fund restricted assets were as follows: Public Housing - \$ 14,182, Public Safety – Fire –\$ 48,040, Public Safety – Police - \$ 12,199, Construction - \$302,252, Debt Service - \$1,102,649, Economic Development - \$ 5,019,184, Hotel/Motel Tax - \$ \$3,260,906, Street Repair - \$ 2,642,272 in the Governmental Funds and Debt Service - \$ 639,633 and Construction \$580,246 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 year. 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***

As of September 30, 2020, 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, 2020, fund balances are composed of the following:

Fund Balances:

Restricted

Construction	\$	302,252
Debt Service		1,102,649
Economic Development		5,019,184
Hotel /Motel Tax		3,260,906
Street Repair		2,642,272

Committed

Public Housing		14,182
Public Safety - Fire		48,040
Public Safety - Police		12,199

Unassigned

		5,394,120
Total Fund Balance	\$	<u>17,795,804</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 or 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 “measurable” 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.

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 (i.e., 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, 2020.

The budget for the general fund and the debt service fund are included in the financial statements. There were not 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, 2020.

C. Deficit fund equity

The City had not deficit fund balances as of September 30, 2020.

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 provision 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 state 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) banker 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 Kendy 4B Corporation) were not fully covered by depository insurance and / or collateralization. The total amount of cash in the bank at September 30, 2020 is \$24,124,245 (not including the Kenedy 4B corporation) while the total pledged securities are \$23,874,245 and the FDIC insurance coverage is \$250,000.

The Kenedy 4B Corporation had a balance of \$5,019,184 at September 30, 2020. This amount was not secured by any pledged investments.

The book balance of cash at September 30, 2020 was \$29,143,429.

Investments:

The Interlocal Cooperation Act, chapter 91 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 not 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, 2020, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
TexPool Funds	\$ 18,364,307	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 person 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.

	<u>General Fund</u>	<u>Kennedy 4-B Corporation</u>	<u>Capital Improvement Fund</u>	<u>Hotel Occupancy Tax</u>	<u>Utility Fund</u>	<u>Total</u>
<u>Receivables</u>						
Taxes	\$ 137,425					\$ 137,425
Accounts	158,099				1,517,117	1,675,216
Occupancy Tax				76,860		76,860
Franchise Tax	13,547					13,547
Royalties		-	135,197			135,197
Other	9,895					9,895
Fines	-					-
Gross Receivables	318,966	-	135,197	76,860	1,517,117	2,048,140
Less: Allowance for Uncollectibles	82,600				546,102	628,702
Net Total Receivables	\$ 236,366	\$ -	\$ 135,197	\$ 76,860	\$ 971,015	\$ 1,419,438

C. Capital asset activity for the year ended September 30, 2020 was as follows:

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$ 457,313	\$ -		\$ 457,313
Construction in Progress	1,817,535	8,363,269	-	10,180,804
Total capital assets not being depreciated	2,274,848	8,363,269	-	10,638,117
Capital assets being depreciated:				
Building and Improvements	6,122,660	115,450	142,390	6,095,720
Machinery, Equipment and Vehicles	2,107,185	44,030	-	2,151,215
Infrastructure	3,236,385	-		3,236,385
Total capital assets being depreciated:	11,466,230	159,480	142,390	11,483,320
Less: Accumulated Depreciation for:				
Building and Improvements	1,217,794	170,646	52,651	1,335,789
Machinery, Equipment and Vehicles	1,367,217	259,086	-	1,626,303
Infrastructure	371,378	64,728		436,106
Total Accumulated Depreciation	2,956,389	494,460	52,651	3,398,198
Total Capital Assets Depreciated, Net	8,509,841	(334,980)	89,739	8,085,122
Governmental Activities Capital Assets Net	10,784,689	8,028,289	89,739	18,723,239
Business-type Activities	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$ 507,679	\$ 4,343,029		\$ 4,850,708
Construction in progress	2,178,695	5,102,377	4,049,465	3,231,607
Total capital assets not being depreciated:	2,686,374	9,445,406	4,049,465	8,082,315
Capital assets being depreciated:				
Building and Improvements	1,055,526	27,867		1,083,393
Machinery, Equipment and Vehicles	3,510,729	122,044	-	3,632,773
Distribution System	26,552,799	5,573,623		32,126,422
Total capital assets being depreciated:	31,119,054	5,723,534	-	36,842,588
Less: Accumulated Depreciation for:				
Building and Improvements	761,442	26,579		788,021
Machinery, Equipment and Vehicles	2,692,443	238,283	-	2,930,726
Distribution System	9,481,130	798,985		10,280,115
Total Accumulated Depreciation	12,935,015	1,063,847	-	13,998,862
Total Capital Assets Depreciated, Net	18,184,039	4,659,687	-	22,843,726
Business-type Activities capital assets, Net	\$ 20,870,413	\$ 14,105,093	\$ 4,049,465	\$ 30,926,041

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

Governmental Activities	
General Administration	\$ 16,008
Public Safety	165,132
Public Works	1,774
Public Transportation	139,267
Culture and Recreation	<u>172,279</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 494,460</u>
Business-Type Activities	
Utility	<u>\$ 1,063,847</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,063,847</u>

Construction commitments:

The City had major street improvements and drainage improvements, airport 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, 2020 are as follows:

			EXPECTED TO BE LIQUIDATED
<i>INTERFUND</i>		AMOUNT	EXPLANATION
DUE FROM UTILITY FUND TO GENERAL FUND	\$ 471,430	FOR UTILITY OPERATIONS	WITHIN YEAR
DUE TO GENERAL FUND FROM UTILITY FUND	(554,192)	FOR GENERAL OPERATIONS	WITHIN YEAR
DUE TO WATERWORKS FUND FROM GENERAL FUND	552,781	FOR GENERAL OPERATIONS	WITHIN YEAR
DUE TO GENERAL FUND FROM UTILITY FUND	387,694	FOR WATERWORKS OPERATIONS	WITHIN YEAR
DUE TO /FROM GENERAL FUND	(384,035)	FOR GENERAL OPERATIONS	WITHIN YEAR
DUE FROM INTEREST & SINKING TO UTILITY	17,423	FOR DEBT SERVICE	WITHIN YEAR
	<u>\$ 491,101</u>		
<i>INTRAFUND</i>			
DUE FROM GENERAL FUND TO CAPITL IMPROVEMENT FUND	486,805	FOR CONSTRUCTION	WITHIN YEAR
DUE FROM GENERAL FUND TO HOTEL OCCUPANCY TAX FUND	(29,295)	COMMUNITY DEVELOPMENT	WITHIN YEAR
DUE FROM GENERAL FUND TO 2019 SPORTS COMPLEX FUND	(57,538)	COMMUNITY DEVELOPMENT	WITHIN YEAR
Due from 2019 sports complex fund to general fund	571,744	CONSTRUCTION	WITHIN YEAR
DUE FROM 2016 CO BOND CONSTRUCTION TO UTILITY FUND	(1,499,239)	CONSTRUCTION	WITHIN YEAR
DUE TO/FROM FUNDS	(201,918)	PAVING	WITHIN YEAR
DUE TO/FROM FUNDS INTEREST & SINKING FUND	(256,376)	INTEREST & SINKING	WITHIN YEAR
DUE TO/FROM GRANT FUNDS	(109,032)	GRANT FUND	WITHIN YEAR
DUE TO/FROM GRANT FUNDS	102,575	GRANT FUND	WITHIN YEAR
Due to/from grant funds to fire truck	87,552	GRANT FUND	WITHIN YEAR
DUE TO/FROM WATERWORKS TO I&S AUDITOR	(57,815)	WATERWORKS	WITHIN YEAR
DUE TO UTILITY FUND	42,989	UTILITY FUND	WITHIN YEAR
DUE TO PAYROLL	(134,816)	WATERWORKS	WITHIN YEAR
DUE TO DISBURSEMENT FUND	(199,289)	GENERAL FUND	WITHIN YEAR
DUE TO PAYROLL	(238,615)	GENERAL FUND	WITHIN YEAR
DUE TO I&S AUDITOR	(38,870)	GENERAL FUND	WITHIN YEAR
DUE TO DISBURSEMENT FUND	353,451	WATERWORKS	WITHIN YEAR
DUE TO/FROM 2019 SPORTS COMPLEX BOND	629,201	2019 SPORTS COMPLEX	WITHIN YEAR
DUE TO/FROM DISBURSEMENT FD	57,538	2016 CO CONSTRUCTION	WITHIN YEAR
DUE TO FROM PAYROLL FUND	(153)	PAYROLL FUND	WITHIN YEAR
	<u>\$ (491,101)</u>		

Transfers for the year ended September 30, 2020 are as follows:

TRANSFER OUT	TRANSFERS IN						TOTAL
	GENERAL FUND	DEBT SERVICE FUND	PAVING FUND	UTILITY FUND	CAPITAL IMPROV	4B Corporation	
GENERAL FUND		\$ -	\$ 96,000	\$ (1,150,000)		(487,530)	\$ (1,541,530)
4B Corporation	487,530		-				\$ 487,530
CAPITAL IMPROVEMENT FUND				5,351,894	(5,351,894)		\$ -
UTILITY FUND	1,150,000	-	-	(1,900,000)	1,900,000		\$ 1,150,000
Paving	(96,000)		300,000	(300,000)			\$ (96,000)
Debt Service	(743,000)			256,000			\$ (487,000)
Fire department	25,000			(25,000)			\$ -
2019 4B Bond		487,000					\$ 487,000
TOTALS	\$ 823,530	\$ 487,000	\$ 396,000	\$ 2,232,894	\$ (3,451,894)	(487,530)	\$ -

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.

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		
	2017 INTER-						
	THREE FORD TRUCKS	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	(10,078)	(205,528)	(102,764)	(318,370)	(63,768)	(14,736)	(78,504)
NET ASSET	\$ 15,119	\$ 51,382	\$ 154,146	\$ 220,647	\$ 42,511	\$ 22,102	\$ 64,613

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, 2020.

