

City of Kingsville, Texas
Annual Comprehensive Financial Report
For the Year Ended September 30, 2020



Annual Comprehensive Financial Report

September 30, 2020

CITY OF KINGSVILLE, TEXAS

City Commission

(for the fiscal year ended September 30, 2020)

Sam R. Fugate	Mayor
Hector Hinojosa	Mayor Pro-Tem
Edna Lopez	Commissioner
Norma Nelda Alvarez	Commissioner
Ann Marie Torres	Commissioner

City Manager

Mark McLaughlin

Prepared By:

Department of Finance

Deborah Balli, CPA, CGFO - Director of Finance

David Bodiford - Accounting Manager

Jessica Sandoval - Accounting Assistant

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April 12, 2021

Dear Honorable Mayor, Members of City Commission, and Citizens of Kingsville:

The Annual Comprehensive Financial Report of the City of Kingsville, Texas (City) for the fiscal year ended September 30, 2020, is submitted herewith. As required by the TEX. LOCAL GOV'T CODE ANN. § 103.001 et seq., the report includes financial statements which have been audited by an independent firm of certified public accountants, John Womack & Co. PC. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The goal of the independent audit, conducted by John Womack & Co. PC, was to provide reasonable assurance that the financial statements of the City of Kingsville for fiscal year ended September 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Kingsville's financial statements for the fiscal year ended September 30, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

THE CITY AND ITS ORGANIZATION

Population and Location

Based on the reviewed 2010 Census of Kingsville, the City now has a population of 28,498; this represents a 8.72 percent increase over the 2010 Census of 26,213. The City of Kingsville's standard metropolitan statistical area consists of Kleberg County which has a population of 32,061 according to the 2010 Census. The geographic location of the City is on U. S. Highway 77 which has been proposed to be the new Interstate 69 which will facilitate travel from Mexico, Central and South America to the U.S. and Canada. The City is also home to a major military installation, NAS Kingsville, and tourist attraction, the King Ranch.

The total area of the City is approximately 13.93 square miles. The City may expand its jurisdiction, by adding territory adjoining or lying adjacent to the City, by ordinance pursuant to its regularly updated and statutorily required annexation plan.

Form of Government and City Services

The City was incorporated in 1911. In 1916, the City was organized under a City Charter and operated as a General Law city until 1926, at which time a Home Rule Charter with a Commission form of government, was adopted. The Charter was amended in 1986 to adopt the present and nationally predominant Commission-Manager form of government.

The City Commission consists of the Mayor and four Commission Members elected for four-year terms. The Mayor and the four Commission Members are elected at large. The City Commission is responsible for passing ordinances, adopting the budget, appointing committees, and appointing the City Manager, City Attorney, and Municipal Court Judge. The City Manager is the Chief Administrative and Executive Officer and is responsible for carrying out policies and ordinances of the City Commission, overseeing day-to-day operations, presenting an annual budget, and appointing all other City Employees.

Police Department

Police protection is provided by the Kingsville Police Department comprised of 49 sworn peace officers and staff totaling 68 members performing varied and multiple tasks, serving a population of 28,498. We are located on Interstate 69/US Highway 77 South, a major thoroughfare utilized in major trade and industry due to the North American Free Trade Agreement that connects Canada, Mexico, and the United States.

The Uniform Patrol Division makes up the largest portion of the department with a Commander, 4 Captains, 3 Lieutenants, 24 officers, K-9 Nicky, and a traffic enforcement officer. Their duties include vehicle and bicycle patrol, criminal enforcement, traffic enforcement, and accident investigation.

The Criminal Investigations Division is headed by a Commander, Captain, Lieutenant and six detectives who follow up investigations reported to the patrol division and

participate in proactive criminal investigations, and an accident investigator. The Street Level Operations Team within the Criminal Investigations Bureau consists of a Lieutenant, 2 interdiction/directed investigations officers and K-9 KRachel whose responsibilities include targeting criminal offenses in our city and drug trafficking organizations on US 77 to include bulk narcotic and bulk currency offenses. The Crime Scene Technician and Evidence Clerk are also assigned to CID. The Crime Scene Technician is responsible for processing crime scenes, packaging evidence, cataloguing, and photographing evidence for submission to the appropriate laboratory for analysis. The Evidence Clerk is responsible for the acceptance of all property & evidence brought into the department for storage. This includes the proper receipt of acceptance, inventory control, and final disposition of said property or evidence.

The Communications Division is headed by a civilian telecommunications officer, 4 lead telecommunicators, and 10 telecommunicators who provide dispatching services for the Kingsville Police Department and the Kingsville Fire Department.

The training officer is assigned to the Support Services Division and his duties include coordination of the Citizens Police Academy, serving as the Field Training Officer Program Coordinator, as well as provide all In Service training for incoming or current officers.

The Administration Division consists of the Office of the Chief of Police, his administrative assistant and the Office of Professional Standards manned by a Captain, conducts administrative investigations regarding officers who have violated departmental rules or policy and assist SLOD with narcotics investigations. The IT Manager and Help Desk Technician are also assigned to the Administration Division. The IT Manager is responsible for the efficient and effective operation of all Police Department information technology services including all computer hardware and software systems, network infrastructure, VOIP and cell phone systems. The Help Desk Technician is responsible for assisting internal and external customers with information technology components.

Our department handles well over 35,000 calls for service during a calendar year. The pride of our department is KPD's SWAT unit which received the Texas Tactical Police Officers Association, First Annual Unit Citation Award for Meritorious Service in 2007 and provides mutual aid to the Coastal Bend Area. SWAT responds to approximately 30 callouts to include low and high-risk warrant service as well as barricaded/armed subjects.

We here at the Kingsville Police Department are "Breeding a Culture of Civility." We create a civil atmosphere through the practice of our "Code of Civility" as outlined below.

- We greet and acknowledge each other.
- We say please and thank you.
- We treat each other equally with respect, no matter the condition.
- We acknowledge the impact of our behavior on others.

- We welcome feedback from each other.
- We are approachable.
- We are direct, sensitive, and honest.
- We acknowledge the contributions of others.
- We respect each other's time commitments.
- We address incivility.

We are a department who is “Committed to Excellence,” and we are constantly seeking new technology and innovation so that we may better serve the public.

Fire Department

The City's Fire Department operates two fire stations, and provides fire protection, advanced life support emergency medical services, transport, fire inspections, fire investigations, supports a volunteer firefighter division, and emergency management for the City of Kingsville. It also provides and receives mutual aid for Naval Air Station (NAS) Kingsville. The Department staffs 2 fire engines, 2 MICU ambulances, and cross staffs a variety of other apparatus, depending on the emergency. They utilize a minimum of 8 full time personnel each day and are augmented by volunteer firefighters when available. The above-mentioned services are provided by 31 professional firefighters, 28 volunteer firefighters, and 4 support staff, which include the Fire Chief, Fire Marshal, Administrative Assistant, and a Part Time Customer Service Representative. Of the 31 professional firefighters, currently there are 17 certified EMT Paramedics, 3 Advanced EMT's, and 12 Basic EMT's and are in hopes of filling the remaining department vacancy soon.

Public Works

The City has a combined utility system (System) comprised of water and wastewater. The City's water system, consisting of 123.0 miles of waterlines, serves all residents of the City, as well as many other customers and industries within Kleberg County and the City's Certificate of Convenience and Necessity (CCN). The City's water supply is primarily provided by seven water wells. The second water supply source is with the South Texas Water Authority (STWA,) which maintains a 42" water line to the City of Corpus Christi. The City's water supply is sufficient to continue serving the City for the next several decades.

Wastewater collection and treatment is provided within the city limits to more than 26,213 residential, commercial, and industrial customers. The collection system consists of 96.1 miles of gravity and force mains, 1,381 manholes, and 9 lift stations. The City owns and operates 2 treatment plants with separate collection basins, with an average aggregated daily flow at treatment plants of 2,200,000 gallons per day, or 55% of aggregate permitted capacity.

In addition to operating the combined utility system, the City also provides garbage collection, brush, and white goods disposal. Garbage collection is primarily limited to residential and commercial service. The City, with its automated side load trucks

provides garbage pick-up twice a week for residential customers. The commercial garbage collection is also automated side load and is collected up to six days a week. The City's recycling center diverts approximately 150 tons of garbage a year from the landfill. The City owns and operates a Type I regional waste disposal facility, also accepting waste from outside of the City and from commercial garbage haulers. Other public works operations of the City include the Street Division maintaining 81 miles of asphalt and concrete streets and traffic signalization.

Library

The Robert J. Kleberg Public Library is a City-County public library that provides comprehensive library services and information to residents of Kleberg County. The Woman's Club of Kingsville founded the public library on February 23, 1909. A 12-member Advisory Library Board, which includes three ex-officio members, governs the library, appoints the Library Director, advocates for the library, supports the library's mission, adopts policies, sets goals, and monitors the library's progress. The Library Board consists of four City-appointed and four County-appointed members, and one joint City-County appointed member. Each Board member is appointed for a three-year term. The three ex-Officio Board members are the City of Kingsville City Manager, the Kleberg County Judge, and the Kingsville Independent School District Superintendent. The Library Director, under the guidance of the Board, manages the day-to-day administrative operations of the library. The library staff consists of eight full-time and four part-time employees. The 10,250 square foot facility houses more than 55,000 items for leisure and research use. The library has over 30,000 registered patrons and has a circulation of approximately 40,000 items annually. Community enrichment and culture services are major programs of the public library. Throughout the year, the library averages over 50,000 visits, and over 1,500 patrons engage in the library's very popular author lectures and book signings events, and the children's summer reading and activities program. The library offers services and resources such as Notary Public, Exam proctoring, Microsoft Office Suite, TexShare Databases, eBooks, Digital audiobooks, Streaming movies, Free high-speed broadband Internet, Wi-Fi Internet access, Wi-Fi web printing, Computer labs, a STREAM Maker's Space Lab with a 3D printer, an Employment Resource Center Lab, public printers, and typewriters. The Robert J. Kleberg Public Library is a member of The Central Texas Library System and is accredited by the Texas State Library and Archives Commission.

Parks and Recreation

County Parks and Recreation facilities in the City of Kingsville city limits are owned partly by Kleberg County and partly by the City of Kingsville. Until October 2014, the County Parks System was under the management of Kleberg County with financial contribution by the City of Kingsville. By agreement and with inter-local agreement adopted in October 2014, the management of the County Parks within the City limits of Kingsville was transferred to the City of Kingsville.

The City of Kingsville and Kleberg County own and maintain extensive recreational facilities, which include 631 acres of parks and playgrounds, one swimming pool, 12

baseball and softball diamonds, 12 multi-purpose fields, a disc golf course, a walking/jogging path, 2 cricket pads, one recreational center, one BBQ hut, a Skate Park and an 18-hole golf course that is located at LE Ramey park. City of Kingsville, in the last several years, has also developed a new community Xeriscape Garden and Pavilion area in the downtown area which is being incorporated into the Parks Department inventory. In the fiscal year 2017-2018, a Kiddie Pool was added to the Brookshire Pool and a new Splash Pad was constructed at Los Hermanos Flores Park. In fiscal year 2019-2020 we completed construction of the Vishal Ragu Baghat Memorial Dog Park. Due to Covid -19 restrictions starting in March of 2020 activities and rentals were limited resulting in reduced revenues in all Divisions of Parks.

Health Department

Environmental health, Food Services, animal control & care services, vector control (mosquitos) services and Onsite Sewage Facilities are operated by City of Kingsville Health Department.

Annual Budget Process

State laws and the City Charter require the preparation and filing of a balanced annual operating budget. Departments are required to submit requests to the Finance Department by the first week of June for the development of the annual operating budget. Under the direction of the City Manager, the Director of Finance uses these requests to develop a proposed balanced operating budget for presentation to the City Commission by the beginning of August. Following months of budget discussions and deliberations with City Commission, a public hearing is scheduled for the first week of September and adoption of the budget ordinance and supporting fee schedules occur no later than September 30th. The operating budget is prepared by fund, department, function, and organizational unit or project levels. All funds, except for grant funds, are budgeted annually. Grant funds are budgeted during the fiscal year, through the budget amendment process, when the award is received.

Budgetary management is delegated to department heads that may approve transfers of appropriations within their department. Budgetary control is performed by both department heads and the Finance Department. Transfer of appropriations between funds requires City Commission approval.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report. Budget-to-actual reports are provided on a monthly and unaudited basis by the Finance Department and sent to management for review and use in monitoring revenues and expenditures. The Quarterly Budget Report is provided to the City Commission for review and discussion.

FINANCIAL CONDITION

Local Economy

An understanding of the information presented in the financial statements is enhanced when it is reviewed within the context of the City's local economy. The following information is provided to highlight a broad range of economic forces which support the City's operations.

Major Revenues

The City's major sources of revenue are property, sales and other taxes, and business fees. The September 30, 2020 period showed the following changes in these sources from the prior year: (1) an increase in property tax receipts due to an increase in the property values, (2) an increase in charges for services and (3) an increase in building permit fees and (4) an increase in sales taxes. This illustrates the resilience of the local economy. Real property tax collections, as a percent of levy collected, has remained stable. Current fiscal year collected taxes to date, as a percent of the net current tax levy, have increased slightly.

Employment

The local unemployment rate stood at 9.8% for September 2020 compared to 8.2% for Texas and 7.9% for the nation. Future Job growth for the City fell below the National average and was projected at 5.4% compared to 33.5% nationally for this same period ending in March 2019. Compared to the rest of the country, Kingsville's cost of living is 19% lower than the U.S. average. The median home cost in Kingsville is \$108,000 with a 37.4% appreciation rate over the last 10 years. Median household income is \$36,500 versus \$53,482 for the rest of the country. *(This information is from bestplaces.net)*

Diversification of Economy

The region has a varied manufacturing, agricultural and petrochemical base that adds to the relative stability of employment. Major industries located within the City's boundaries, or in proximity, include industrial, construction, fast food restaurants, convenience stores, banking, and financial services.

Texas A&M University - Kingsville (TAMUK) is also located within the city limits of the City of Kingsville. It boasts of being South Texas' greatest university, offering more academic programs and degrees, providing better learning, and living facilities, doing more research, awarding more scholarships, and producing more successful graduates than any other college or university in the region. TAMUK seeks to provide quality undergraduate and graduate programs for students of all ages through a judicious blend of liberal and career education programs. The emphasis is on providing an intellectually challenging education reflecting high standards of academic performance. TAMUK is dedicated to serving an ethnically and culturally diverse population. The University is committed to its mission of teaching, research, and service in South Texas for the advancement of knowledge and of regional development.

The federal government also has a major presence within the area with two bases that make up the south Texas military complex: Naval Air Station – Kingsville (NASK) and Naval Air Station – Corpus Christi. NASK is a military airport located 3 miles east of Kingsville, Texas and is one of the US Navy’s premier locations for jet aviation training. Its primary mission is to train Student Naval Aviators for the United States Navy and Marine Corps and tactical jet pilots for other select NATO and Allied countries.

The City of Kingsville’s trade area consists of four counties: Kleberg, Kenedy, Nueces and Jim Wells. Each of these counties maintains a solid and diversified economic base which contributes material support to the City of Kingsville due to its location as a regional trade center. The City of Kingsville’s economy provides a diversified product market including metal fabrication, chemical processing, farm and ranch equipment, cement, petrochemical products, fishing, and seafood products and more.

Since 2010, the City has funded its participation in the Texas Main Street program as a strategy for the redevelopment of its historic downtown commercial district, a district that serves the local community, a growing tourism market, as well as the students at the local university.

The land in the City of Kingsville region has strong mineral deposits, rich soil, and an excellent climate, with the principal crops being grain, sorghum, and cotton. The region produces a large supply of livestock including cattle, hogs, and poultry. The oil and gas industry are a major factor in the growth and stability within the trade area. This industry provides a secondary market for petroleum by-products and chemicals.

Wind farm development is springing up in the area, affecting hotel occupancy and sales tax, but has also raised Navy concerns over the impact on potential nearby wind farms on flight training safety due to radar interference.

Major Eagle Ford Shale Region oil and gas discoveries, while too far away to have direct effect, are having a positive spillover impact on businesses and on hotel occupancy and sales tax. Meanwhile, job opportunities in the oil and gas industry are attracting local and city employees.

Transportation

The City is served by a network of major highways. Interstate 69 (I-69) comes into Kingsville from the north and replaced U.S. Highway 77 up to General Cavazos Blvd. TXDOT is currently building the next section of I-69 from General Cavazos Blvd south to approximately one mile beyond the city limits. This is a three-year construction project that will add access lanes on both sides of the interstate highway. I-69/Highway 77 links the City of Kingsville to both the Rio Grande Valley/Mexico to the south and Victoria (which then provides a direct connection to U.S. 59 and Houston). State Highway 44 and U.S. Highway 59 also link the City of Kingsville to Laredo/Mexico from I-69/Highway 77 at Robstown and Victoria. All highways are four-lane roads and are maintained at interstate or near interstate standards. There is a total of 212 miles of local streets within the city limits of Kingsville. Of this total, the Texas Department of

Transportation (TXDOT) owns and maintains approximately 25.76 miles of roadway. The City of Kingsville owns and maintains the remainder. Rail service to and from the City of Kingsville is provided by the Burlington Northern/Santa Fe Railway, Texas Mexican Railway and Union Pacific Railroad.

A primary component of the City's transportation system is the 2,457-acre Corpus Christi International Airport (CCIA), which is only 45 minutes from the City of Kingsville. Currently, the airport is served by approximately 24-30 daily flights from three major domestic carriers that use the airport's 7,510 and 6,080 feet of lighted and instrument procedure runways. COVID 19 affected transportation nationwide this past year and CCIA tallied a total of 171,297 enplanes and 169,894 deplanes.

Major Expenses

The government's expenses relating to public safety and public works comprise 55.64% of total expenses for governmental activities as reflected in Exhibit B1 of the Annual Comprehensive Finance Report. As evidenced by the table below, the government's expenses relating to these activities have remained relatively constant. Expenses for public safety and public works have slightly decreased as a percentage of total expenses for governmental activities over the last ten years.

Activity	Expenses as a Percent of Total Governmental Activities		
	FY 10-11	FY 19-20	Net Change
Public Safety - Police & Fire	56.29%	47.17%	-9.12%
Public Works	15.52%	15.09%	-0.43%
Total	71.81%	62.26%	-9.55%

Long-term Financing Plan/Relevant Financing Policies

During FY 17-18, the City Commission approved an amendment to the current Fund Balance Policy to allow fund balances for the General Fund and the Utility Fund to drop from 25% to 20% if it became necessary. The City Commission set a payback period when a drop-in fund balance occurs. This was done due to the lack of debt capacity available to take care of pressing capital expenditures.

Major Initiatives

The City of Kingsville focused FY20-21 on code enforcement, infrastructure improvement, economic development, and park maintenance.

Code Enforcement targeted dilapidated commercial and residential structures as well as compliance with property maintenance. The hiring of a new Building Official has improved greatly the Planning Department's attention to addressing neglected properties inside the city limits.

Infrastructure improvement focused on drainage, wastewater, and street projects. In FY20-21, the City received notice of award for a \$7.2M Community Development Block Grant to address sewer line and lift station maintenance, over four miles of new sewer lines, repair to 78 manholes and a new lift station that will re-direct approximately 150,000 gallons of daily sewage from the south Wastewater Treatment Plant (WWTP) to the North WWTP. The city is also finalizing the details of a loan/grant initiative with the Texas Water Development Board for over \$6M in drainage projects that will correct poor drainage in four of the nine areas identified in a 2018 Master Drainage Plan study.

In FY19-20 and continuing into FY 20-21, the city has expensed, or is programed to expense, nearly \$2M in street improvements ranging from full depth construction to hot mix overlays and chip seal overlays of various city streets and a park road. The current fiscal year includes a nearly \$860,000 expenditure for full depth construction of Armstrong Street from Santa Gertrudis Ave. south to Kleberg Ave. This project is a major arterial road for Texas A&M-Kingsville and modifies a two-lane road into a road with two bicycle lanes, two travel lanes and a center turn lane.

The City utilized a Texas Parks and Wildlife Grant, and money budget from the City, to make numerous improvements to the park's system. The largest park in Kingsville is the Dick Kleberg Park on the south side of the City. This park is over 180 acres and had major improvements to ball fields, playgrounds, added a dog park and replaced decorative bollards along the street front the length of the park. The other six parks in the City all had a level of maintenance performed that included upgrades to many of the playscape features. The L.E. Ramey Golf Course is owned by the Kleberg County but maintained and operated by the City of Kingsville.

Economic Development

The City continues to partner with Kleberg County, the Greater Kingsville Economic Development Council (EDC), Texas A&M University-Kingsville (TAMUK), Workforce Solutions of the Coastal Bend and Coastal Bend College in creating quality jobs and programs toward achieving optimal economic stability and diversification. Major initiatives tied to economic development are being collaborated on with these partners. Recently, that partnership has begun executing their economic development strategic plan that is focused on growing the commercial and industrial sectors of the economy. In addition, the EDC is relocating from its current location on King Ave. to the Wilson Building on Kleberg Ave. in the Kingsville Historic District. This move places the EDC closer to the developing historic district, provides a larger venue for their work and co-locates the EDC with the Kingsville Record Newspaper, which is also moving to the Wilson Building this year.

The City also continues to support our local economic partners, most notably the Texas A&M University Kingsville, The Rangel College of Pharmacy, and the Naval Air

Station- Kingsville. The City, in partnership with the EDC, continues to monitor and support the missions of our important industries. In conjunction with this, we continually work to bring diverse industry that can relate and or equally capitalize on the current industries/services that are currently located in Kingsville.

Economic Development has seen an increase in both large and small commercial development in the city even during this year of COVID-19. Businesses that opened in the last include Starbucks, Harbor Freight, Eve's Heavenly Delight (bakery), Stef & Bees Boutique relocated to a larger space, Kingsville Steakhouse, King of Wing (chicken wing establishment), Tot-ally Kids Daycare, NAPA Auto Parts relocation to a larger space, and under construction is a Quick Quack Car Wash. In addition, there are plans for a large commercial automobile and truck travel center to purchase and build on 10 acres adjacent to I-69 in Kingsville in FY 20-21. The EDC is actively recruiting entertainment establishments and other businesses interested in opening along the newly constructed I-69 corridor through Kingsville.

Construction Projects

There is continued construction in the Wildwood Trials subdivision. Of the 184 lots that can be built on, 104 lots already have homes on them. This subdivision has been under development for six-years.

Twenty-seven new single-family residences were constructed in the past year at an average cost of \$142,018.

Multiple small apartment projects, throughout the community are in progress. These projects typically contain 8 to 15-units. One mobile home was brought into the City in FY 19-20.

The interior of the HEB has been totally remodeled and the parking lot has been repaved with concrete for a 5.8 million dollar project.

Commercial projects include commercial renovations and new carwash businesses. One such carwash is a new Quick Quack Car Wash with their building at a \$1.4 million cost.

Chick Fil A new construction was submitted July 2020 with a \$925,000 valuation.

Nine Commercial projects with valuations of \$3,533,000 resulted in permitting revenue of \$11,950.

Future Construction Projects

The City is reviewing the construction plans for new apartment buildings, new businesses, and several single-family residences.

We have also seen an increase in the number of remodeling projects, and new homes are being built in the Historic Development District. We have two major renovations of downtown vacant commercial buildings in the planning stages.

The Economic Development Corporation is continually working on additional businesses to locate in Kingsville.

Tourism

The City of Kingsville's development as a thriving historical community has made it a unique tourism attraction for the South Texas region. The success of it all was made possible by the significant efforts of our City's founder, Mrs. Henrietta M. King, and her son-in-law Robert J. Kleberg. Seeking to foster community and economic development in the untamed desert, Mrs. King donated hundreds of acres which became the site of present-day Kingsville.

The rich ranchland area, first known as the Wild Horse Desert, supports local events, along with tourism of our heritage or for doing some golfing, birding, and hunting. In 2020, the City became a Monarch City USA member to further harvest ecotourism in the area. The mostly open range acquired by Captain Richard King back in 1853 is well-known as one of the largest working ranches in the world. Capt. King established his working ranch the following year along the Santa Gertrudis creek and as a sprawling ranch, the novel and later the motion picture Giant, was inspired by it all.

The King Ranch's support and influence has left an indelible mark on the Kingsville's growth and culture that continues to this day. As a centennial city, the secret to the City's longevity lies in the resilience of its people and the array of local attractions that draw a wide variety of guests who are seeking to immerse themselves in a bit of historical southern charm and a slower pace of life. Today, Kingsville has become a multicultural city that offers something for everyone. Tourism also manages and maintains the 1904 Train Depot, the spot where the Kingsville was born on July 4, 1904 when the first passenger train headed south, opening travel to all South Texas. The railroad made possible with assistance from Henrietta King, who donated 70,000 acres of land for railroad construction.

Today, the City of Kingsville Tourism Department works in close concert with King Ranch to promote Kingsville as a great destination to learn the Wild Horse Desert history. The department also helps promote the ability to experience nature and study art in many platforms, from the Kingsville Symphony Orchestra to Chicana Artist Santa Barraza's gallery to Hibler Taxidermy.

Logon to our website at KingsvilleTexas.com to find out what events are coming to our region or give us a call for hotel discounts and tips when planning your trip to Kingsville!

Early on, with Kingsville having mostly open range and the scarcely populated area, land was acquired to build a four-year Institution and naval air station. Renowned in public research, Texas A&M University-Kingsville was chartered in 1917 but did not open its doors until 1925 due to the United States entering the First World War. With continuing operations for over 90 years, it has been designated as South Texas' oldest public college

south of San Antonio. Today the university continues its growth and popularity especially by its sports-related events, visitors, and diverse population.

Also, with its desirable climate and open range, the U.S. Department of Defense in 1941 established NAS Kingsville to the east of the town after a group of Kingsville civic leaders pleaded their case to the department for a base to be located here. Today, Naval Air Station Kingsville operates high performance single engine aircrafts and is one of the Navy's premier locations for jet aviation training in the World. The Navy and the city have such good relations that in 2019, the Secretary of the Navy announced a new Independence-variant Littoral Combat Ship to be named USS Kingsville (LCS 36).

Whether arriving in town from the east through the main corridor or landing at the local airport strip to the west of town, visiting our community can indulge you in some retail therapy at numerous quaint specialty shops and restaurants located in the heart of the city's historic downtown district. Also, besides reaching world class fishing along our County's bay, we also have some of the most famous, delicious, and historic cuisines along the Gulf of Mexico. And whether you want to get up close and personal with hundreds of species of wildlife along the beach or the Ranch, or to just kick up your boots in town at one of our lodging destinations, we have you covered. Tourism works to encourage visits and stays at our 13 operating properties who have a combined total of 740 hotel rooms.

Financing of Major Capital Projects

During FY 19-20, the City continued to utilize bond issues from the previous fiscal years to fund projects and capital assets planned and approved during the past fiscal year. These are major initiatives that represent a significant long-term commitment to revitalization strategies that support commercial and industrial growth and improved quality of life for current residents.

Budget Program

The City's budget for FY 19-20 received the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA). This was the fourth year that the City submitted and received this prestigious award. This award is valid for a period of one year only. The City also received notice that it was awarded the Distinguished Budget Presentation Award for FY 20-21 for the fifth consecutive year.

Annual Comprehensive Financial Report Program

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kingsville for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2019 continuing to confirm compliance with both GAAP and legal requirements. The City has received this prestigious award for the last 31 consecutive years. A Certificate of Achievement is valid for a period of one year only. We believe this Annual Comprehensive Financial Report continues to meet the Certificate of Achievement

Program's requirements and we are submitting it to the GFOA to determine its eligibility certification.

ACKNOWLEDGEMENTS

The preparation of this report is possible only because of the dedication of the staff members in the Department of Finance, including David Bodiford, Accounting Manager; along with support staff members, Charlie Sosa, Sally Saenz, Jessica Sandoval, Elisa Rangel, and Norma Cavazos. Special thanks must be given to our City Manager, Mark McLaughlin for his continued guidance and support.

Credit must also be given to the Mayor and the City Commissioners for their continuous support and for maintaining the highest standards of professionalism in the management of the City of Kingsville and the prudent financial policies to which it subscribes.

Respectfully submitted,

A handwritten signature in cursive script that reads "Deborah Balli".

Deborah Balli, CPA, CGFO
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Kingsville
Texas**

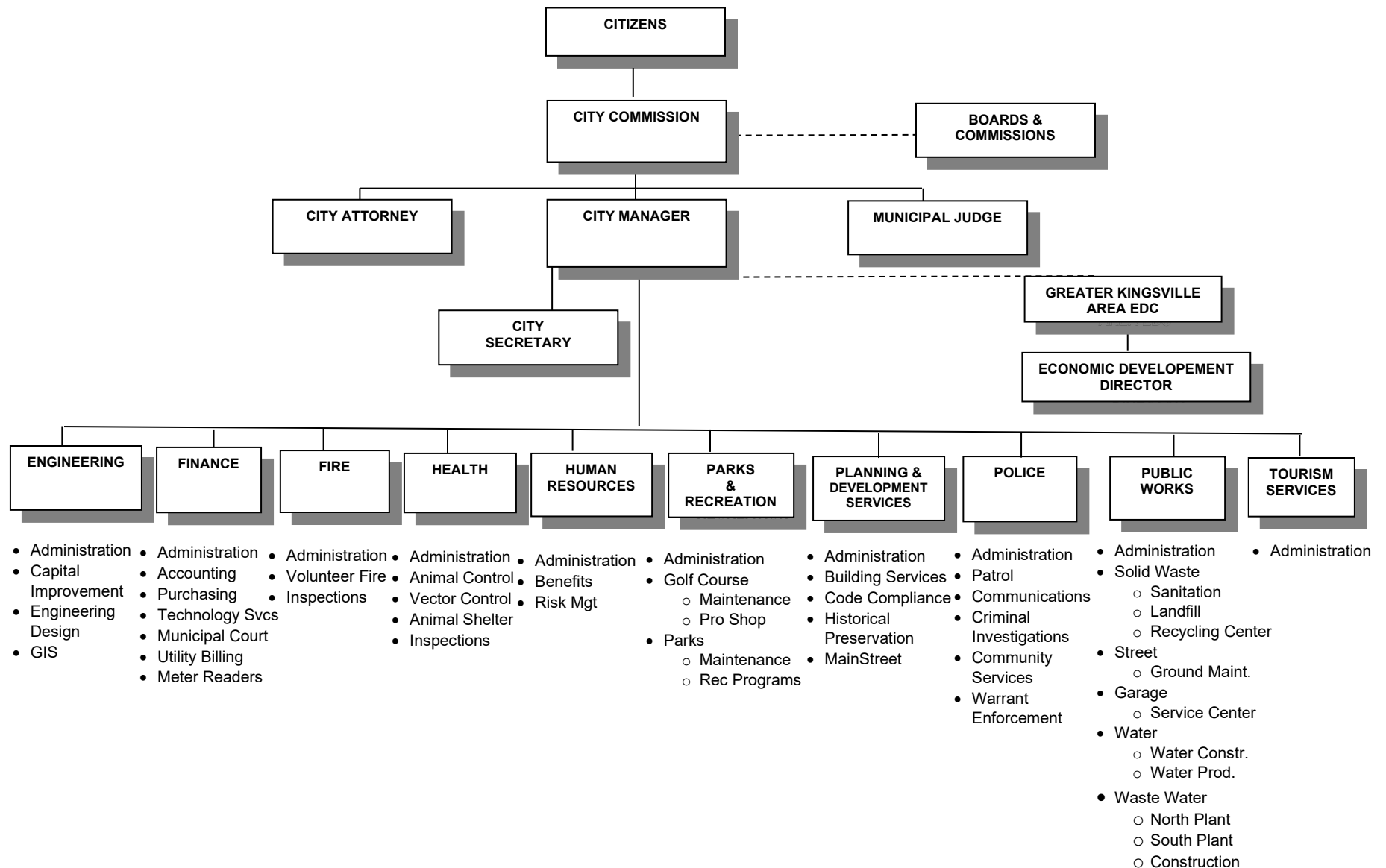
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morill

Executive Director/CEO

ORGANIZATION CHART



JOHN WOMACK & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JOHN L. WOMACK, CPA
MARGARET KELLY, CPA

P.O. BOX 1147
KINGSVILLE, TEXAS 78364
(361) 592-2671
FAX (361) 592-1411

Independent Auditor's Report

To the Mayor and City Commission
City of Kingsville
P.O. Box 1458
Kingsville, Texas 78364

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kingsville ("the City") 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 City'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 City'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.



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

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, each major fund, and the aggregate remaining fund information of City of Kingsville as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the City's proportionate share of the net pension liability and schedule of City pension contributions, and schedule of the City's proportionate share of the net OPEB liability and schedule of City OPEB contributions identified as Required Supplementary Information in the table of contents 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kingsville's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2021 on our consideration of City of Kingsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Kingsville's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "John Womack & Co., P.C.".

John Womack & Company, P.C.
Kingsville, TX
April 9, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Kingsville's (City) annual financial report presents management's discussion and analysis (MD&A) of the City's financial performance during the fiscal year ended September 30, 2020. The MD&A should be read in conjunction with the transmittal letter found in the Introductory Section of this report and the City's Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

Entity Wide

- Total assets for the City were \$69.7 million compared to \$67.4 million in the prior fiscal year ended September 30, 2019.
- Total deferred outflows of resources were \$1.04 million compared to \$4.1 million in the prior fiscal year ended September 30, 2019.
- Total liabilities were \$30.4 million compared to \$37.8 million in the prior fiscal year ended September 30, 2019.
- Total deferred inflows of resources were \$3.4 million compared to \$478 thousand in the prior fiscal year ended September 30, 2019.
- Total net position was \$37.02 million compared to \$33.2 million in the prior fiscal year ended September 30, 2019.
- The assets of the City exceeded its liabilities by \$37.02 million.