YEAR	Governmental Activities				Business-type Activities		
	2017 INTER-						
	THREE FORD TRUCKS	NATIONAL FIRE TRUCK	TWO FORD EXPLORERS	TOTAL	THREE FORD TRUCKS	SEVEN FORD TRUCKS	TOTAL
2021	10,480	32,728	21,204	64,412		92,512	92,512
2022		11,911		11,911			-
	10,480	44,639	21,204	76,323	-	92,512	92,512
INTEREST	1,880	125,004	4,466	131,350	2,183	16,594	18,777
NET	\$ 8,600	\$ (80,365)	\$ 16,738	\$ (55,027)	\$ (2,183)	\$ 75,918	\$ 73,735

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	PLEGDED 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 Principal	Activities Interest	Business-Type Principal	Activities Interest
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	404,140	189,797	458,360	78,586
2026-2029	1,212,419	569,392	1,375,081	235,757
2030-2034	1,785,000	654,600	600,000	129,000
2035-2039	2,175,000	267,800	275,000	16,600

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	\$ 7,585,353	\$ -	\$ 451,892	\$ 7,133,461	\$ 369,337	\$ 6,764,124
Less Deferred Amounts:						
for Bond Premium	943,109	-	42,871	900,238		900,238
Total Bonds Payable	8,528,462	-	494,763	8,033,699	369,337	7,664,362
Capital Leases	130,317	-	130,317	-	-	-
Net Pension Liability	269,423	-	204,248	65,175		65,175
OPEB Liability	33,641	10,711	-	44,352		44,352
Compensated Absences	35,010	17,141	-	52,151	-	52,151
	8,996,853	27,852	829,328	8,195,377	369,337	7,826,040
<u>Business-Type Activities:</u>						
Revenue Bonds	4,954,647		428,108	4,526,539	435,664	4,090,875
Less Deferred Amounts:						
For Bond Premium	126,450		10,267	116,183		116,183
Total Bonds Payable	5,081,097	-	438,375	4,642,722	435,664	4,207,058
Notes Payable		3,762,000	238,000	3,524,000		3,524,000
Capital Leases	200,763	-	200,763	-	-	-
Net Pension Liability	151,803	-	109,980	41,823		41,823
OPEB Liability	20,034	5,768	-	25,802		25,802
Compensated Absences	21,059	2,594	-	23,653	-	23,653
	5,474,756	3,770,362	987,118	8,258,000	435,664	7,822,336
Grand Total	\$ 14,471,609	\$ 3,798,214	\$ 1,816,446	\$ 16,453,377	\$ 805,001	\$ 15,648,376

The general fund and the utility fund are used to service the compensated absences. The estimated amount due in the 2020-2021 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

No related party transactions were found that would have a material effect on these financial statements.

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, 2020.

D. Subsequent events

No subsequent events up to the date of the audit report issuance of April 19, 2021 were noted that would have a material or significant effect on these financial statements.

F. Defined Benefit Pension Plans

EXECUTIVE SUMMARY

As of December 31, 2019

Actuarial Valuation and Measurement Date, December 31,

Membership	2019	2018
Number of		
- Inactive employees or beneficiaries currently receiving benefits	12	11
- Inactive employees entitled to but not yet receiving benefits	56	37
- Active employees	51	49
- Total	<u>119</u>	<u>97</u>
 Covered Payroll	 \$ 2,232,771	 \$ 2,010,526
 Net Pension Liability		
Total Pension Liability	\$ 3,178,059	\$ 3,058,666
Plan Fiduciary Net Position	<u>3,065,682</u>	<u>2,632,061</u>
Net Pension Liability / (Asset)	\$ 112,377	\$ 426,605
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 96.46%	 86.05%
 Net Pension Liability / (Asset) as a Percentage of Covered Payroll	 5.03%	 21.22%
 Development of the Single Discount Rate		
Single Discount Rate	6.75%	6.75%
Long-Term Expected Rate of Return	6.75%	6.75%
Long-Term Municipal Bond Rate	2.75%	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

1.	Total Service Cost	\$ 180,408
2.	Interest on the Total Pension Liability	206,559
3.	Changes in Current Period Benefits Including Substantively Automatic Status	-
4.	Employee Contributions (Reduction of Expense)	(111,639)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(177,664)
6.	Administrative Expense	2,299
7.	Other Changes in Fiduciary Net Position	69
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(20,904)
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets	(45,957)
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(11,038)
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets	<u>43,586</u>
12.	Total Pension Expense (Income)	\$ 65,719

SCHEDULE OF OUTFLOWS AND INFLOWS-CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	2019 Recognized in current pension expense	Deferred (inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or Losses]	4.31	\$ (82,066)	\$ (19,041)	\$ (63,025)
Change in assumptions [actuarial (gains) or losses]	4.31	\$ (8,031)	\$ (1,863)	\$ (6,168)
			<u>\$ (20,904)</u>	<u>\$ (69,193)</u>
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.00	(229,786)	(45,957)	(183,829)
			<u>(45,957)</u>	<u>(183,829)</u>
Total				\$ (253,022)

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

	Net deferred Outflows (inflows) of resources
2021	\$ (80,312)
2022	(86,991)
2023	(28,688)
2024	(52,439)
2025	-
Thereafter	-
Total	<u>\$ (248,430)</u>

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%
\$574,191	\$112,377	(\$264,521)

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 of 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	11.50%
2	7.25%
3	6.75%
4	6.25%
5	6.00%
6	5.75%
7	5.50%
8	5.25%
9	5.00%
10	4.75%
11-12	4.50%
13-15	4.25%
16-20	4.00%
21-24	3.75%
25+	3.5