Governmental Activities

On a government-wide basis for governmental activities:

- The City had net program expenses of \$14.6 million for the fiscal year ended September 30, 2020 compared to \$17.4 million for the prior year, representing a 15.83% decrease.
- General revenues and transfers totaled \$17.3 million for the fiscal year ended September 30, 2020, compared to the prior year's amount of \$17.4 million, representing a 0.25% decrease.
- Net position overall increased 15.25% from \$17.8 million on September 30, 2019 to \$20.5 million on September 30, 2020.

Business Type Activities

On a government-wide basis for business type activities:

- The City had net program revenues of \$3.9 million for the fiscal year ended September 30, 2020 compared to \$2.5 million for the prior year, representing a 52.6% increase.
- General revenues and transfers out totaled (\$2.7) million for the fiscal year ended September 30, 2019, compared to the prior year's amount of (\$2.5) million, representing a 7.28% increase.
- Net position overall increased 7.51% from \$15.4 million on September 30, 2019 to \$16.5 million on September 30, 2020.
- On September 30, 2020, business-type activities had \$15.3 million in total liabilities compared to \$16.6 million on September 30, 2019.

Governmental Activities vs Business-Type Activities

- The ratio of total assets to total liabilities for governmental activities was 2.49 times; for business-type activities the ratio was 2.10 times.
- The quick ratio (current assets to current liabilities) was 4.47 times for governmental activities and 3.68 times for business-type activities.
- Total net position was \$37.02 million, which is an increase of \$3.87 million from the prior year, or about 11.66%. Governmental activities' net position increased by 15.25%, while business-type activities' net position increased by 7.51%.

General Fund

- The fund balance of the General Fund increased from \$10.8 million to \$13.2 million. This represents a 22.02% increase from the prior year's fund balance, and furthermore, represents 62.26% of the \$21.1 million in expenditures. The General Fund's Unassigned Fund Balance was \$9.1 million, or 42.92% of general fund expenditures.
- General Fund revenues for the fiscal year ended September 30, 2020, of \$23.18 million were 5.71% higher than the prior year revenues of \$21.93 million. The increase is mainly due to a \$1.4 million in higher intergovernmental revenues.
- General Fund's expenditures for the fiscal year ended September 30, 2020, of \$21.43 million were 1.39% higher than the prior year expenditures of \$21.14 million. The increase is mainly due to an increase in the public safety department of 2.7%.
- General Fund 001 is part of the General Funds included in the Annual Comprehensive Financial Report. The financial policies state the City must maintain a reserve for major contingencies of at least 25% of the total General Fund 001 appropriations. General Fund 001's unassigned fund balance on September 30, 2019 was \$7.33 million, representing a 37.86% reserve, and that fund balance increased to \$8.84 million on September 30, 2020, for a 47.75% reserve.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of *management's discussion and analysis* (this section), the *basic financial statements*, and *supplementary information*. Figure A-1 demonstrates the relationships among the components of this annual report.

The basic financial statements are comprised of three components:

- The *government-wide financial statements* provide both long-term and short-term information about the City's overall financial status. These statements are presented for both *governmental activities* and *business-type activities*. They are designed to provide readers with a broad overview of the City's finances, like a private-sector business.
 - The *statement of net position* presents information on all the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
 - The *statement of activities* presents information to show how the City'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.

- Both government-wide financial statements distinguish functions of the City 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 *fund financial statements* focus on individual parts of the City, reporting the City's operations in greater detail than the government-wide 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.
 - The *governmental funds* statements show how general government services were financed in the short-term as well as what remains for future spending. The two major governmental funds are the General Fund and the Debt Service Fund.
 - *Proprietary fund* statements offer short-term and long-term financial information about the activities the City operates like a business: *enterprise funds* and *internal service funds*. The major proprietary fund is the combined Utility System Fund.
 - *Fiduciary funds* statements provide information about the financial relationships in which the City acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources belong. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary fund.
- *Notes to the financial statements* provide essential additional information to provide a clear picture of the assets, liabilities, or inherent risks. The notes to the financial statements follow the basic financial statements.

The financial statements are followed by a section of *required supplementary information (RSI)* that further explains and supports the information in the financial statements. RSI information follows the notes to the financial statements.

Figure A-1: Required Components of the City's Annual Financial Report

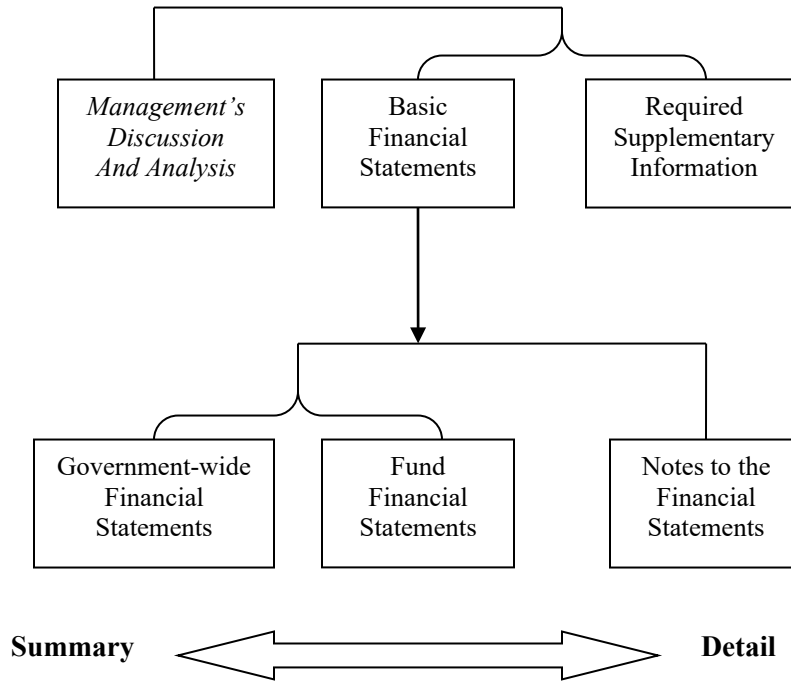


Figure A-1 shows how the required parts of this annual financial report are arranged and relate to one another. In addition to these required elements, a section with combining statements that provides details about the non-major governmental funds and internal service funds is included.

More about the City's Fund Financial Statements:

Governmental funds are used to account for essentially the same functions reported as *governmental activities* except that the Solid Waste Activity is reported as a business-type activity 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*.

Major and non-major funds are presented separately in the governmental fund's balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balances.

The general fund and the debt service fund are presented separately along with the aggregated *other governmental funds*. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* following the presentation of the major funds. There are four non-major governmental funds.

The City adopts an annual operating budget for governmental funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

More about the City's Proprietary Funds:

Two types of *proprietary funds* are used by the City:

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements, excluding solid waste, which is recorded in the General Fund. The City uses enterprise funds to account for its Utility System, which provides water, sewer, and garbage services. Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for risk management activities, including insurance for general liabilities, workers' compensation, and health benefits. Because this coverage predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net position serves over time as a useful indicator of the City's financial position. On September 30, 2020, the net position totaled \$37.02 million, \$3.87 million more than the prior year. The composition of this net position is \$20.49 million for governmental activities and \$16.52 million for business-type activities, which is comprised primarily of the Combined Utility System.

A large portion of the City's net position is invested in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding and represents 49.9% of the total net position. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's 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. The City has 2.5% of its net position set aside for the retirement of debt. Approximately 42.6% of the City's governmental activities' net position is unrestricted in their use for City activities.

Table A-1: Net Position for Governmental and Business-type Activities
September 30, 2020 and 2019
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current & other assests	\$ 18,735	\$ 16,416	\$ 10,783	\$ 10,000	\$ 29,518	\$ 26,416
Capital assets	18,841	19,558	21,379	21,410	40,220	40,968
Total assets	<u>37,576</u>	<u>35,974</u>	<u>32,162</u>	<u>31,410</u>	<u>69,738</u>	<u>67,384</u>
Deferred Outflows of Revenues	841	3,456	194	613	1,035	4,069
Long-term liabilities	10,906	17,088	12,370	13,794	23,276	30,882
Other liabilities	4,188	4,176	2,931	2,766	7,119	6,942
Total liabilities	<u>15,094</u>	<u>21,264</u>	<u>15,301</u>	<u>16,560</u>	<u>30,395</u>	<u>37,824</u>
Deferred Inflows of Revenues	2,829	384	533	94	3,362	478
Net investment in capital assets	8,733	8,388	9,726	9,265	18,459	17,653
Restricted	3,023	3,538	2,735	3,600	5,758	7,138
Unrestricted	8,738	5,856	4,061	2,504	12,799	8,360
Total net position \$	<u><u>20,494</u></u>	<u><u>17,782</u></u>	<u><u>16,522</u></u>	<u><u>15,369</u></u>	<u><u>37,016</u></u>	<u><u>33,151</u></u>

TABLE A-1: Governmental-Type Activities

Current & Other Assets increased \$2.3 million from \$16.4 million in FY19 to \$18.73 million in FY20, or 14.12%. Most of this increase is due to the City's higher cash balances and amounts due from Other Governments. Capital assets, net of accumulated depreciation, decreased \$716 thousand from \$19.6 million in FY19, to \$18.8 million in FY20, or 3.66%. Long-term liabilities decreased \$6.18 million from \$17.1 million in FY19 to \$10.9 million in FY20, or 36.18%. Most of this decrease is due to decreases in contractual obligations and post-employment benefit accruals and the OPEB liability. Other liabilities increased \$13 thousand from \$4.18 million in FY19 to \$4.19 million in FY20 or, 0.30%. This was due to increases in accounts payable, accrued wages payable and amounts due to other governments.

As a result of accurately reflecting the restrictions on fund balances, Restricted Net Position decreased by \$515 thousand from \$3.54 million in FY19 to \$3.02 million in FY20, or 14.6% as follows:

(\$81,378)	decreased	Federal and State programs
\$92,840	increased	Debt Service
(\$2,136)	decreased	Capital projects
\$2,839	increased	Municipal Court Building Security funds
(\$546,241)	decreased	Law Enforcement
(\$2,477)	decreased	Municipal Court Technology fund
\$21,368	increased	Tourism funds

Unrestricted Net Position increased \$2.88million from \$5.9 million in FY19 to \$8.7 million in FY20, or 49.22%.

TABLE A-1: Business-Type Activities

The Combined Utility System's net position was \$16.5 million at FY20, which is 44.6% of total net position and is \$1.2 million more than the prior year. The Combined Utility System contributed all the total unrestricted business-type net position.

Current & Other Assets increased \$783 thousand from \$10.0 million in FY19 to \$10.8 million in FY20, or 7.83%. Restricted Cash is up from \$289 thousand in FY19 to \$2.14 million in FY20 due to the increase in cash balances. Capital assets, net of accumulated depreciation, decreased \$31 thousand from \$21.40 million in FY19 to \$21.38 million in FY20, or 0.14%, due to annual straight-line depreciation costs.

Long-term liabilities decreased \$1.4 million from \$13.8 million in FY19 to \$12.4 million in FY20, or 10.32% due to reductions in contractual obligations, the post-employment and accrued pension liabilities. Net investment in capital assets increased \$461 thousand from \$9.26 million in FY19 to \$9.73 million in FY20, or 4.98% due to the addition of capital projects.

Restricted net position decreased \$865 thousand from \$3.6 million in FY19 to \$2.7 million in FY20, or 24.03%. Capital projects make up all the restricted net position.

Unrestricted net position increased \$1.56 million from \$2.50 million in FY19 to \$4.06 million in FY20, or 62.17%. This increase is due to the reduction of the restricted net position (capital projects fund) and the current year's excess of revenues over expenses.

The City has sufficient funds to meet requirements for cash outlays in the next fiscal year as well as the financial capacity to meet its long-term obligations.

Changes in Net Position

Table A-2 details the City's change in net position from the prior year.

Table A-2: Changes in Net Position
September 30, 2020 and 2019
(in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue:						
Program revenue:						
Charges for services	\$ 2,995	\$ 3,129	\$ 13,549	\$ 12,812	\$ 16,544	\$ 15,941
Operating grants & contributions	2,607	1,380	142	25	2,749	1,405
Capital grants & contributions						
General revenues:						
Property taxes	7,652	7,408	-	-	7,652	7,408
Sales taxes	5,116	5,080	-	-	5,116	5,080
Other taxes	1,429	1,740	-	-	1,429	1,740
Investment earnings	261	396	105	157	366	553
Insurance Settlement	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	24	32	-	0	24	32
Other	40	41	-	-	40	41
Total revenues	<u>20,124</u>	<u>19,206</u>	<u>13,796</u>	<u>12,994</u>	<u>33,920</u>	<u>32,200</u>
Expenses:						
General government	4,659	4,720	-	-	4,659	4,720
Public safety	9,545	10,273	-	-	9,545	10,273
Public works	3,053	3,632	-	-	3,053	3,632
Health & other public svcs.	2,168	2,338	-	-	2,168	2,338
Tourism	544	651	-	-	544	651
Interest on long-term debt	266	280	-	-	266	280
Water, wastewater & storm water	-	-	7,085	7,334	7,085	7,334
Solid waste	-	-	2,735	2,966	2,735	2,966
Total expenses	<u>20,235</u>	<u>21,894</u>	<u>9,820</u>	<u>10,300</u>	<u>30,055</u>	<u>32,194</u>
Increase (Decrease) in net position before transfers	(111)	(2,688)	3,976	2,694	3,865	6
Transfers	<u>2,823</u>	<u>2,691</u>	<u>(2,823)</u>	<u>(2,691)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	2,712	3	1,153	3	3,865	6
Net position, beginning	17,782	17,779	15,369	14,089	33,151	31,868
Prior period adjustment	-	0	0	1,277	0	1,277
Net position, ending	<u>\$ 20,494</u>	<u>\$ 17,782</u>	<u>\$ 16,522</u>	<u>\$ 15,369</u>	<u>\$ 37,016</u>	<u>\$ 33,151</u>

TABLE A-2: Governmental Activities

As shown in Table A-2, revenues were split between governmental activities and business-type activities at 59.33% and 40.67%, respectively. Expenses for each were 67.33% and 32.67%. Net position increased 15.25% from the prior period for governmental activities, increased 7.50% for business-type activities, and increased 11.66% overall.

The cost of all *governmental* activities for the fiscal year 2020 was \$20.23 million. However, the amount that taxpayers paid for these services through City taxes and business fees was \$14.2 million.

Some of the cost was paid by:

- Those who directly benefited from the programs, or \$3.0 million, and
- Other governments and organizations that subsidized certain programs with grants and contributions was \$2.6 million.
- Charges for services comprised 13.05% of governmental activities' revenues including transfers in and 98.2% of business-type activities' revenues.
- Taxes contributed 61.87% of governmental activities' revenues including transfers.
- Investment earnings, not including transfers, generated 1.30% and 0.76% of governmental activities revenues and business-type activities, respectively.
- Public Safety (including Police, Fire, Emergency Management, Inspections and Municipal Court) expenses accounted for 47.17% of governmental activities' expenses and 15.09% of governmental activities' expenses were for Public Works.
- Public Safety required the largest net amount of public funds after deducting program revenue, grants, and contributions. The total subsidy was \$6.45 million.
- General government comprises 23.02% of all governmental activities' expenses.

Charges for services revenue decreased \$134 thousand from \$3.1 million in FY19 to \$3.0 million in FY20, or 4.28%. These revenues come from licenses and permit fees along with other miscellaneous changes. This decrease comes mainly from lesser amounts of permits and licenses being issued due to the pandemic. Sales tax revenue increased \$36 thousand from \$5.08 million in FY19 to \$5.16 million in FY20, or 0.71%. The City's sales tax held throughout the pandemic that hit most of the United States beginning in March 2020. As the City of Kingsville is not a tourist destination, sales taxes did not fluctuate as in the neighboring city of Corpus Christi. As one sector may have declined, another sector increased. In FY20, the City's one-time comptroller audit adjustments decreased overall sales tax payments by \$99,326.

Other Revenues decreased from \$41 thousand in FY19 to \$40 thousand in FY20.

General government expenses decreased \$61 thousand from \$4.72 million in FY19 to \$4.66 million in FY20, or 1.29%. Public Safety expenses decreased \$728 thousand from \$10.3 million in FY19 to \$9.5 million in FY20, or 7.09%. Public Works expenses decreased \$579 thousand from \$3.63 million in FY19 to \$3.05 million in FY20, or 15.94%. Overall expenditures went down by \$1.66 million due to concerted efforts to cut expenditures and additional funding from the CARES ACT.

The net decrease in net position before transfers changed by \$2.8 million, from a \$2.7 million decrease in FY19 to a \$111 thousand decrease in FY20. Transfers increased \$132 thousand, from \$2.7 million in FY19 to \$2.8 million in FY20, or 4.91%.

TABLE A-2: Business-Type Activities

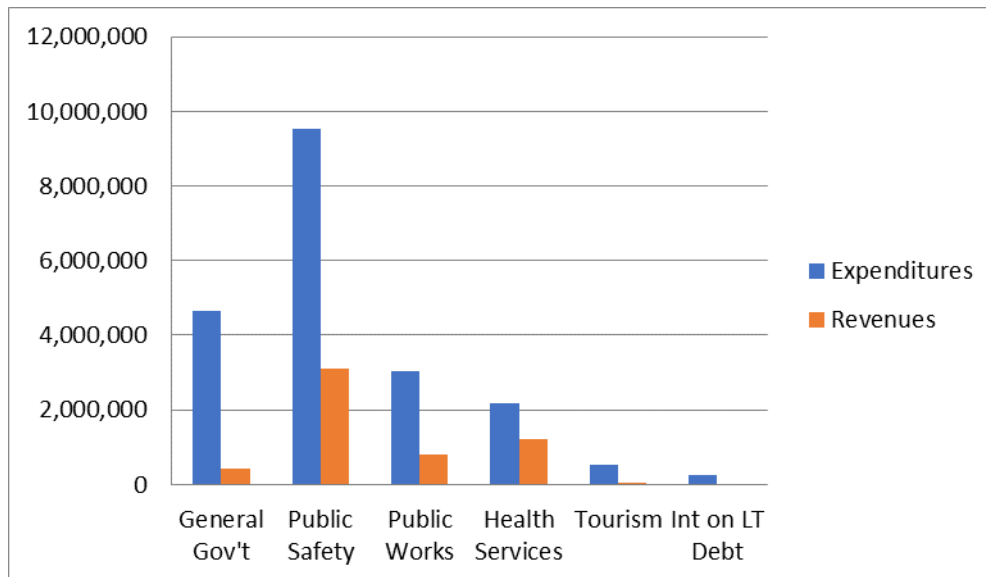
Charges for services revenue increased \$737 thousand from \$12.8 million in FY19 to \$13.5 million in FY20, or 5.75%. Wastewater rates increased 5% in FY20.

The net increase in net position before transfers was \$1.3 million, from \$2.69 million in FY19 to \$3.98 million in FY20, or 47.62%. Transfers Out increased \$132 thousand from \$2.7 million in FY19 to \$2.8 million in FY20, or 4.91%.

Solid Waste expenses decreased \$231 thousand from \$3.0 million in FY19 to \$2.7 million in FY20, or 7.79%. Water and wastewater expenses decreased \$249 thousand from \$7.33 million in FY19 to \$7.09 million in FY20, or 3.40%.

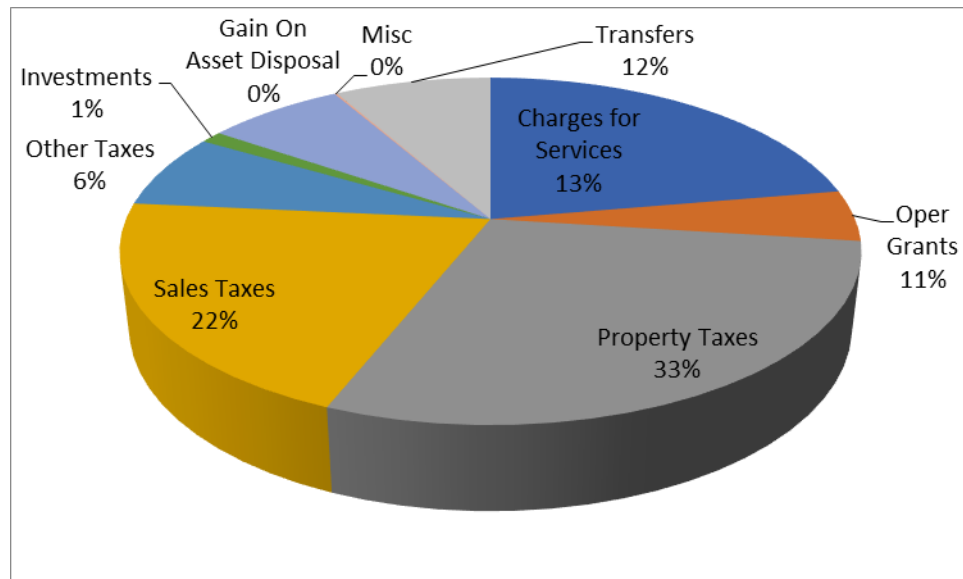
Graph 1 presents the cost of each of the City’s major governmental functions, as well as the associated program revenues.

Graph 1: Program Revenues to Activity Expenditures



Graph 2 indicates, in pie chart form, the sources of revenue for governmental activities. As expected in governmental activities, the subsidy required from taxpayers provides the majority support to these core services.

Graph 2: Revenue by Source – Governmental Activities



Revenues of the City's business-type activities are associated with operating activities accounted for in the Enterprise Funds. Solid Waste and Storm Water activities are recorded in the General Fund but are shown in the government-wide statement as a business-type activity.

The Combined Utilities System of water, wastewater, and storm water accounted for 72.15% of the expenses generated for business-type activities, with solid waste accounting for an additional 27.85%. The Utilities System had operating revenues of \$9.03 million, up by \$414 thousand, and operating income before transfers was of \$2.09 million, an increase of \$816 thousand. The major causes of these results were:

- Water revenues were up by \$157 thousand due to increased consumption
- Wastewater revenues were up by \$341 thousand due to a rate increase
- Stormwater revenues were up by \$24 thousand
- Operating grant revenues were up by \$118 thousand
- The operating expenses decreased by \$249 thousand, primarily due to overall expenditure reductions.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

- Total assets of the General Fund increased \$2.6 million from \$12.84 million to \$15.45 million between FY19 and FY20. Most of this overall increase in total assets is from an increase of \$2.16 million in Equity in Pooled Cash and Cash Equivalents due to funding received from the Cares Act, an increase of \$1.15 million in Due From Other Governments and a decrease of \$782 thousand from Due From Other Funds.
- Deferred Revenues for FY20 increased \$28 thousand. Total liabilities of the General Fund increased by \$203 thousand to approximately \$1.66 million or, 13.91%. Most of the increase is attributed to a \$250 increase in Due To Other Funds and others. This brings the ratio of total assets to total liabilities (including deferred revenues) to 6.73 times in 2020, up from 6.22 in 2019.
- Starting on page 87, see the Budgetary Results of the General Fund section below for more details on the General Fund revenues and expenditures resulting in General Fund excess of revenues over expenditures before other financing sources.
- Committed Fund Balance for Street Maintenance increased by \$243 thousand. The Committed Fund Balance for Landfill Closure/ Post Closure increased by \$129 thousand and increased \$109 thousand for Capital Outlay. The overall Fund Balance increased \$2.37 million from \$10.8 million in FY19 to \$13.2 million in FY20.

Police Forfeiture Funds

- Total assets of the Police Forfeiture Fund decreased \$388 thousand from \$2.1 million to \$1.7 million between FY19 and FY20. Most of this overall decrease in total assets is from a decrease in Cash and Cash Equivalents of \$344 thousand and a decrease in Restricted Cash and Cash Equivalents of \$40 thousand as compared to FY19. There are fewer seizures occurring due to the construction work on US 77.
- Total liabilities of the Police Forfeiture Fund decreased by \$315 thousand from \$806 thousand in FY19 to approximately \$491 thousand in FY20. This brings the quick ratio (current assets to current liabilities) to 3.52 times in FY20 from 2.62 times in FY19.
- Year-end unsettled seizures remain from current City of Kingsville Police department seizures. Unsettled seizures pending were down \$43 thousand, and Due to Other Funds and Governments were down \$224 thousand on September 30, 2020, due to all payoffs not being completed before year end.
- The Police Forfeiture Fund revenues increased \$34 thousand or 38.99%, from \$88 thousand in FY19 to \$122 thousand in FY20. This amount of increase was due to an increase of awarded seizure of funds. Police Forfeiture Fund expenditures saw a decrease of \$681 thousand from \$872 thousand in FY19 to \$191 thousand in FY20. As the number of awarded seizures decrease, so too will the amount of expenditures.
- The Police Forfeiture Fund Restricted Fund Balance decreased by \$73 thousand from \$1.3 million in FY19 to \$1.2 million in FY20. The net of revenues over or under expenditures determines the change in value of the fund balance.

Debt Service Fund

- The Debt Service Fund Balance decreased \$146 thousand from \$764 thousand in FY19 to \$618 thousand in FY20. This was a decrease of 19.09% from FY19 to FY20. The City

structures the Debt Service Fund Balance to minimize the balance being carried to no more than required for the cash flow necessary to service the City's debt.

Other Governmental Funds

- Total assets of the Other Governmental Funds decreased \$744 thousand from \$1.8 million to \$1.0 million between FY19 and FY20. Equity in Pooled Cash and Cash equivalents increased \$138 thousand, while Restricted Cash and Cash equivalents decreased \$794 thousand. Accounts Receivable decreased \$24 thousand and Due From Other Funds and Governments decreased \$49 thousand between FY19 and FY20.
- Total liabilities and deferred revenues of the Other Governmental Funds decreased by \$627 thousand to approximately \$230 thousand, a 73.12% decrease. Most of the decrease is attributed to a \$564 thousand decrease in Due to Other Funds and Governments due to end of year payoffs that were completed by year end.
- Other Governmental Funds includes Federal and State grants and Capital Projects Funds. As the awarding of grants decline and capital projects are completed, these fund balances will continue to decrease due to the nature of these types of funds. The fund balance for these funds was \$930 thousand in FY19 and decreased to \$760 thousand in FY20.

Budgetary Results of the General Fund

Revenues

Per page 87, General Fund taxes and business tax revenues were \$12.2 million, which was \$212 thousand, or 1.77% above the final budget. Ad Valorem Delinquent revenues were \$138 thousand, which was \$38 thousand, or 38.47% above budget. Penalty and interest were \$102 thousand, which was \$2 thousand, or 2.37%, above budget, respectively. The City usually budgets these estimated revenues low to adjust for possible anomalies that might occur in the collection process. Sales Tax Revenue was \$5.1 million, which was \$95 thousand, or 1.88% above budget. Franchise tax revenue was \$869 thousand, which was \$219 thousand or 33.67% higher than the final budget. These variances are the result of conservative budgeting and changes in the local economy. It is fortunate that the City of Kingsville practices conservative budgeting due to the pandemic that continues through today. This practice allowed actuals to come close to conservative budget estimates. Franchise taxes had the highest difference due to unknown affects on the legislative change to payers of franchise taxes.

Fines and Forfeitures revenue was less than the Final Budget for FY20 by \$173 thousand, or 21.06%. In FY20, there was \$71 thousand more budgeted for Fines revenue than in FY19. The budget was increased due to increased revenues in FY 19; however, the pandemic caused court sessions to be cancelled for many months. Smaller dockets and virtual court sessions continue. Warrants were affected as well as the County jail was not accepting new defendants due to social distancing, sanitizing requirements and the spread of COVID.

Total Charges for Sanitation Services revenues were \$4.1 million which was \$82 thousand, or 2.04% more than the final budget. Sanitation Services Garbage Fees revenue was lower than the final budget by \$66 thousand, or 1.96% of the Final Budget for FY20. The Sanitation Services Landfill Fees revenue was more than the final budget by \$161 thousand, or about 25.65% for

FY20. This increase was directly related to the acceptance of more outside haulers using the landfill. This increase helped to offset the shortage in the local shortfall in garbage revenue.

Expenditures

City Administration Department

The City Commission expenditures were lower than the final budget by \$40 thousand or 28.74%. Commissioners were not able to travel as conferences were cancelled and a restoration project was put on hold due to the pandemic.

The City Manager expenditures were lower than the final budget by \$56 thousand or 17.85%. The City Manager was hired in December 2020 and having an interim for the first quarter resulted in lower payroll costs. Travel expenses were less as many conferences were cancelled and services were paired down with working from home.

City Special Services expenditures were lower than the final budget by \$177 thousand, or 18.17%. This favorable budget variance was mainly the result of lower expenditures for property and liability insurance and non-expenditures for events that were cancelled.

Economic Development saw expenditures lower by \$47 thousand due to an incentive agreement payment not due in FY 20.

Overall, the City Administration Department was able to reduce expenditures by \$319 thousand or 20.20%.

Management Services Department

The Personnel Division expenditures were lower than the final budget by \$18 thousand or 4.70% due to lower costs associated with a wellness initiative that was put on hold. As much of the administrative workforce worked remotely and face to face interactions with the public were reduced, expenditures associated with this division were reduced. As with other divisions, travel did not occur as conferences were cancelled.

Municipal Court expenditures were lower than the final budget by \$12 thousand or 4.01%. Expenditures for travel decreased due to conferences cancelled and services budgeted for interpreters and court notices decreased due to court dockets being cancelled or reduced due to the pandemic.

Finance expenditures were lower than the final budget by \$11 thousand or 1.71%. Expenditures for supplies decreased due to the workforce working remotely for 7 months and travel was put on hold due to the pandemic.

Facilities expenditures were lower than the final budget by \$33 thousand or 6.27%. Expenditures for building maintenance decreased due to maintenance projects that were put on hold and several buildings had less traffic requiring less on-going maintenance.

Information Technology expenditures decreased by \$39 thousand, or 6.85%. The Cares Act provided funding for technology items that would have been paid with the regular budget. As workers needed technology equipment to work from home, office equipment was used less and resulted in fewer computers needing to be replaced as planned.

Overall, the Management Services Department expenditures were lower by \$112 thousand or 4.69%.

Legal Department

The Legal Department expenditures were lower by \$27 thousand, or 10.54%. Expenditures for contract attorney work decreased due to reduced Municipal Court dockets and travel did not occur due to cancelled conference and training sessions due to the pandemic.

Urban Development Department

Planning expenditures were lower by \$26 thousand, or 16.42% due to vacancies in the department and most travel was put on hold due to the pandemic.

Permits and Licenses expenditures were lower by \$5 thousand, or 3.48% due to reduce travel expenditures and a change to an operating lease.

Community Appearance Services expenditures were lower than the final budget by \$94 thousand, or 26.29%. The reason for less than budgeted expenditures was mainly due to the Beautification program that was reduced, and salary savings occurred due to an employee transfer.

The Downtown Manager division expenditures were lower than the final budget by \$9 thousand, or 9.42% due to a change in personnel and travel was put on hold.

Overall, the Urban Development Department expenditures were lower by \$134 thousand or 17.47%.

Police Department

Police Department total expenditures were lower than the final budget by \$426 thousand, or 6.89%. Of this lower amount, \$31 thousand is related to lower Personal Services expenditures due to vacancies. Supplies were lower by \$50 thousand due to vacancies which resulted in lower gasoline usage, guns and ammunition needs and uniforms. Services were lower by \$72 thousand due to less travel and training and less costs to house inmates at the County jail as they were not accepting any local defendants due to COVID. Equipment Maintenance was lower by \$23 thousand due to less vehicle maintenance. Building Maintenance was lower by \$18 thousand due to planned maintenance being put on hold. Lease payments were lower by \$72 thousand due to an anticipated lease payment not occurring in the initial year. Capital outlay expenditures were lower by \$159 thousand as costs came in lower than expected.

Fire Department

Fire Department total expenditures were lower than the final budget by \$403 thousand, or 10.97%. Personal Services expenditures for the Fire Department were \$70 thousand below

budget due to vacancies, along with Supplies at \$22 thousand below budget due to lower costs of uniforms and personal protection items. Services were \$41 thousand below budget due to lower travel costs and Vehicle and Equipment Maintenance was \$13 thousand below budget due to planned maintenance being put on hold. Capital outlay expenditures were lower by \$256 thousand due to a planned vehicle replacement that did not occur because funding for this purchase was not received due to changes in the outside administration of this supplemental program.

Volunteer Fire Department

Expenditures for the Volunteer Fire Department were \$28 thousand less than the final budget, or 45.38%. Usage of volunteers declined due to the pandemic, which in turn reduced all the associated costs.

Public Works Department

Expenditures for the Public Works Administration division were \$15 thousand less than the final budget, or 4.77% due to vacancies. There was a change to software maintenance and a vehicle purchase was less costly than planned.

Garage expenditures were \$5 thousand less than the final budget, or 1.0% due to less work needed by the garage.

Sanitation expenditures were less than the final budget by \$63 thousand, or 4.75% mostly due to the initial capital lease payment budgeted that did not occur in FY 19-20.

Street total expenditures were lower than the final budget by \$353 thousand, or 14.80%. The majority of this came from lower maintenance expenditures of \$270 thousand due to delays in work and \$81 thousand due to employee vacancies.

Landfill total expenditures were lower than the final budget by \$123 thousand, or 8.07%. Lower expenditures were due to reduced overall operations due to the pandemic. Reductions in all expenditure categories occurred.

The Recycling Center total expenditures were lower than the final budget by \$8 thousand, or 16.96% due to a vacancy and less service for the compactor and bailer.

Overall, the Public Works Department expenditures were lower by \$566 thousand, or 9.33%.