- 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	0.3079	0.2766	0.2305	0.2037	0.1951	0.1764	0.1612	0.1311	0.1078	0.0860
25	0.2798	0.2393	0.1911	0.1638	0.1507	0.1336	0.1210	0.1060	0.0976	0.0798
30	0.2585	0.2163	0.1697	0.1395	0.1138	0.1052	0.0945	0.0817	0.0785	0.0655
35	0.2642	0.2183	0.1663	0.1334	0.1107	0.1048	0.0894	0.0758	0.0655	0.0598
40	0.2602	0.2172	0.1647	0.1279	0.1103	0.0994	0.0849	0.0749	0.0633	0.0608
45	0.2392	0.2040	0.1640	0.1287	0.1110	0.0976	0.0857	0.0750	0.0638	0.0607
50	0.2191	0.1825	0.1489	0.1211	0.1072	0.0935	0.0851	0.0755	0.0636	0.0609
55	0.2112	0.1759	0.1334	0.1132	0.0908	0.0911	0.0813	0.0719	0.0643	0.0591
60	0.2108	0.1626	0.1298	0.1118	0.0833	0.0915	0.0794	0.0721	0.0602	0.0579
65	0.2109	0.1542	0.1305	0.1121	0.0847	0.0914	0.0798	0.0738	0.0577	0.0581
70	0.2109	0.1557	0.1304	0.1121	0.0845	0.0914	0.0797	0.0735	0.0581	0.0581

Females

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3080	0.2836	0.2258	0.2132	0.0203	0.2054	0.1561	0.1565	0.1590	0.1600
25	0.2828	0.2449	0.2101	0.1995	0.1739	0.1690	0.1392	0.1375	0.1206	0.1144
30	0.2617	0.2224	0.1981	0.1791	0.1369	0.1370	0.1297	0.1145	0.0989	0.0817
35	0.2464	0.2153	0.1834	0.1462	0.1294	0.1258	0.1130	0.1103	0.1016	0.0782
40	0.2281	0.2026	0.1641	0.1365	0.1316	0.1115	0.1040	0.0940	0.0847	0.0745
45	0.2227	0.1884	0.1450	0.1359	0.1072	0.1034	0.0909	0.0797	0.0717	0.0737
50	0.2238	0.1823	0.1369	0.1249	0.0901	0.0896	0.0837	0.0735	0.0686	0.0628
55	0.2236	0.1766	0.1372	0.1218	0.0848	0.0819	0.0725	0.0717	0.0696	0.0560
60	0.2236	0.1548	0.1372	0.1191	0.0811	0.0856	0.0656	0.0649	0.0436	0.0386
65	0.2236	0.1454	0.1372	0.1169	0.0813	0.0871	0.0678	0.0603	0.0281	0.0285
70	0.2236	0.1471	0.1372	0.1173	0.0813	0.0868	0.0675	0.0611	0.0308	0.0303

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	1.82%	2.34%
2	2.43%	3.15%
3	2.87%	3.75%
4	3.24%	4.25%
5	3.55%	4.67%
6	3.83%	5.06%
7	4.08%	5.40%
8	4.32%	5.72%
9	4.53%	6.02%
10	4.74%	6.30%
11	4.93%	6.57%
12	5.11%	6.82%
13	5.28%	7.06%
14	5.45%	7.28%
15	5.60%	7.50%

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	40.2%
30	40.2%
35	40.2%
40	37.0%
45	31.6%
50	26.1%
55	20.7%

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 (APRs) 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	0.000003
25	0.000019
30	0.000074
35	0.000194
40	0.000371
45	0.000603
50	0.000891
55	0.001235
60	0.001635
65	0.002090

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: 95%

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 9% (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 date 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 not material impact on the results presented.

Remaining Recognition period for Amortization Years)	Total Remaining (Inflow) or Outflow of Resources	Measurement Year					
		2019	2020	2021	2022	2023	2024

Due to liabilities:

difference in experiences (inflows)/Outflows

2019	4.3100	\$ (82,066)	\$ (19,041)	\$ (19,041)	\$ (19,041)	\$ (19,041)	\$ (5,902)	\$ -	\$ -
2018	3.5400	(80,234)	(22,665)	(22,665)	(22,665)	(12,239)	-	-	-
2017	3.0000	(50,647)	(16,883)	(16,883)	(16,881)	-	-	-	-
2016	1.6700	16,800	10,059	6,741	-	-	-	-	-
2015	1.0000	14,187	14187	0	-	-	-	-	-
	Total		<u>\$ (34,343)</u>	<u>\$ (51,848)</u>	<u>\$ (58,587)</u>	<u>\$ (31,280)</u>	<u>\$ (5,902)</u>	<u>\$ -</u>	<u>\$ -</u>
change in assumption (inflows)/outflows									
2019	4.3100	(8,031)	(1,863)	(1,863)	(1,863)	(1,863)	(579)	-	-
2015	1.0000	\$ 4,264	\$ 4,264	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Total		<u>\$ 2,401</u>	<u>\$ (1,863)</u>	<u>\$ (1,863)</u>	<u>\$ (1,863)</u>	<u>\$ (579)</u>	<u>\$ -</u>	<u>\$ -</u>

Due to Assets:

excess in investment returns (inflows)/outflows

2019	5.0000	(229,786)	(45,957)	(45,957)	(45,957)	(45,957)	(45,958)	-	-
2018	4.0000	201,642	50,410	50,410	50,412	-	-	-	-
2017	3.0000	(92,986)	(30,996)	(30,994)	-	-	-	-	-
2016	2.0000	(114)	(56)	-	-	-	-	-	-
2015	1.0000	24,228	24,228	-	-	-	-	-	-
	Total		<u>\$ (2,371)</u>	<u>\$ (26,601)</u>	<u>\$ (26,541)</u>	<u>\$ 4,455</u>	<u>\$ (45,958)</u>	<u>\$ -</u>	<u>\$ -</u>