Health Department

Health Department expenditures were lower than the final budget by \$35 thousand, or 9.59% due to reduced operations due to the pandemic. All expenditure categories saw reductions.

Parks and Recreation Department

Total expenditures for the Parks and Recreation Department were lower than the final budget by \$177 thousand, or 16.64%. This department was hard hit by the pandemic as the pool, softball, and recreation programs closed for the year due to the pandemic. Events were cancelled due to capacity limits set by the state legislators.

Golf Course

Total expenditures for the Golf Course were lower than the final budget by \$159 thousand, or 20.60%. This department was like the Parks and Recreation Department in that the Golf Course was also closed for most of the fiscal year due to the pandemic. Even though the Golf Course could open limited hours towards the end of the fiscal year, this department took a hit in both expenditures and revenues.

Total Revenues and Expenditures

General Fund total revenues, not including transfers-in, were \$21.4 million which is \$1.03 million, or 5.04% above the final budget. The General Fund expenditures not including transfers-out came in at \$21.1 million which is \$2.4 million or 10.17% below the final budget. Actual revenues exceeded expenditures by \$288 thousand, but it does not include Other Financing Sources of \$2.09 million.

Budget Amendments of the General Fund

The General Fund revenues budget was amended by an increase of \$357 thousand to the following sources:

- General services fee budget was amended by \$52 thousand. This budget includes donations which are never budgeted prior to receiving the donation.
- Other donations received not budgeted prior to receiving totaled \$25 thousand.
- Intergovernmental revenue budget was amended by \$279,334 for the advance funding from the Care Act.

Further information on the revenue amendments is detailed on page 81-82 of the Notes to the Financial Statement.

The General Funds comparison of expenditures from the Original Budget to the Final Budget overall change of \$571 thousand from the following sources::

The City Administration Department budget increased by \$270,872. Included in this overall department is:

- City Manager budget decreased by \$8,463. Overage in the health care budget in this division was used to cover other division health care shortages.
- City Special budget changed by \$279,334 for increases in expenditures reimbursed by the Cares Act advance funding.

The Management Services Department budget changed by (\$4,824). Included in this overall department is:

- Personnel budget changed by \$3,676
- Finance budget changed by (\$26,071) due to a vacant position.
- Information Technology budget changed by (\$6,803) due to lower personnel costs.

The Legal Department budget changed by \$1,044 due to increased health care costs.

The Urban Development Department budget changed by \$21,538. Included in this overall department is:

- Planning changed by (\$21,621) due to lower personnel costs and professional services due to staffing changes.
- Permits and Licenses changed by \$31,964 due to additional inspection costs due to staffing changes.
- Community Appearance changed by \$7,625 due to sidewalk project that was needed to be completed but was unknown about to be part of the budget process.
- The Downtown Manager budget changed by \$3,571 due to additional Christmas decorations were needed for the downtown area.

The Police department budget changed by \$2,156 due to a donation received for K-9 body armor.

The Fire department changed by \$25,633 due to rolled over projects from the prior fiscal year.

The Public Works Department changed by \$6,268 due to budget cutting.

The Parks and Recreation Department budget changed by \$74,056 due to \$19,900 donations received for recreational programs, \$43,491 in roll-over projects that were not completed in the prior year and \$10,665 in additional equipment to open the new dog park.

The Golf Course Department budget changed by \$144,120 for due to emergency repairs that were needed for the fairways.

The Tourism Department budget changed by \$43,000 due to professional services billed as part of the funding commitment for the JK Northway.

Operating transfers out were changed by \$42,936 for the sidewalk project, provide additional funding for the golf course emergency repairs and a grant cash match.

Additional information on the City's Original Budget to Final Budget and Final Budget to Actual can be found on Exhibit B-1, pages 87-94 Further information on the expenditure amendments is detailed on pages 81-82 of the Notes to the Financial Statement.

Non-major Governmental Funds

Four special revenue funds comprise the portion of the financial statements found on pages 101-109. Total assets for the combined funds were \$1.04 million, total liabilities were \$283 thousand, and total fund balances were \$760 thousand, with \$58 in Assigned Fund Balance, \$755 thousand in Restricted Fund Balance and \$5 thousand in Committed Fund Balance.

The Tourism Fund makes up 49.35% of the revenues of the special revenue funds. The main source of funding for the Tourism Fund is from Hotel/Motel Occupancy Taxes. Another significant portion, 50.65%, of these special funds are the Federal and State Grants. Each of the special revenue funds are maintained separately because of special provisions for the receipt and

expenditure of funds in compliance with Federal or State laws or regulations and the City's bond ordinances, or other City Commission actions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Table A-3: Capital Assets (net of depreciation)
September 30, 2020 and 2019
(In thousands of dollars)

	Governmental Activities			Business-type Activities		
	2020	2019	% Change FY 19-20	2020	2019	% Change FY 19-20
Land	\$ 580	\$ 560	3.57%	\$ 595	\$ 595	0.00%
Building & improvements	7,739	7,962	-2.81%	15,558	15,400	1.03%
Equipment	1,150	1,689	-31.94%	2,323	2,409	-3.57%
Vehicles	3,307	3,289	0.56%	533	637	-16.35%
Road network	5,805	6,049	-4.03%	-	-	0.00%
Construction in progress	260	9	2788.89%	2,370	2,369	0.04%
Total	\$ 18,841	\$ 19,558	-3.67%	\$ 21,379	\$ 21,410	-0.15%

In the Notes to the Financial Statements located on page 68-69, the City has invested \$107.2 million (before depreciation) in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads and bridges, and its utility system.

TABLE A-3: Governmental Activities

Construction in progress increased \$251 thousand from \$9 thousand in FY19 to \$260 thousand in FY20 with the on-going projects funded with Certificates of Obligation. As projects are started, construction in progress will continue to increase.

TABLE A-3: Business-type Activities

Building and improvements net of depreciation increased \$158 thousand from \$15.4 million in FY19 to \$15.6 million in FY20, or 1.03% net of accumulated depreciation. Equipment decreased \$122 thousand from \$2.4 million in FY19 to \$2.3 million in FY20, or 4.99%. Construction in progress increased \$1 thousand from \$2.369 million in FY19 to \$2.370 million in FY20, or 0.06% indicating construction projects were put on hold due to pandemic.

Additional information on the City's Capital Assets can be found on Note E, pages 68-69 of the Notes to the Financial Statements.

Table A-4: Long-Term Liabilities
September 30, 2020 and 2019
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Certificates of obligation	\$ 5,879	\$ 9,948	\$ 5,485	\$ 6,147	\$ 11,364	\$ 16,095
Limited tax refunding bonds	3,011	405	4,290	5,100	7,301	5,505
Premium on bonds payable	526	219	461	189	987	408
Capital Leases	692	597	1,416	709	2,108	1,306
Total debt	10,108	11,169	11,652	12,145	21,760	23,314
Net pension liability	949	5,525	162	944	1,111	6,469
Landfill closure cost	0	0	1,781	1,684	1,781	1,684
Compensated absences	1,125	1,050	87	77	1,212	1,127
OPEB Liability	620	1,315	163	352	783	1,667
Total long-term debt	\$ 12,802	\$ 19,059	\$ 13,845	\$ 15,202	\$ 26,647	\$ 34,261

Table A-4 indicates that total long-term debt decreased by \$7.6 million from FY19 to FY20, or 22.22%. Of that, landfill closure costs increased \$97 thousand, or 5.79%, while compensated absences increased 7.60% and other post-employment costs decreased \$885 thousand or 53.07%. Total debt outstanding at fiscal year-end was \$26.6 million, from \$34.3 million for the prior year.

In addition, there were overall reductions of \$4.7 million in certificates of obligation bonds and revenue bonds (Combined Utility System) through scheduled principal payments and a refunding. Governmental Activities' certificate of obligations had an \$4.07 debt decrease and the Business-type activities had a reduction of \$662 thousand. Additional information on the City's Long-Term Obligations can be found on Note G, Item # 1-3, and pages 71-73 of the Notes to the Financial Statements.

Ad Valorem Taxes

The FY18 tax rates were \$0.68522 for the General Fund and \$0.16782 for the Debt Service Fund, totaling \$0.85304 per \$100 of assessed value. Therefore, the City's tax margin of \$1.64696 per \$100 of assessed value could increase taxes \$14.0 million on each year based on the assessed value of \$848,688,588. A brief discussion of the ad valorem tax limitations of the Constitution of the State of Texas and the City Charter are found in Note A Item #4b, page 61 of the Notes to the Financial Statements.

Bond Ratings

The City's bond ratings from two rating agencies were reaffirmed or maintained in fiscal year 2019. The unenhanced bond ratings for general obligation bonds were maintained at A1 from Moody's Investors Service, Inc. (Moody's) and reaffirmed A+ from Standard & Poor's Ratings Service (S&P). The City no longer has revenue bonds outstanding, and therefore does not maintain revenue bond ratings.

FISCAL YEAR 2020-2021 ADOPTED OPERATING BUDGET

The total Revenues and Expenditures adopted for the FY20-21 budget are \$44,588,817 and \$47,556,544, respectively. The \$2.97 million difference between expenditures and revenues is due mostly to drawing down fund balances to complete capital projects, the largest portion of which are for projects financed by Certificates of Obligation (C.O.'s). The operating budgets and capital project budgets are combined, and C.O. fund balances are not re-appropriated which leads to a higher difference.

Budget Overview

The management practices employed, and the recommendations put forth in the Budget are intended to improve resident satisfaction with city services consistent with City commission goals. The City's General Fund is the largest and most diverse fund in terms of total budgeted dollars and scope of services to residents. The General Fund 001 budget is required to maintain reserves equal to 25% of budgeted expenditures for the subsequent year. Reserve requirements are \$5,440,468 and our ending estimated fund balance is \$7,598,693, leaving a projected operating surplus of \$2.15 million over the required minimum of \$5.44 million.

The net deficits for FY20 and FY21 are not generally attributed to the City's basic operations resulting instead from planned expenditures and draw down of bond proceeds (Certificates of Obligation) and accumulated operating surpluses from previous years.

General Discussion

The city's fiscal condition is stable, due in part, to consistent growth of the City's property taxes.

Other revenues are also growing and are required to keep pace with general and specific inflation and to offset scheduled and discretionary employee compensation increases; employee professional, technical and safety training; street reconstruction and repairs; facility and office upgrades; equipment replacements; and various electronic and communication technologies. City staff must also keep a watchful eye on the cost of unfunded mandates imposed on cities by government and regulatory agencies.

Other Postemployment Benefits (OPEB)

The City of Kingsville began recognizing this liability and making cash deposits in FY13 and continues to adjust the accrued liability according to the annual actuarial report. Retirees can remain on the City's health plan until they reach the age of 65. Historically, the City has had only a minimum number of retirees at any time being covered.

Compensation Plan and Personnel Adjustments

FY21 expenditures for personnel services are proposed to increase \$1.37 million or 7.78% from actual expenditures of \$17,613,877 in FY20 to \$18,984,004 of budgeted expenditures in FY21. This increase is attributed to a 2% cost of living increase for all non-civil service employees, an increased longevity payment for all non-civil service employees and vacant positions that were not filled in FY20. All positions are budgeted at 100% regardless of prior year vacancies.

Capital Outlays

City staff capital outlay requests for FY21 totaled \$7,546,923; of which \$2,011,314 was approved. The capital outlay items approved promotes employee efficiency, effectiveness, and safety and is a combination of large and small items. It includes:

- \$44,000 City records restoration and preservation project
- \$10,500 concrete pad at the Recycling Center
- \$40,000 Dr. Pepper building roof replacement
- \$28,000 Police Department fire system replacement
- \$240,000 capital lease of 4 Police vehicles
- \$38,232 capital lease payment on Police vehicles
- \$77,515 capital lease on Fire command vehicle
- \$12,348 capital lease payment on Fire command vehicle
- \$30,676 Recycling Center parking lot
- \$15,000 Scagg mower for Street Department
- \$34,000 capital lease on Golf Course backhoe
- \$5,416 capital lease payment on Golf Course backhoe
- \$11,265 North Plant lift station roof
- \$9,390 South Plant lift station blower building roof
- \$9,800 Scagg mower for Wastewater
- \$125,000 84,000 ground storage tank
- \$154,000 (2) 100 HP submersible dry pit pumps
- \$930,000 capital lease for 3 garbage trucks
- \$147,868 capital lease payment on garbage trucks
- \$13,304 John Deere mower for Parks Maintenance
- \$25,000 trail development at Dick Kleberg Park
- \$10,000 installation of playground equipment

CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City Commission, citizens, taxpayers, customers, bondholders, creditors, and other governmental sectors with a general overview of the City's financial condition and to demonstrate the City's accountability for the funds it receives.

If you have any questions about this report or need additional information, contact:

The City of Kingsville
Director of Finance
P.O. Box 1458
Kingsville, Texas 78364
(361) 595-8009 (phone), (361) 595-8035 (fax)
Or visit our web site at: www.cityofkingsville.com

CITY OF KINGSVILLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,380,873	\$ 1,808,404	\$ 9,189,277
Equity in pooled cash and cash equivalents	5,272,978	4,728,806	10,001,784
Receivables (net of allowances for uncollectibles):			
Taxes	1,736,357	--	1,736,357
Accounts	496,627	1,574,158	2,070,785
Internal balances	27,688	(27,688)	--
Due from other governments	1,411,330	--	1,411,330
Inventory, at cost	390,009	404,457	794,466
Restricted assets:			
Cash and cash equivalents	1,288,797	2,140,655	3,429,452
Equity in pooled cash and cash equivalents	729,516	--	729,516
Accounts receivable	--	154,626	154,626
Long-term assets:			
Land and construction in progress	840,572	2,964,863	3,805,435
Capital assets, net of related depreciation	18,000,721	18,414,131	36,414,852
Total Assets	<u>37,575,468</u>	<u>32,162,412</u>	<u>69,737,880</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on Refunding	55,212	47,316	102,528
Deferred outflow related to pensions	692,145	118,232	810,377
Deferred outflow related to OPEB	93,962	28,582	122,544
Total Deferred Outflows of resources	<u>841,319</u>	<u>194,130</u>	<u>1,035,449</u>
LIABILITIES			
Accounts payable	1,376,991	480,216	1,857,207
Accrued wages payable	128,489	24,668	153,157
Payable from restricted assets:			
Accrued interest payable	53,184	68,064	121,248
Customer deposits	479,660	883,276	1,362,936
Due to:			
Other governments	253,094	--	253,094
Others	448	--	448
Liabilities due within one year:			
Accumulated unpaid compensated absences	576,680	38,500	615,180
Leases payable	189,865	256,104	445,969
Contractual obligations payable	1,129,870	1,180,130	2,310,000
Liabilities due beyond one year:			
Accumulated unpaid compensated absences	548,716	48,038	596,754
Leases payable	502,278	1,160,276	1,662,554
OPEB liability	619,541	162,568	782,109
Contractual obligations payable	8,286,433	9,056,085	17,342,518
Net pension liability	948,946	162,100	1,111,046
Landfill closure costs	--	1,781,054	1,781,054
Total Liabilities	<u>15,094,195</u>	<u>15,301,079</u>	<u>30,395,274</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	2,203,294	376,373	2,579,667
Deferred inflows of resources related to OPEB	566,132	154,293	720,425
Other deferred inflows of resources	59,355	2,534	61,889
Total Deferred Inflows of Resources	<u>2,828,781</u>	<u>533,200</u>	<u>3,361,981</u>
NET POSITION:			
Net Investment in Capital Assets	8,732,847	9,726,399	18,459,246
Restricted For:			
Federal and State Programs	328,247	--	328,247
Debt Service	934,510	--	934,510
Capital Projects	34,326	2,734,415	2,768,741
Municipal Court Security	8,391	--	8,391
Law Enforcement	1,305,171	--	1,305,171
Municipal Court Technology	34,071	--	34,071
Tourism	378,676	--	378,676
Unrestricted	8,737,572	4,061,449	12,799,021
Total Net Position	<u>\$ 20,493,811</u>	<u>\$ 16,522,263</u>	<u>\$ 37,016,074</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
General government and administration	\$ 4,658,647	\$ 380,421	\$ 55,950
Public safety	9,544,822	1,386,835	1,711,525
Public works	3,053,129	807,064	--
City/County	2,168,364	370,251	839,551
Tourism	543,425	50,090	--
Interest on long-term debt	266,416	--	--
Total Government Activities	<u>20,234,803</u>	<u>2,994,661</u>	<u>2,607,026</u>
Business-type Activities:			
Water Improvement	4,126,370	4,886,760	142,715
Stormwater	1,261	404,887	--
Solid waste	2,735,102	4,115,973	--
Wastewater	2,957,232	4,141,620	--
Total Business-type Activities	<u>9,819,965</u>	<u>13,549,240</u>	<u>142,715</u>
Total Primary Government	<u>\$ 30,054,768</u>	<u>\$ 16,543,901</u>	<u>\$ 2,749,741</u>

General Revenues:
Property taxes
Sales taxes
Franchise taxes
Bingo taxes
Alcoholic beverage taxes
Hotel/Motel taxes
Unrestricted investment earnings
Gain (loss) on disposal of capital assets
Miscellaneous income
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning
Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (4,222,276)		\$ (4,222,276)
(6,446,462)		(6,446,462)
(2,246,065)		(2,246,065)
(958,562)		(958,562)
(493,335)		(493,335)
(266,416)		(266,416)
<u>(14,633,116)</u>		<u>(14,633,116)</u>
--	\$ 903,105	903,105
--	403,626	403,626
--	1,380,871	1,380,871
--	1,184,388	1,184,388
<u>--</u>	<u>3,871,990</u>	<u>3,871,990</u>
<u>(14,633,116)</u>	<u>3,871,990</u>	<u>(10,761,126)</u>
7,651,822	--	7,651,822
5,116,414	--	5,116,414
868,834	--	868,834
2,986	--	2,986
48,876	--	48,876
508,437	--	508,437
260,690	105,101	365,791
23,500	--	23,500
39,536	--	39,536
2,823,386	(2,823,386)	--
<u>17,344,481</u>	<u>(2,718,285)</u>	<u>14,626,196</u>
2,711,365	1,153,705	3,865,070
17,782,446	15,368,558	33,151,004
<u>\$ 20,493,811</u>	<u>\$ 16,522,263</u>	<u>\$ 37,016,074</u>

CITY OF KINGSVILLE

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Police Forfeiture Fund
ASSETS		
Assets:		
Cash and cash equivalents	\$ 4,307,105	\$ 1,199,736
Equity in pooled cash and cash equivalents	6,861,452	--
Receivables (net of allowances for uncollectibles):		
Taxes	1,589,926	--
Accounts	675,021	10
Assessments	59,824	--
Due from:		
Other funds	109,296	--
Other governments	1,264,226	--
Inventory, at cost	375,987	--
Restricted assets:		
Cash and cash equivalents	41,914	491,146
Equity in pooled cash and cash equivalents	8,391	34,590
Accounts receivable	154,626	--
Total Assets	<u>\$ 15,447,768</u>	<u>\$ 1,725,482</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY		
Liabilities:		
Accounts payable	\$ 812,299	\$ 4,629
Accrued wages payable	126,604	--
Payable from restricted assets:		
Customer deposits	--	479,660
Due to:		
Other funds	469,917	6,290
Other governments	253,053	--
Others	448	--
Total Liabilities	<u>1,662,321</u>	<u>490,579</u>
Deferred Inflows of Resources:		
Deferred revenue	<u>633,557</u>	<u>--</u>
Total Deferred Inflows of Resources	<u>633,557</u>	<u>--</u>
Equity:		
Fund balances:		
Nonspendable:		
Inventory	375,986	--
Restricted:		
Debt service	--	--
Capital outlay	--	--
Municipal court building security	8,391	--
Municipal court technology	--	34,071
Law enforcement	--	1,200,832
Tourism	--	--
Federal and state programs	--	--
Committed:		
Landfill	1,618,699	--
Street maintenance	948,921	--
Park maintenance	44,089	--
JK Northway project	557,000	--
Sanitation capital outlay	531,054	--
Capital outlay	1,330	--
Assigned:		
Drug awareness	--	--
Unassigned:	<u>9,066,420</u>	<u>--</u>
Total Equity	<u>13,151,890</u>	<u>1,234,903</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 15,447,768</u>	<u>\$ 1,725,482</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 29,461	\$ 575	\$ 5,536,877
--	328,041	7,189,493
146,431	--	1,736,357
1,843	41,344	718,218
--	--	59,824
--	--	109,296
--	147,104	1,411,330
--	14,022	390,009
2,171	511,907	1,047,138
626,774	--	669,755
--	--	154,626
<u>\$ 806,680</u>	<u>\$ 1,042,993</u>	<u>\$ 19,022,923</u>
\$ --	\$ 122,460	\$ 939,388
--	1,885	128,489
--	--	479,660
41,821	106,028	624,056
--	41	253,094
--	--	448
<u>41,821</u>	<u>230,414</u>	<u>2,425,135</u>
146,431	52,839	832,827
<u>146,431</u>	<u>52,839</u>	<u>832,827</u>
--	--	375,986
618,428	--	618,428
--	121,478	121,478
--	--	8,391
--	--	34,071
--	--	1,200,832
--	378,676	378,676
--	254,528	254,528
--	--	1,618,699
--	--	948,921
--	5,000	49,089
--	--	557,000
--	--	531,054
--	--	1,330
--	58	58
--	--	9,066,420
<u>618,428</u>	<u>759,740</u>	<u>15,764,961</u>
<u>\$ 806,680</u>	<u>\$ 1,042,993</u>	<u>\$ 19,022,923</u>

CITY OF KINGSVILLE

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020*

Total fund balances - governmental funds balance sheet	\$ 15,764,961
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	18,841,293
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	671,306
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	1,219,267
Payables for bond principal which are not due in the current period are not reported in the funds.	(8,889,690)
Payables for capital leases which are not due in the current period are not reported in the funds.	(692,144)
Payables for bond interest which are not due in the current period are not reported in the funds.	(53,184)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,125,396)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	55,212
Solid waste assets & liabilities are included in the general fund but are in business activities in SNP	(1,219,395)
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(948,946)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(2,203,294)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	692,145
Bond premiums are amortized in the SNA but not in the funds.	(526,613)
Recognition of the City's proportionate share of the net OPEB liability is not reported in the funds.	(619,541)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(566,132)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	93,962
Net position of governmental activities - Statement of Net Position	\$ <u>20,493,811</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Police Forfeiture Fund
Revenue:		
Taxes	\$ 12,152,149	\$ --
Licenses and permits	273,086	--
Charges for services	6,020,386	--
Fines and forfeitures	648,971	110,243
Special assessments	5,333	--
Interest and miscellaneous	229,515	11,718
Gain or loss on sale of property	23,500	--
Donations	23,517	--
Intergovernmental revenue	2,033,862	--
Federal and state grants	--	--
Total Revenues	<u>21,410,319</u>	<u>121,961</u>
Expenditures:		
Current:		
General government and administration	4,439,395	8,186
Public safety	9,059,459	182,321
Public works	5,462,829	--
City/County	2,117,944	--
Tourism	43,000	--
Debt service:		
Principal retired	--	--
Interest	--	--
Bond issuance costs	--	--
Paying agent fees	--	--
Total Expenditures	<u>21,122,627</u>	<u>190,507</u>
Excess (deficiency) of revenues (under) expenditures	287,692	(68,546)
Other Financing Sources (Uses):		
Transfers in	1,756,006	--
Transfers out	(307,469)	(4,167)
Insurance settlement	14,548	--
Payment to refunding bonds escrow agent	--	--
Bond issuance premium	--	--
Issuance of debt-refunding bonds	--	--
Lease proceeds	622,780	--
Total Other Financing Sources (Uses)	<u>2,085,865</u>	<u>(4,167)</u>
Net Change in Fund Balances	2,373,557	(72,713)
Fund Balances/Equity, October 1	10,778,333	1,307,616
Fund Balances/Equity, September 30	<u>\$ 13,151,890</u>	<u>\$ 1,234,903</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,477,342	\$ 508,437	\$ 14,137,928
--	--	273,086
--	50,090	6,070,476
--	--	759,214
--	--	5,333
8,908	6,193	256,334
--	--	23,500
--	250	23,767
--	--	2,033,862
--	573,163	573,163
<u>1,486,250</u>	<u>1,138,133</u>	<u>24,156,663</u>
--	108,479	4,556,060
--	311,910	9,553,690
--	--	5,462,829
--	98,215	2,216,159
--	493,110	536,110
1,226,939	--	1,226,939
251,620	--	251,620
61,843	--	61,843
2,900	--	2,900
<u>1,543,302</u>	<u>1,011,714</u>	<u>23,868,150</u>
(57,052)	126,419	288,513
49,765	192,044	1,997,815
--	(489,008)	(800,644)
--	--	14,548
(3,051,000)	--	(3,051,000)
358,635	--	358,635
2,705,982	--	2,705,982
--	--	622,780
<u>63,382</u>	<u>(296,964)</u>	<u>1,848,116</u>
6,330	(170,545)	2,136,629
612,098	930,285	13,628,332
<u>\$ 618,428</u>	<u>\$ 759,740</u>	<u>\$ 15,764,961</u>

CITY OF KINGSVILLE

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020*

Net change in fund balances - total governmental funds	\$ 2,136,629
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	781,609
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,498,065)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	59,442
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	11,024
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	60,231
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,169,343
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	214,060
(Increase) decrease in accrued interest from beginning of period to end of period.	46,475
The net revenue (expense) of internal service funds is reported with governmental activities.	217,789
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(75,658)
Solid waste activities are included in the general fund, but are included in business activities in SOA	(220,257)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(2,705,983)
Bond premiums are reported in the funds but not in the SOA.	(356,563)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(308,737)
The City's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	142,694
The City's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	37,332
Change in net position of governmental activities - Statement of Activities	\$ <u>2,711,365</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,604,994	\$ 934,612
Equity in pooled cash and cash equivalents	4,114,232	--
Receivables (net of allowances for uncollectibles):		
Accounts	1,198,778	196,130
Due from:		
Other funds	69,488	542,448
Inventory, at cost	404,457	--
Restricted assets - noncurrent:		
Cash and cash equivalents	2,252,927	--
Total current assets	<u>9,644,876</u>	<u>1,673,190</u>
Noncurrent assets:		
Capital assets:		
Land	181,743	--
Utility plant	44,141,458	--
Equipment	3,580,229	--
Vehicles	2,374,450	--
Construction in progress	215,358	--
Total capital assets	50,493,238	--
Less accumulated depreciation	(34,806,185)	--
Net capital assets	15,687,053	--
Total noncurrent assets	15,687,053	--
Total Assets	<u>25,331,929</u>	<u>1,673,190</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to pensions	118,232	--
Deferred outflow related to OPEB	19,554	--
Deferred Loss on Refunding	47,316	--
Total Deferred Outflows of Resources	<u>\$ 185,102</u>	<u>\$ --</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 474,188	\$ 453,923
Accrued wages payable	24,668	--
Due to:		
Other funds	97,175	--
Accumulated unpaid compensated absences	38,500	--
Current liabilities payable from restricted assets:		
Accrued interest payable	53,395	--
Leases payable	68,963	--
Contractual obligations payable	1,133,837	--
Customer deposits	883,276	--
Total current liabilities	<u>2,774,002</u>	<u>453,923</u>
Long-term liabilities, net of current portion:		
Accumulated unpaid compensated absences	48,038	--
OPEB liability	117,485	--
Leases payable	467,037	--
Contractual obligations payable	9,056,082	--
Net pension liability	162,100	--
Total long-term liabilities, net of current portion	<u>9,850,742</u>	<u>--</u>
Total Liabilities	<u>12,624,744</u>	<u>453,923</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to pensions	376,373	--
Deferred inflow related to OPEB	106,451	--
Other Deferred inflows	2,534	--
Total Deferred Inflows of Resources	<u>485,358</u>	<u>--</u>
NET POSITION		
Net investment in capital assets	4,961,134	--
Restricted for:		
Self insurance	--	1,219,267
Capital outlay	2,734,415	--
Unrestricted	4,711,380	--
Total Net Position	<u>\$ 12,406,929</u>	<u>\$ 1,219,267</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE

EXHIBIT A-7R

*RECONCILIATION OF THE PROPRIETARY FUND STATEMENT OF NET POSITION
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020*

Utility Fund Net Position - Proprietary Funds Statement of Net Position	\$ 12,406,929
Amounts reported for business-type activities in the statement of net position are different because:	
Solid Waste is a business-type activity that is included in the general fund. Assets and liabilities relating to Solid Waste are included in business-type activities in the government-wide statement of net position	
	4,072,132
Assets and liabilities of certain internal service funds are included in business type activities in the SNP.	
	<u>43,202</u>
Net Position of Business-type Activities - Statement of Net Position	\$ <u><u>16,522,263</u></u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Enterprise Fund	Nonmajor Internal Service Fund
	Utility Fund	Insurance Fund
OPERATING REVENUES:		
Water	\$ 4,856,480	\$ --
Other income	690	2,968
Wastewater	4,576,787	--
Insurance premiums	--	3,510,485
Intergovernmental revenue	9,705	--
Federal Revenue	133,010	--
Total Operating Revenues	<u>9,576,672</u>	<u>3,513,453</u>
OPERATING EXPENSES:		
Personal services	2,528,068	--
Supplies	558,368	--
Services	1,857,601	3,481,796
Maintenance	834,779	--
Uncollectable accounts	69,489	--
Depreciation and amortization	990,334	--
Total Operating Expenses	<u>6,838,639</u>	<u>3,481,796</u>
Operating Income (Loss)	<u>2,738,033</u>	<u>31,657</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest	101,491	2,995
Interest and fiscal agent charge	(246,224)	--
Total Non-operating Revenues (Expenses)	<u>(144,733)</u>	<u>2,995</u>
Net Income (Loss) before Transfers	<u>2,593,300</u>	<u>34,652</u>
TRANSFERS IN (OUT):		
Transfers In	23,352	181,399
Transfers Out	(1,401,922)	--
Total Transfers In (Out)	<u>(1,378,570)</u>	<u>181,399</u>
Net Income (Loss)	<u>1,214,730</u>	<u>216,051</u>
Net Position, October 1	11,192,199	1,003,216
Net Position, September 30	<u>\$ 12,406,929</u>	<u>\$ 1,219,267</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE**EXHIBIT A-8R**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020*

Change in net position - utility fund	\$ 1,214,730
Amounts reported for business-type activities in the statement of activities are different because:	
Solid Waste is a business-type activity that is included in the general fund. The net revenues of the Solid Waste activity are reported in the business-type activities.	<u>(61,025)</u>
Change in net position of Business-type activities - statement of activities	\$ <u><u>1,153,705</u></u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Utility Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Cash received from customers	\$ 9,192,062	\$ --
Cash receipts (payments) for interfund services provided and used	--	3,400,431
Cash received from other governments	142,715	
Cash payments to employees for services	(2,536,913)	--
Cash payments to other suppliers for goods and services	(2,954,357)	(3,234,968)
Net Cash Provided (Used) by Operating Activities	<u>3,843,507</u>	<u>165,463</u>
Cash Flows from Non-capital Financing Activities:		
Proceeds (payments) from (for) interfund borrowings	(398,332)	(285,291)
Transfers from other funds	23,352	181,399
Transfers (to) other funds	(1,401,922)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,776,902)</u>	<u>(103,892)</u>
Cash Flows from Capital and Related Financing Activities:		
Principal and interest paid	(4,031,149)	--
Proceeds from issuance of refunding bonds	2,319,017	--
Proceeds from bond premiums	307,385	--
Proceeds from capital leases	536,000	--
Acquisition or construction of capital assets	(1,015,768)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(1,884,515)</u>	<u>--</u>
Cash Flows from Investing Activities:		
Interest and dividends on investments	109,398	3,036
Net Cash Provided (Used) for Investing Activities	<u>109,398</u>	<u>3,036</u>
Net Increase (Decrease) in Cash and Cash Equivalents	291,488	64,607
Cash and Cash Equivalents at Beginning of Year	7,680,665	870,005
Cash and Cash Equivalents at End of Year	<u>\$ 7,972,153</u>	<u>\$ 934,612</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 2,738,033	\$ 31,657
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	990,334	--
Provision for uncollectible accounts	69,489	--
Change in Assets and Liabilities:		
Decrease (increase) in receivables	58,105	(113,022)
Decrease (increase) in inventories	(30,927)	--
Decrease (increase) in due from other governments	18,229	--
Increase (decrease) in accounts payable	73,489	246,828
Increase (decrease) in deferred inflows	390,938	--
Increase (decrease) in accrued wages payable	13,986	--
Increase (decrease) in accrued other employment and post employment benefits	18,110	--
Increase (decrease) in net pension liability	(781,737)	--
Increase (decrease) in OPEB liability	(130,724)	--
Increase (decrease) in deferred outflow related to pension	439,730	--
Increase (decrease) in deferred loss on refunding	(51,618)	--
Increase (decrease) in accumulated compensated absences	9,922	--
Increase (decrease) in customer deposits	18,148	--
Total Adjustments	<u>1,105,474</u>	<u>133,806</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,843,507</u>	<u>\$ 165,463</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2020

	Custodial Fund
	Court Cash Bond Account
ASSETS	
Assets:	
Cash and cash equivalents	\$ 30,956
Total Assets	<u>\$ 30,956</u>
LIABILITIES AND EQUITY	
Liabilities:	
<i>Payable from restricted assets:</i>	
<i>Customer deposits</i>	\$ 30,956
Total Liabilities	<u>30,956</u>
Net Position:	<u>--</u>
Total Net Position	<u>--</u>
Total Liabilities and Net Position	<u>\$ 30,956</u>

The accompanying notes are an integral part of this statement.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

A. Reporting Entity and Summary of Significant Accounting Policies

The financial statements of the City have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary fund types in accordance with an election made by the City under GASB Statement No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of these Notes. The remainder of the Notes is organized to provide explanations, including required disclosures, on the City's financial activities for the fiscal year ended September 30, 2020.