G. GASB 75 Information

Actuarial and Financial Schedules

As of Measurement date of December 31, 2019

Actuarial Valuation and Measurement Date, December 31, 2019

Membership*

Number of	
- Inactive employees currently receiving benefits	6
- Inactive employees entitled to but not yet receiving benefits	4
- Active employees	51
- Total	61

Covered Payroll	\$ 2,232,771
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Changes in the Total OPEB Liability

Total OPEB Liability - beginning of year	\$ 53,675
Changes for the year	
Service Cost	6,252
Interest on Total OPEB Liability	2,099
Changes of benefit terms	-
Differences between expected and actual experience	(5,844)
Changes in assumptions or other inputs	14,419
Benefit payments**	(447)
Net changes	16,479
Total OPEB Liability - end of year	<u>\$ 70,154</u>

Total OPEB Liability as a Percentage of Covered Payroll	3.14%
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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*	3.75%
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 – disable 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, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2019.

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

	1% Decrease 1.75	Current Discount Rate 2.75	1% Increase 3.75
Total OPEB liability	\$ 86,968	\$ 70,154	\$ 57,296

OPEB Expense:

Service cost	\$ 6,252
Interest on total OPEB liability	2,099
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience ¹	(1,534)
Changes in assumptions or other inputs ²	2,021
Total OPEB expense	\$ 8,838

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
Differences between expected and actual experience	-8809	0
Changes in assumptions and other inputs		11,882
Contributions made subsequent to measurement date	None	None
Total (excluding contributions made subsequent to measurement date)	-8809	11,882

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	2019 Recognized in current OPEB expense	Deferred (Inflow) / Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	7.2100	\$ (5,844)	\$ (811)	\$ (5,033)
Change in assumptions [actuarial (gains) or losses]	7.2100	\$ 14,419	\$ 2,000	\$ 12,419
Contributions made subsequent to measurement date		None	None	None
Total (excluding city provided Contributions made subsequent to measurement date):				\$ 7,386

**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>
2020	\$ 487
2021	487
2022	487
2023	487
2024	(17)
Thereafter	1,142
Total	<u>\$ 3,073</u>

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

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	Measurement Year						
			2019	2020	2021	2022	2023	2024	Thereafter
differences in experiences (inflows)/outflows									
2019	7.21	-5844	-811	-811	-811	-811	-811	-811	-978
2018	6.2200	\$ (4,499)	\$ (723)	\$ (723)	\$ (723)	\$ (723)	\$ (723)	\$ (723)	\$ (161)
		Total	<u>\$ (1,534)</u>	<u>\$ (1,534)</u>	<u>\$ (1,534)</u>	<u>\$ (1,534)</u>	<u>\$ (1,534)</u>	<u>\$ (1,534)</u>	<u>\$ (1,139)</u>
change in assumptions (inflows)/outflows									
2019	7.2100	14,419	2,000	2,000	2,000	2,000	2,000	2,000	2,419
2018	6.2200	\$ (3,864)	\$ (621)	\$ (621)	\$ (621)	\$ (621)	\$ (621)	\$ (621)	\$ (138)
2017	5.2200	3,348	642	642	642	642	642	642	-
		Total	<u>\$ 2,021</u>	<u>\$ 2,021</u>	<u>\$ 2,021</u>	<u>\$ 2,021</u>	<u>\$ 2,021</u>	<u>\$ 2,021</u>	<u>\$ 2,281</u>

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%
2019	20.00%	0.02
2020	17.00%	0.01

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.

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.

Years of Service	Rate (%)
1	11.50%
2	7.25%
3	6.75%
4	6.25%
5	6.00%
6	5.75%
7	5.50%
8	5.25%
9	5.00%
10	4.75%
11-12	4.50%
13-15	4.25%
16-20	4.00%
21-24	3.75%
25+	3.50%

II. Demographic Assumptions

- A. Termination Rates

1. For the first 10 years, the base table rates vary by gender, entry age, and length of service. For City 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 –

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%	4.77%
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%

- 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 OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 combined Health 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 & 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 – For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore not 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

Participation 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

Actuarial Assumptions

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.

<i>Actuarial Cost Method</i>	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.
<i>Actuarial Gain (Loss)</i>	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.
<i>Actuarial Present Value (APV)</i>	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.
<i>Actuarial Valuation</i>	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.
<i>Actuarially Determined Contribution (ADC)</i>	A calculated contribution into a defined benefit OPEB plan for the reporting period, most often determined based on the funding policy of the plan.
<i>Covered Payroll</i>	The payroll of employees that are provided with OPEB.
<i>Deferred Inflows and Outflows</i>	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.
<i>Discount Rate</i>	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).
<i>Entry Age Normal Actuarial Cost Method (EAN)</i>	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.

Glossary of Terms

<i>GASB</i>	The Governmental accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
<i>Other Postemployment Benefits (OPEB)</i>	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.