1. Reporting Entity

The City of Kingsville was incorporated in 1911 and adopted its first charter in 1916 as a home rule city under the provisions of Chapter 13 of the Revised Statutes of the State of Texas. The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter (last amended August 9, 1986): public safety (police and fire), streets and sidewalks, sanitation, health and social services, parks and recreation, public improvements, and general administrative services.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. As required by generally accepted accounting principles, these financial statements present the City and should include any entities for which the City is considered financially accountable. Blended component units, although legally separate entities in substance, are part of the City operations and data from these units should be combined with data of the City. On the other hand, a discretely presented component unit would be reported in a separate column in the combined financial statements to emphasize it is legally separate from the City.

a. Blended Component Units

The City did not have a Blended Component Unit at September 30, 2020.

b. Discretely Presented Component Unit

The City did not have a Discretely Presented Component Unit at September 30, 2020.

c. Related Organizations and Jointly Governed Organizations

Related organizations and jointly governed organizations provide services within the City that are administered by separate boards or commissions, but the City is not financially accountable, and such organizations are, therefore, not component units of the City, even though the City Council may appoint a voting majority of an organizations' board. Consequently, financial information for the Kingsville Housing Authority, Kingsville Industrial Foundation and the Greater Economic Development Council are not included in these financial statements.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. In the government-wide statement of net position, both the governmental and business-type columns are (1) presented on a consolidated basis by column, and (2) reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue.

The government-wide statement focuses on the substantiality of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The City's solid waste activity is included in the governmental funds in the fund financial statements, and as a business-type activity in the government-wide financial statements. This presentation is appropriate because the City does not have a pricing policy for solid waste designed to recover its cost.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statements. The City's internal service fund accounts for major medical activities. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

presented at the government-wide level in the statement of net position. The net activity of these services is offset against the appropriate functional activity in the statement of activities. This complies with the City's policy of eliminating internal activity from the government-wide statements. Interfund services provided and used are not eliminated in the process of consolidation.

The City's fiduciary funds are presented in the fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (e.g., other governments or private parties) and cannot be used to finance activities or obligations of the government, these funds are not incorporated into the government-wide statements. The City's fiduciary funds are used to account for court cash bonds held for others, and for certain funds collected and passed through to other governments, as well as the deferred compensation pension trust fund.

The City reports the following major governmental funds:

General Fund. This fund is the general operating fund of the City. It is used to account for all financial resources except for those required to be accounted for in another fund.

Police Forfeiture Fund. This fund is used to account for revenues from seized assets, and the related expenditures.

Debt Service Fund. This fund is used to account for funds needed to make principal and interest payments on outstanding bonds when due. The City reports this fund as major because of public interest and consistency between years.

In addition, the City reports the following major enterprise fund:

Enterprise Fund. This fund is used to account for the operations of the City's combined utilities. The fund includes the City's water, wastewater, and stormwater systems, and the activities of the City's landfill is included in the government-wide (business-type) presentation.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Those revenues considered susceptible-to-accrual are property taxes, hotel occupancy taxes, special assessments, interest income, and charges for services. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

3. Implementation of New Standards

The City has adopted all current GASB pronouncements that are applicable to its operations and activities. The following are new GASB Pronouncements:

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities for all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City will implement this Statement in fiscal year 2020. (Postponed by 1 year by GASB in light of the COVID-19 pandemic)

GASB Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City will implement this Statement in fiscal year 2021. (Postponed by 18 months by GASB in light of the COVID-19 pandemic)

GASB Statement No. 89, *Accounting for Interest Cost*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The City will implement this Statement in fiscal year 2021, if applicable. (Postponed by 1 year by GASB in light of the COVID-19 pandemic)

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

GASB Statement No. 90, Majority Equity Interests, improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City will implement this Statement is fiscal year 2020, if applicable. (Postponed by 1 year by GASB in light of the COVID-19 pandemic)

The City has not fully determined the effects that implementation of these statements will have on the City's financial statements.

4. Financial Statement Amounts

a. Equity in Pooled Cash and Cash Equivalents

Cash balances of all City funds are pooled and invested. At year-end, negative balances of individual funds which result from pooling cash, are reclassified to bank overdraft in the financial statements. Investments purchased with pooled cash consisting of certificates of deposit and obligations of the U.S. Government and its agencies or instrumentalities, are recorded at cost, which approximates estimated fair value. Cash and cash equivalents in the accompanying combined balance sheets, includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

b. Real Property and Sales Taxes

Property taxes attach as an enforceable lien on property as of January 1. The City's property tax is levied each October 1 on the basis of assessed value at the date the enforceable lien attaches. Appraised values are established by the Kleberg County Appraisal Board, assessed at 100% of appraised value, approved by the Kleberg County Appraisal Review Board and certified by the Chief Appraiser. Responsibility for the billing and collection of the City's taxes has been transferred to Kleberg County as a cost-cutting measure in consolidating government functions.

Taxes are due on receipt of the tax bill and are delinquent if not paid before February of the year following the year in which imposed. Taxes become delinquent at February 1, at which time penalties and interest charges are applicable. Property tax revenues are recorded as revenues when they become available. At September 30, property tax receivables are fully deferred because collections received within the following sixty days are immaterial.

The City operates under the Laws of the State of Texas as a Home Rule City, and is limited to a total tax rate of \$2.50 per \$100 of assessed valuation. Neither the State law, nor the City Charter, limits the proportion of this total tax rate which may be applied to debt service.

In order to obtain approval of its general obligation bonds by the Attorney General of the State, a satisfactory showing of adequate taxing power must be made. As a general rule, the Attorney General will not approve new bonds if this will make the net debt exceed twenty-five percent of the assessed value. The 2019 tax rate was \$.85304, of which \$.68522 was distributed to the General Fund and \$.16782 was applied to the Debt Service Fund. Using the twenty-five percent rule, the City's legal margin is \$243,622,400.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The top ten taxpayers are as follows:

<u>Taxpayer Name</u>	<u>Nature of Operations</u>	<u>Assessed Valuation</u>	<u>% of Total Taxable Valuation</u>
AEP Texas Inc.	Electric Utility	18,426,680	2.30%
KL Phase 1 Owner LTD	Apartments	13,795,990	1.72%
Rockstar Oak Tree LLC	Apartments	12,476,420	1.56%
Apexone Javelina LLC	Apartments	9,031,930	1.13%
Kingspointe- Victoria LLC	Apartments	8,685,680	1.08%
Alpha Lake LTD	Apartments	8,680,800	1.08%
KL Phase II Owner LTD	Apartments	8,674,190	1.08%
HEB Grocery Inc	Retail	8,098,300	1.01%
Wal-Mart Stores Inc #01-0442	Retail	6,612,750	0.82%
Wal-Mart Stores Texas, LLC US00442	Retail	5,791,470	0.72%

c. **Inventory**

Inventory is valued at cost (last-in, first-out). All inventory purchases are recorded as inventory acquisitions (current assets) at the time of purchase and expensed when issued.

Inventories of governmental funds are offset by a fund balance reserve which indicates that they do not constitute "available expendable resources" even though they are a component of net current assets.

d. **Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

e. **Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at their acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner of duration of use of capital assets; or construction stoppage due to lack of funding. There were no impairment charges during fiscal year 2019.

f. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. There are no significant receivables which are not scheduled for collection within one year of year-end.

g. Deferred Inflows and Outflows

Deferred inflows of resources represent 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. Deferred outflows of resources represent 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.

Deferred outflows of resources in the Statement of Net Position totaled \$1,035,449, of which \$841,319 is in governmental activities and \$194,130 in business-type activities.

There were deferred inflows of resources in the Statement of Net Position of \$3,361,981 of which \$2,828,781 is in governmental activities, and \$533,200 is in business-type activities.

Additional information concerning deferred outflows of resources and deferred inflows of resources related to pensions can be found in Note 8, Pension and Retirement Plans.

h. Restricted Assets

Certain debt proceeds of the City's enterprise funds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, certain resources from fines set aside according to state law for municipal court technology and building security are classified as restricted assets. The City Commission has set aside funds for future landfill closure costs, and these funds are also classified as restricted assets.

When an expense is incurred for purposes for which both restricted and unrestricted assets are available, the City's policy is to apply restricted assets first.

i. 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 debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the period incurred the term of the related debt.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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 resources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the governmental funds, bond discounts and issuance costs are treated as period costs in the year issued. Bond issuance costs are shown as an "other financing use".

j. Pension Plans

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

k. Fund Equity

In the government-wide financial statements and proprietary fund financial statement, net position is classified in the following categories:

Net Invested in Capital Assets - This category represents the net carrying value of all capital assets, reduced by the outstanding balances of long-term debt that are attributable to the acquisition, construction, or improvement of these assets.

Restricted - The restricted component of net position represents restricted assets reduced by liabilities related to those assets. This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category is the "residual" component of net position that does not meet the definition of "restricted" or "invested in capital assets".

In the governmental fund financial statements, the components of fund balances reflect policies and procedures established by actions of the City Commission and its designated officials.

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation. The enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Committed Fund Balance - represents amounts that can only be used for a specific purpose pursuant to constraints imposed by City ordinance no later than the close of the fiscal year. Committed amounts cannot be used for any other purpose unless the Board of Commissioners removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Commissioners. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Commissioners or by an official or body to which the Board of Commissioners delegates the authority. This authority is per City Charter, Article IV, Section 10 which states "The Commission shall enact all ordinances and resolutions, and adopt all regulations and constitute the legislative and governing body of the City. The Commission shall have the power to appoint the City Judge, the City Manager, and City Attorney." Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

Minimum Unassigned Fund Balance - The City will maintain a minimum unassigned fund balance in its General Fund of 25% of the subsequent year's budgeted expenditures and outgoing transfers. The City will maintain a minimum unassigned fund balance in its Utility Fund of 25% of the subsequent year's budgeted expenditures and outgoing transfers. The City, as of September 30, 2020, met their minimum requirements.

Spending Prioritization in Using Available Resources:

When an expenditure is incurred for a purpose 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.

I. Accumulated Unpaid Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. These compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. Expenses are recorded in the governmental funds as employees resign or retire. Compensated absence liabilities are normally paid from the funds reporting payroll and related expenditures including the general fund and special revenue funds.

m. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None	N/A

2. Deficit Fund Balance or Fund Net Position of Individual Funds

The following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash and Investments

Texas statutes authorize the City to invest in (1) obligations of the U.S. Treasury or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties or cities rated A or better by a national investment rating firm; (5) certificates of deposit that are insured by the Federal Deposit Insurance Corporation (FDIC) or secured by obligations having a market value of at least the principal amount of the certificates; and (6) fully collateralized direct repurchase agreements.

1. Cash & Cash Equivalents

At September 30, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$23,380,987 and the bank balance was \$24,284,626. The City's cash deposits at September 30, 2020 and during the year ended September 30, 2020, were entirely covered by FDIC insurance or properly secured by collateral held by the City's agent in the City's name.

2. Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's fair value does not vary with market interest rate changes. Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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

The City's investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities & Exchange Commission ("SEC") as an investment company but, nevertheless, has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Investment	Reported Amount	Fair Value
Texas Class (Rated @ AAAm)	\$ 352,159	\$ 352,159

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year-end and, if so, the reporting of the certain related disclosures:

1. Credit Risks

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At the end of the period, the City was not significantly exposed to credit risk.

2. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At the end of the period, the City was not exposed to custodial credit risk.

3. Concentration of Risk

This risk is the risk of loss attributed to the magnitude of government's investment in a single issuer. At the end of the period, the City was not exposed to concentration of credit risk.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

4. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At the end of the period, the City was not significantly exposed to interest rate risk.

5. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At the end of the period, the City was not exposed to foreign currency risk.

D. Receivables

	General	Debt Service	Enterprise	Enterprise Restricted	Primary Government Total
Receivables:					
Accounts	\$ 6,822,404	\$ --	\$ 2,709,777	\$ 227,577	\$ 9,759,758
Taxes - Property	848,591	244,053	--	--	1,092,644
Taxes - Franchise & Sales	1,080,772	--	--	--	1,080,772
Special Assessments	59,824	--	--	--	59,824
Gross Receivables	8,811,591	244,053	2,709,777	227,577	11,992,998
Less: Allowance for uncollectable	(6,725,039)	(97,621)	(1,135,620)	(72,951)	(8,031,231)
Net total receivable	\$ 2,086,552	\$ 146,432	\$ 1,574,157	\$ 154,626	\$ 3,961,767

The component unit has no accounts receivable at year-end.

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 560,053	\$ 20,346	\$ --	\$ 580,399
Construction in progress	8,627	251,545	--	260,172
Total capital assets not being depreciated	568,680	271,891	--	840,571
<i>Capital assets being depreciated:</i>				
Road network	19,285,846	--	--	19,285,846
Buildings and improvements	11,050,995	49,248	--	11,100,243
Equipment	6,880,663	91,410	--	6,972,073
Vehicles	7,568,834	369,060	--	7,937,894
Total capital assets being depreciated	44,786,338	509,718	--	45,296,056
Less accumulated depreciation for:				
Road network	(13,236,276)	(244,434)	--	(13,480,710)
Buildings and improvements	(3,088,591)	(273,021)	--	(3,361,612)
Equipment	(5,192,086)	(630,401)	--	(5,822,487)
Vehicles	(4,280,316)	(350,209)	--	(4,630,525)
Total accumulated depreciation	(25,797,269)	(1,498,065)	--	(27,295,334)
Total capital assets being depreciated, net	18,989,069	(988,347)	--	18,000,722
Governmental activities capital assets, net	\$ 19,557,749	\$ (716,456)	\$ --	\$ 18,841,293

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Business-type activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 594,943	\$ --	\$ --	\$ 594,943
Construction in progress	2,368,571	287,048	(285,699)	2,369,920
Total capital assets not being depreciated	<u>2,963,514</u>	<u>287,048</u>	<u>(285,699)</u>	<u>2,964,863</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	45,495,549	1,009,511	--	46,505,060
Equipment	6,222,497	376,428	--	6,598,925
Vehicles	4,961,818	14,214	--	4,976,032
Total capital assets being depreciated	<u>56,679,864</u>	<u>1,400,153</u>	<u>--</u>	<u>58,080,017</u>
Less accumulated depreciation for:				
Buildings and improvements	(30,095,585)	(851,508)	--	(30,947,093)
Equipment	(3,777,120)	(498,490)	--	(4,275,610)
Vehicles	(4,361,034)	(82,149)	--	(4,443,183)
Total accumulated depreciation	<u>(38,233,739)</u>	<u>(1,432,147)</u>	<u>--</u>	<u>(39,665,886)</u>
Total capital assets being depreciated, net	<u>18,446,125</u>	<u>(31,994)</u>	<u>--</u>	<u>18,414,131</u>
Business-type activities capital assets, net	<u>\$ 21,409,639</u>	<u>\$ 255,054</u>	<u>\$ (285,699)</u>	<u>\$ 21,378,994</u>

Governmental depreciation was charged to functions as follows:

General Government	\$ 206,855
Tourism	7,891
Public Safety	685,095
Public Works	431,676
City/County	<u>166,548</u>
	<u>\$ 1,498,065</u>

Business-type depreciation was charged to functions as follows:

Water	\$ 366,782
Wastewater	623,552
Solid Waste	<u>441,813</u>
	<u>\$ 1,432,147</u>

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2020, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 103,006	Short-term loans
General Fund	Police Forfeiture Fund	6,290	Short-term loans
	Subtotal	<u>109,296</u>	
Utility Fund	Debt Service Fund	41,822	
Utility Fund	General Fund	27,666	
	Subtotal	<u>69,488</u>	
Internal Service Fund	General Fund	440,665	Short-term loans
Internal Service Fund	Utility Fund	97,175	Short-term loans
Internal Service Fund	Other Governmental Funds	4,608	Short-term loans
	Subtotal	<u>542,448</u>	
	Total	<u>\$ 721,232</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2020, consisted of the following:

Transfers To	Transfers From	Amount	Reason
General Fund	Other Governmental Funds	\$ 401,839	
General Fund	Police Forfeiture Fund	4,167	Supplement other funds sources
General Fund	Utility Fund	1,350,000	Supplement other funds sources
	Subtotal:	<u>1,756,006</u>	
Debt Service Fund	Other Governmental Funds	<u>49,765</u>	
Other Governmental Fund	Utility Fund	--	Supplement other funds sources
Other Governmental Fund	General Fund	106,000	Supplement other funds sources
Other Governmental Fund	Other Governmental Funds	86,044	Supplement other funds sources
	Subtotal:	<u>192,044</u>	
Utility Fund	General Fund	<u>23,352</u>	Supplement other funds sources
Internal Service Fund	General Fund	146,352	
Internal Service Fund	Utility Fund	33,922	
Internal Service Fund	Other Governmental Fund	1,125	Supplement other funds sources
	Subtotal:	<u>181,399</u>	
	Total	<u>\$ 2,202,566</u>	