<i>Real Rate of Return</i>	The rate of return on an investment after adjustment to eliminate inflation.
<i>Service Costs</i>	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
<i>Total OPEB liability</i>	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.
<i>Total OPEB Expense</i>	<p>The total OPEB expense is the sum of the following items:</p> <ol style="list-style-type: none"> 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

	2019	2018	2017
1. Service Cost	\$ 180,408	\$ 159,676	\$ 171,200
2. Interest (on the Total Pension Liability)	206,559	184,354	163,460
3. Changes of benefit terms	-	-	-
4. Difference between expected and actual experience	(82,066)	(82,066)	46,977
5. Changes of assumptions	(8,031)	-	-
6. Benefit payments, including refunds of employee contributions	(177,477)	(89,736)	(42,944)
7. Net change in total pension liability	119,393	172,228	338,693
8. Total pension liability -- beginning	3,058,666	2,696,194	2,357,501
9. Total pension liability - ending	3,178,059	2,868,422	2,696,194

B. Plan fiduciary net position

1. Contributions - Employer	94,377	96,995	85,004
2. Contributions - employee	111,639	99,177	99,304
3. Net investment income	407,451	302,056	129,200
4. Benefit payments, including refunds of employee contributions	(177,477)	(89,736)	(42,944)
5. Administrative Expense	(2,299)	(1,565)	(1,458)
6. Other	(70)	(79)	(79)
7. Net change in plan fiduciary net position	433,621	406,848	269,027
8. Plan fiduciary net position - beginning	2,632,061	2,178,930	1,909,903
9. Plan fiduciary net position - ending *	3,065,682	2,585,778	2,178,930

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

\$ 112,377	\$ 282,644	\$ 517,264
------------	------------	------------

D. Plan fiduciary net position as a percentage
of the total pension liability (B.9 / A.9)

96.46%	90.15%	80.82%
--------	--------	--------

E. Covered-employee payroll

2,232,771	2,232,771	1,986,081
-----------	-----------	-----------

F. Net pension liability as a percentage
of covered employee payroll (C/E)

5.03%	12.66%	26.04%
-------	--------	--------

	2016	2017	2018	2019
Actuarially Determined Contribution	184,308	196,172	190,127	206,016
Contributions in relation to the actuarially determined contribution	184,308	196,172	190,127	206,016
Contribution deficiency (excess)	-	-	-	-
Covered payroll	1,986,081	1,983,548	2,010,526	2,232,771
Contributions as a percentage of covered payroll	9.28%	9.89%	9.46%	9.23%

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	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were not benefit changes during the year.

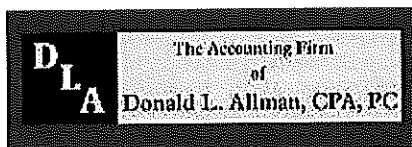
OPEB Retirement System Information

OPEB Plans

Changes in the Total OPEB Liability

	<u>2019</u>
Changes for the year	
1. Service Cost	\$ 6,252
2. Interest on Total OPEB Liability	2,099
3. changes of benefit terms	-
4. Difference between expected and actual experience	(5,844)
5. Changes in assumptions or other inputs	14,419
6. Benefit payments	<u>(447)</u>
7. Net changes	16,479
Total OPEB Liability - beginning of year	<u>53,675</u>
Total OPEB Liability - end of year	<u>\$ 70,154</u>
 E. Covered-employee payroll (B.9/A.9)	 \$ 2,232,771
F. Total OPEB Liability as a Percentage of Covered Payroll	3.14%

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final		Positive Negative
REVENUES				
Interest	\$ 3,000	\$ 3,000	\$ 4,145	\$ 1,145
Total Revenues	3,000	3,000	4,145	1,145
EXPENDITURES:				
Current:				
Public Transportation	530,000	530,000	-	530,000
Capital Projects				
Capital Outlay and Other				-
Total Expenditures	530,000	530,000	-	530,000
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(527,000)	(527,000)	4,145	531,145
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	396,000	396,000	396,000	-
Total Other Financing Sources (Uses)	396,000	396,000	396,000	-
Net Changes in Fund Balances	(131,000)	(131,000)	400,145	531,145
Fund Balances - Beginning	1,729,144	1,729,144	2,260,025	530,881
Fund Balances - Ending	\$ 1,598,144	\$ 1,598,144	\$ 2,660,170	\$ 1,062,026



CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Kenedy, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2020, and the related notes to the financial statements, which collectively comprise the City of Kenedy, Texas' basic financial statements, and have issued our report thereon dated April 19, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Kenedy, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Donald L. Allman, CPA,

PC Georgetown, TX

April 19, 2021



April 22, 2021

CITY OF KENEDY

CITY COUNCIL

SPECIAL MEETING

ITEM# 7

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April 22, 2021

CITY OF KENEDY

CITY COUNCIL

SPECIAL MEETING

ITEM# 8

ORDINANCE 21-07

AN ORDINANCE AMENDING THE ADOPTED BUDGET OF THE CITY OF KENEDY, TEXAS FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2020 AND ENDING SEPTEMBER 30, 2021 FOR THE PURPOSE OF FUNDING LINE ITEMS RELATING TO THE DAILY OPERATIONS OF THE MUNICIPALITY; AUTHORIZING EXPENDITURES; PROVIDING FOR A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City Manager of the City of Kenedy, Texas filed with the City Secretary a proposed budget for the city covering the fiscal year October 1, 2020 through September 30, 2021; and

WHEREAS, the governing body of the city concluded its public hearing on said budget; and

WHEREAS, the City Council approved the City's budget for the Fiscal Year 2020-2021; and

WHEREAS, the City Council may amend the adopted budget for legitimate municipal purposes; and

WHEREAS, pursuant to Texas Local Government Code Section 101.00, the Council may manage and control the finances of the municipality; and

WHEREAS, the Council finds that it is necessary to amend the adopted Budget covering the fiscal year October 1, 2020 through September 30, 2021.

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

1. FINDINGS OF FACT

That the City's Budget for the Fiscal year beginning October 1, 2020 and ending September 30, 2021 is hereby amended as exhibited in Attachment "A".

2. REPEALER

To the extent reasonable possible, ordinances are to be read together in harmony. However, all ordinances, or parts thereof, that are in conflict or inconsistent with any provisions of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters regulated, herein.

3. SEVERABILITY

Should any of the clauses, sentences, paragraphs, sections or parts of this Ordinance be deemed invalid, unconstitutional, or unenforceable by a court of law or administrative agency with jurisdiction over the matter, such action shall not be construed to affect any other valid portion of this Ordinance.

4. EFFECTIVE DATE

This Ordinance shall be effective immediately upon passage and publications as provided by law.

PASSED AND APPROVED this, the 22nd, day of April 2021 by the City Council of the City of Kenedy, Karnes County, Texas;

Joe Baker, Mayor

ATTEST:

William Linn, City Manager

ATTACHMENT "A"

Attachment "A"

FY20/21 Mid-Year Budget Line Item Adjustments

Account Increasing	Amount Increasing	Account Decreasing	Amount Decreasing
20-62-520.01	\$600.00	20-62-530.02	\$600.00
20-62-520.13	\$450.00	20-62-540.01	\$450.00
20-62-520.10	\$15,000.00	20-62-520.18	\$15,000.00
20-62-520.09	\$2,000.00	20-62-520.04	\$2,000.00
20-62-560.09	\$400.00	20-62-560.10	\$400.00
20-62-530.12	\$6,400.00	20-62-590.12	\$6,400.00
20-64-530.05	\$1,700.00	20-64-530.02	\$1,700.00
20-64-580.04	\$35,000.00	20-64-590.11	\$20,000.00
		20-64-590.12	\$15,000.00
20-64-520.09	\$26,000.00	20-64-540.04	\$26,000.00
20-64-520.18	\$7,000.00	20-64-590.02	\$7,000.00
20-64-530.13	\$1,000.00	20-64-590.02	\$1,000.00
20-64-520.12	\$1,500.00	20-64-550.01	\$1,500.00
20-64-530.11	\$3,000.00	20-64-550.01	\$3,000.00
20-64-529.01	\$5,500.00	20-64-529.01	\$5,500.00
20-64-520.01	\$210.00	20-64-520.06	\$210.00
20-64-530.01	\$2,000.00	20-64-520.06	\$2,000.00
20-64-560.09	\$1,500.00	20-64-520.06	\$1,500.00

10-02-510.01	\$12,500.00	10-02-510.08	\$3,500.00
		10-02-520.04	\$4,000.00
		10-02-520.06	\$5,000.00
10-02-560.10	\$320.00	10-02-550.02	\$320.00
10-02-560.09	\$175.00	10-02-550.02	\$175.00
10-02-550.04	\$3,000.00	10-02-520.06	\$1,000.00
		10-02-520.11	\$1,400.00
		10-02-530.11	\$600.00
10-02-529.13	\$1,200.00	10-02-510.12	\$900.00
		10-02-531.03	\$200.00
		10-02-531.07	\$100.00
10-02-530.02	\$1,000.00	10-02-531.04	\$1,000.00
10-02-530.06	\$750.00	10-02-531.05	\$200.00
		10-02-531.07	\$50.00
		10-02-531.04	\$500.00
10-02-560.10	\$2,350.00	10-03-530.01	\$1,600.00
		10-03-531.01	\$750.00
10-03-520.09	\$150.00	10-03-510.14	\$150.00
10-03-520.08	\$200.00	10-03-531.03	\$200.00
10-03-520.04	\$300.00	10-03-530.11	\$300.00
10-06-520.06	\$7,500.00	10-06-520.04	\$1,600.00
		10-06-520.10	\$3,400.00
		10-06-510.08	\$2,500.00

10-06-520.01	\$400.00	10-06-530.20	\$400.00
10-06-530.01	\$500.00	10-06-510.08	\$500.00
10-06-530.11	\$53,000.00	10-10-560.18	\$53,000.00
10-06-530.15	\$23,000.00	10-10-560.18	\$23,000.00
10-06-540.06	\$8,800.00	10-06-510.12	\$4,000.00
		10-06-520.12	\$4,800.00
10-06-520.14	\$4,000.00	10-06-560.10	\$3,000.00
		10-06-590.12	\$1,000.00
10-06-590.04	\$200,000.00	20-62-580.12	\$50,000.00
		20-64-580.12	\$100,000.00
		10-10-560.11	\$50,000.00
10-10-520.14	\$40,000.00	10-10-560.11	\$40,000.00
10-10-510.12	\$1,350.00	10-10-510.08	\$1,350.00
10-10-520.04	\$1,000.00	10-10-510.08	\$1,000.00
10-06-540.03	\$4,000.00	10-10-560.11	\$4,000.00
10-06-540.06	\$50,000.00	10-10-560.11	\$50,000.00
10-00-560.05	\$7,000.00	10-00-560.10	\$2,500.00
		10-00-550.09	\$4,500.00
10-00-520.03	\$8,000.00	10-00-530.01	\$8,000.00
10-00-529.01	\$1,000.00	10-00-520.06	\$1,000.00
10-00-520.04	\$2,000.00	10-00-520.08	\$2,000.00
10-00-510.01	\$35,000.00	10-12-510.01	\$35,000.00
10-00-510.03	\$15,000.00	10-12-510.01	\$15,000.00

10-00-530.13	\$80,000.00	10-12-510.01	\$38,000.00
		10-12-510.05	\$13,000.00
		10-12-510.06	\$6,000.00
		10-00-550.09	\$15,000.00
		10-12-590.04	\$8,000.00
10-00-530.02	\$2,000.00	10-12-510.07	\$2,000.00
10-00-530.05	\$2,000.00	10-12-510.08	\$2,000.00
Total			\$676,755.00



April 22, 2021

CITY OF KENEDY

CITY COUNCIL

SPECIAL MEETING

ITEM# 9



MERCER CONTROLS, INC.

P. O. Box 777 / 804 APOLLO DRIVE

EDNA, TEXAS 77957

PH: (361) 782-7168 FAX: (361) 782-7706

www.MERCERCONTROLS.com

S.A. Mercer, P.E.

(361) 550-1087

March 22, 2021

To: City of Kenedy
City Hall
City of Kenedy, TX 78119
Attn: Hector Salinas

PROPOSAL

S.A. Mercer, P.E., in association with Mercer Controls, Inc., both of Edna, Texas, herewith propose certain urgently-needed backup power improvements to the water supply and treatment facilities for the City of Kenedy. This proposal addresses emergency power requirements at the Reverse Osmosis Plant as well as at the three largest remote well sites south of town.

In each case, the following statements will apply:

- 1) Each generator will be equipped with a sub-base tank capable of containing a quantity of diesel fuel which will operate the generator at half load for 72 hours.
- 2) Each generator will be mounted on a new concrete slab meeting the standards required by the manufacturer of the generator.
- 3) Each generator will be supplied with an automatic transfer switch sized to be consistent with generator output and with the rating of the main disconnect and generator at the site.
- 4) Each generator will be furnished with a remote annunciator panel to be mounted in a protected area.
- 5) The base price includes generators that will operate all well pumps when running on available variable frequency drive (VFD) units. Operation of Well 14, 15, and 16 with across-the-line start will be prohibited when the generator is supplying power.
- 6) The base price includes a stainless steel enclosure for the automatic transfer switch at the RO plant. The base price includes painted steel enclosures for the automatic transfer switches at Wells 14, 15, and 16.
- 7) We have assumed a location for each generator, subject to change at Owner's instruction.
- 8) We are using the service of Joe Foster, the electrician from Edna that is familiar with your sites.
- 9) Prices include engineering design, certification, and documentation.
- 10) Electrician's actual charges will increase or decrease price as required.

March 22, 2021

City of Kenedy – RO Plant, Well No. 14, Well No. 15, and Well No.16 Emergency Generators

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Detailed Proposal

**Project: City of Kenedy – RO Plant, Well No. 14, Well No. 15, and Well No.16
Emergency Generators**

Base Bid Summary:

Item 1. RO Plant 800KW Generator, 1600 Amp Stainless Steel Automatic Transfer Switch, Concrete Slab, and Electrical labor:

Price to furnish and install: \$389,573.00. Includes \$40,000 allowance for Electrician.

Please note that the space allowed for the transfer switch in the 2019 Train C upgrade contract is not wide enough for the new transfer switch. The new transfer switch will be mounted north of the existing main disconnect. We will re-use any serviceable large-gauge copper wire. Also, the new main disconnect is not arranged to allow Trains A & B to operate from the generator. We will add components as needed and re-route conduits to allow the new generator to operate the entire plant.

Item 2. Well No.14 125KW Generator (VFD Start), 400 Amp NEMA 3R Painted Steel Automatic Transfer Switch, Concrete Slab, Electrical labor, and Start-Up:

Price to furnish and install: \$83,934.00. Includes \$10,700 allowance for Electrician.

Item 3. Well No.15 200KW Generator (VFD Start), 400 Amp NEMA 3R Painted Steel Automatic Transfer Switch, Concrete Slab, Electrical labor, and Start-Up:

Price to furnish and install: \$98,894.00. Includes \$12,000 allowance for Electrician.

Item 4. Well No.16 200KW Generator (VFD Start), 400 Amp NEMA 3R Painted Steel Automatic Transfer Switch, Concrete Slab, Electrical labor, and Start-Up:

Price to furnish and install: \$96,302.00. Includes \$6,500 allowance for Electrician.

Price total, Base Bid, Items 1, 2, 3, and 4: \$668,703.00.

March 22, 2021

City of Kenedy – RO Plant, Well No. 14, Well No. 15, and Well No.16 Emergency Generators

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Optional Items:

Optional price total, for across-the-line start capabilities at Wells 14, 15, and 16. Includes substantial increase in generator size, upgraded main disconnect, upgraded wire size and conduit, and upgraded transfer switches. We estimate the additional cost to be in excess of \$300,000.00.

Optional for upgrading Automatic Transfer Switches at Well 14, 15, and 16 to Stainless Steel, add \$12,000.00.

Respectfully Submitted,

MERCER CONTROLS, INC.

A handwritten signature in black ink, appearing to read "S. A. Mercer", written over the printed name.

S. A. Mercer, President

SAM/ag



April 22, 2021

CITY OF KENEDY

CITY COUNCIL

SPECIAL MEETING

ITEM# 10

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