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

G. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Certificates of obligation	\$ 9,948,050	\$ --	\$ 4,069,343	\$ 5,878,707	\$ 908,707
Limited Tax Refunding					
Bond	405,000	2,705,983	100,000	3,010,983	221,163
Premium on Bonds Payable	218,949	358,635	50,971	526,613	--
Total bonds payable	10,571,999	3,064,618	4,220,314	9,416,303	1,129,870
Capital leases	597,466	308,737	214,060	692,143	189,865
Total long-term debt	11,169,465	3,373,355	4,434,374	10,108,446	1,319,735
Net pension liability *	5,525,315	7,668,623	12,244,992	948,946	--
Accumulated compensated absences*	1,049,738	791,342	715,684	1,125,396	576,680
OPEB liability *	1,314,636	93,605	788,700	619,541	--
Governmental activities					
Total long-term debt	\$ 19,059,154	\$ 11,926,925	\$ 18,183,750	\$ 12,802,329	\$ 1,896,415

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Business-type activities:</u>					
Certificates of obligation	\$ 6,146,950	\$ 2,319,017	\$ 2,980,657	\$ 5,485,310	\$ 355,130
Limited Tax Refunding Bond	5,100,000	--	810,000	4,290,000	825,000
Premium on Bonds Payable	188,635	307,349	35,079	460,905	--
Total bonds payable	11,435,585	2,626,366	3,825,736	10,236,215	1,180,130
Capital leases	709,053	850,043	142,717	1,416,379	256,103
Total long-term debt	12,144,638	3,476,409	3,968,453	11,652,594	1,436,233
Net pension liability *	943,838	1,309,957	2,091,695	162,100	--
Landfill closure cost	1,683,614	97,440	--	1,781,054	--
OPEB liability *	352,029	25,065	214,526	162,568	--
Accumulated compensated absences*	76,617	67,878	57,957	86,538	38,500
Business-type activities					
Long-term liabilities	\$ 15,200,736	\$ 4,976,749	\$ 6,332,631	\$ 13,844,854	\$ 1,474,733

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Accumulated compensated absences	Governmental activities	General
Net OPEB liability	Governmental activities	General
Net pension liability	Governmental activities	General
Accumulated compensated absences	Business-type activities	Utility
Net OPEB liability	Business-type activities	Utility
Net pension liability	Business-type activities	Utility

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>2020</u>	<u>2019</u>
Certificates of obligation payable:		
\$10,000,000 Certificates of Obligation, Series 2011 for General Improvements; paid in annual installments of \$375,000 to \$525,000 through 8/1/2032, with interest at 2.0% to 4.6% (53.8504% General Fund and 46.1496% Utility Fund) (This bond was refunded in May 2020)	\$ --	\$ 5,925,000
\$9,040,000 Limited Tax Refunding Bonds Series 2014 due in annual installments of \$810,000 to \$895,000 through September 30, 2025, with interest at 2.0% to 2.5% (100% Utility Fund)	4,290,000	5,100,000
\$4,270,000 Certificates of Obligation Series 2009 for Capital Outlay; due in annual installments of \$110,000 to \$55,000 through February 1, 2021; interest at 3.00% to 3.85%. (General Fund 15.831%, Utility Fund 84.169%).	55,000	110,000
\$5,025,000 Limited Tax Refunding Bonds Series 2020 due to original installments of \$225,000 through August 31, 2032, interest at 4.0% to 4.6% (General Fund 53.8504% and Utility Fund 46.1496%.	5,025,000	--
\$5,230,000 Certificates of Obligation Series 2013, for Capital Outlay and General Improvements, due in annual installments of \$250,000 to \$360,000 through September 2023; interest at 2.0% to 3.0% (18.45% to General Fund and 81.55% to Utility Fund).	3,935,000	4,185,000
\$1,260,000 Limited Tax Refunding Bonds, Series 2013, for Capital Outlay and General Improvements, due in annual installments of \$100,000 to \$105,000 through September 2023; interest at 2.0% (100% General Fund)	305,000	405,000
\$6,740,000 C.O. Series 2016, for Capital Outlay and General Improvements, due in annual installments of \$115,000 to \$845,000 through August 1, 2036; interest at 2.0% to 3.5% (100% General Fund)	<u>5,055,000</u>	<u>5,875,000</u>
Total Certificates of Obligation Payable	<u>\$ 18,665,000</u>	<u>\$ 21,600,000</u>

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2020, are as follows:

Year Ending September 30.	Governmental Activities		
	Principal	Interest	Total
2021	\$ 1,129,870	\$ 250,331	\$ 1,380,201
2022	1,181,551	225,158	1,406,709
2023	1,228,476	198,246	1,426,722
2024	525,402	170,957	696,358
2025	549,249	155,591	704,840
2026-2030	2,676,637	513,376	3,190,013
2031-2035	1,478,504	127,058	1,605,562
2036	120,000	4,200	124,200
Totals	<u>\$ 8,889,690</u>	<u>\$ 1,644,915</u>	<u>\$ 10,534,605</u>

Year Ending September 30.	Business-type Activities		
	Certificates of Obligation		Revenue Bonds
	Principal	Interest	Total
2021	\$ 1,180,130	\$ 271,832	\$ 1,451,961
2022	1,188,449	245,342	1,433,791
2023	1,231,524	218,804	1,450,328
2024	1,274,598	190,943	1,465,542
2025	1,320,751	155,234	1,475,985
2026-2030	2,293,363	432,974	2,726,337
2031-2033	1,286,496	70,867	1,357,363
Totals	<u>\$ 9,775,310</u>	<u>\$ 1,585,998</u>	<u>\$ 11,361,308</u>

The City also may be contingently liable for rebates to the Federal government associated with interest earned on proceeds of tax exempt bonds issued. Based on regulations of the Tax Reform Act of 1986, the rebate would not be made until five years from the bond issuance date and may be liquidated through lower interest earnings in future years. For the fiscal year ended September 30, 2020, the City has no arbitrage liability.

In May 2020, the City issued \$5,025,000 of general obligation bonds with an interest rate of 4.0% to 4.6%. These refunding bonds were issued to defease bonds issued in 2011. The refunding resulted in an economic gain of \$778,087 with a total savings of \$828,458.

3. Advance Refunding of Debt : There is \$5,550,000 of outstanding Refunded Debt as of September 30, 2020. This Debt is scheduled to be paid in full by August 31, 2032.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2020, as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	(1)
2021	\$ 212,585	\$ 302,548	
2022	212,585	302,548	
2023	128,282	234,141	
2024	50,311	234,140	
2025	49,281	234,345	
2026	98,562	277,726	
Total Minimum Rentals	751,606	1,585,448	
Less: Amount representing interest	59,463	169,069	
Present value of net minimum lease payments	<u>\$ 692,143</u>	<u>\$ 1,416,379</u>	

The effective interest rate on capital leases is 2.400% to 4.400%.

(1) This is a governmental fund lease, but for Government-Wide Financial Statements, it is presented as a Utility Fund lease for solid waste.

H. Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Employees covered by benefit terms:

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	187
Inactive employees entitled to but not yet receiving benefits	177
Active employees	265
Total covered employees	<u>629</u>

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.80% and 8.68% in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$1,033,057 and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2019, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 63,531,959	\$ 57,062,804	\$ 6,469,155
Changes for the year			
Service cost	1,587,157	-	1,587,157
Interest	4,239,811	-	4,239,811
Change of benefit terms	-	-	--
Difference between expected and actual experience	(657,718)	-	(657,718)
Changes of assumptions	73,235	-	73,235
Contributions - employer	-	1,014,471	(1,014,471)
Contributions - employee	-	818,122	(818,122)
Net investment income	-	8,819,344	(8,819,344)
Benefit payments, including refunds of employee contributions	(3,027,032)	(3,027,032)	--
Administrative expense	-	(49,847)	49,847
Other changes	-	(1,497)	1,497
Net changes	\$ 2,215,453	\$ 7,573,561	\$ (5,358,108)
Balance at 12/31/2019	\$ 65,747,412	\$ 64,636,365	\$ 1,111,047

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Sensitivity of the net pension liability to changes in the discount rate:

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 10,492,990	\$ 1,111,047	\$ (6,550,686)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2020, the City recognized pension expense of \$865,989.

Schedule of Pension Expense

Total Service Cost	\$ 1,587,157
Interest on the Total Pension Liability	4,239,811
Current Period Benefit Changes	-
Employee Contributions (Reduction of Expense)	(818,122)
Projected Earnings on Plan Investments (Reduction of Expense)	(3,851,739)
Administrative Expense	49,847
Other Changes in Fiduciary Net Position	1,497
Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(165,576)
Recognition of Current Year Outflow (Inflow) of Resources - Assets	(993,521)
Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(284,634)
Amortization of Prior Year Outflows (Inflows) of Resources - Assets	1,101,269
Total Pension Expense	<u>\$ 865,989</u>

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 589,341
Changes in actuarial assumptions	52,489	-
Difference between projected and actual investment earnings	-	1,990,326
Contributions subsequent to the measurement date	757,888	-
Total	<u>\$ 810,377</u>	<u>\$ 2,579,667</u>

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

\$757,888 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	
2021	\$ (822,388)
2022	\$ (792,035)
2023	\$ 80,766
2024	\$ (993,521)
2025	\$ -
Thereafter	\$ -

Contributions made after the measurement date of the net pension liability, but before the end of the employer's or governmental nonemployer contributing entity's reporting period will be recognized as a reduction of the net pension in the subsequent fiscal period rather than in the current fiscal period.

Texas Statewide Emergency Services Personnel Retirement Fund

1. Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system established and administered by the State of Texas to provide Pension benefits for emergency services personnel who serve without significant monetary remuneration.

The City participates in the TESRS. However, the City's participation is considered immaterial and therefore, the City has not recorded deferred inflows, deferred outflows, or net pension liability related to TESRS.

2. Annual Required Contributions-City

The employer annual pension cost of \$4,890 for fiscal year ended September 30, 2020 was equal to the required and actual contributions and the City has no future liability. Three-year information is as follows:

	2018	2019	2020
Annual Required Contribution	\$ 7,296	\$ 5,158	\$ 4,890
Percentage of Required Cost Contributed	100%	100%	100%

Financial reports that include financial statements and supplementary information for each plan are publicly available at the locations shown below.

Plan	Address
Fire Fighters' Retirement System	P.O. Box 12577 Austin, TX 78711

Deferred Compensation Plan

The City has a deferred compensation plan for its employees, created in accordance with Internal Revenue Code, Section 457. Participation in the plan is open to all regular employees and is voluntary. The City does not own or administer the amount deferred by employees and, therefore, the liability and corresponding investments are not reflected in the basic statements.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

I. Post Retirement Benefits

1. Post-Employment Health Care Benefits

The City of Kingsville (the "City") provides post-employment medical benefits on behalf of its eligible retirees, through a self-funded single-employer benefit plan. As a result, the City is required to implement the Governmental Accounting Standards Board ("GASB") Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions ("GASB 75") which replaces GASB 45. GASB 75 requires public employers to perform periodic actuarial valuations to measure and disclose their retiree healthcare liabilities for the financial statement of the employer.

GASB 75 allows and actuarial valuation date no earlier than thirty months and one day prior to the fiscal year-end reporting date and a measurement date no earlier than one year and one day prior to the fiscal year-end reporting date. For the reporting year ending September 30, 2020, the City used an actuarial valuation date of September 30, 2020 and measurement date of September 30, 2020.

Note: Actuarial valuations are done every two years.

Plan Description and Funding Policy

Employees who retire from the City of Kingsville are eligible to continue to participate in the City's health insurance program at the employee group rate which is determined annually by the City of Kingsville and approved by the City Commission. Retirees have 31 days to elect to continue with the City's self-funded health insurance plan (City of Kingsville Benefit Plan Trust) in which they were participating at the time of retirement unless otherwise stated in the plan document or collective bargaining agreement. As of September 30, 2020, a total of 2 eligible retirees were participating in the City's group health program. The City provides one-half of the funding for retiree premiums. Retiree's dependents are excluded from the calculation and are eligible to continue health coverage at the designated COBRA rates during their eligibility period.

Eligibility for Retiree Benefits:

Retirees are eligible to continue their medical coverage until they reach age 65.

To be eligible to continue coverage, retired employees must be receiving benefits for retirement from the Texas Municipal Retirement System, actively employed at the time of retirement.

Texas Municipal Retirement System

Age 60 with 5 years of service
20 years of service

Dependent Eligibility

Spouses and children of the retiree are not eligible for the plan

Medical Benefits

Retirees can continue coverage under the self-funded medical plan

Other Post Retirement

Welfare Benefits

None

Actuarial Assumptions: The Total OPEB Liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	September 30, 2020
Actuarial Valuation Date:	September 30, 2020

Inflation:	3.00%
Salary Increases, including inflation:	3.00%
Discount Rate:	2.75%
Prior Year Discount Rate:	3.83%

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

The discount rate was based on the 9/30/20 Fidelity General Obligation AA 20-Year Yield.

Mortality rates for active employees were based on the PubG.H-2010 (general employees) and PubS.H-2010 (public safety employees) Employee Mortality Tables, Generational with Projection Scale MP-2019 for males or females, as appropriate.

Mortality rates for retirees were based on the PubG.H-2010 (general employees) and PubS.H-2010 (public safety employees) Healthy Annuitant Mortality Tables, Generational with Projection Scale MP-2019 for males or females, as appropriate.

Inactive employees currently receiving benefits payments	2		
Inactive employees entitled to but not yet receiving benefit payments			
Active employees	228		
	<u>230</u>		
Balance at 9/30/2019	\$ 1,666,666		
Changes for the year:			
Service Cost	71,543		
Interest	47,127		
Differences between expected and actual experience	(508,154)		
Changes in Assumptions/Inputs	(448,465)		
Change in Benefit Terms			
Benefit payments	(46,607)		
Administrative expense			
Net Changes	\$ (884,556)		
Balance at 9/30/2020	\$ 782,110		
	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount Rate:	\$ 878,091	\$ 782,110	\$ 697,156
Healthcare Cost Trend Rates:	\$ 677,366	\$ 782,110	\$ 908,676
OPEB Expense			
Service cost		\$ 71,543	
Interest on liabilities		47,127	
Difference between actual and expected experience		(71,058)	
Changes in assumptions-inputs		(48,512)	
Change in benefit terms			
Total OPEB Expense		\$ (900)	
Deferred Outflows and Inflows		<u>Outflows</u>	<u>Inflows</u>
Differences between actual and expected experience	\$ 58,939	\$ 384,075	
Changes of assumptions or other inputs		63,605	336,349
Total Deferred Outflows and Inflows	\$ 122,544	\$ 720,424	

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

Year Ended Sept. 30:		
2021	\$	(119,570)
2022		(239,155)
2023		(239,155)
2024		
2025		
Thereafter		

J. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the City at September 30, 2020.

K. Budgetary Data

Budgets for the General Fund, budgeted special revenue, debt service, and budgeted capital projects funds are adopted in accordance with generally accepted accounting principles (GAAP). The City adopted budgets for the fiscal year ended September 30, 2020 for the following funds:

General Fund
 Tourism Fund
 Police Forfeiture Fund
 Debt Service Fund
 Capital Projects Fund
 Utility Fund

General Fund budget amendments approved during the year included the following:

\$284,521 addition in revenues and other financing sources comprised of:

\$19,500 in Parks and Recreation - Donation revenue for recreational programs
 \$32,560 in Parks and Recreation - Revenue for youth baseball and softball leagues
 \$3,900 in Parks and Recreation - Donation revenue for pony league uniforms and umpires
 \$3,716 in Downtown - Donation revenue for holiday decorations
 \$116 in Downtown - Donation revenue for welcome sign
 \$2,156 in Police Department - Donation revenue for bulletproof armor for K9s

CITY OF KINGSVILLE**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED SEPTEMBER 30, 2020**

\$12,993 in Fire Department - Donation revenue for medical supplies

\$10,063 in Non-Departmental - For insurance claim recovery

\$199,517 in Non-Departmental - For FEMA reimbursements

\$216,523 addition to expenditures and other financing uses comprised of:

\$5,761 in Planning - For planning department rollover projects

\$3,716 in Downtown - Donations for holiday decorations

\$116 in Downtown - Donations for welcome sign

\$2,156 in Police - Donations for K9 body armor

\$12,640 in Fire Department - For rollover projects

\$12,993 in Fire Department - Donations for medical supplies

\$2,500 in Street - For rollover projects

\$1,625 in Parks and Recreation - Administration - For rollover projects

\$9,150 in Golf Course - For rollover projects

\$27,871 in Parks Maintenance - For rollover projects

\$19,500 in Parks and Recreation - Donations for recreational programs

\$4,845 in Parks and Recreation - For rollover projects

\$37,060 in Softball League - For new city youth baseball/softball league

\$3,900 in Softball League - Donations for pony league uniforms and umpires

\$5,000 in Transfers - For rollover projects

\$9,000 in Transfers - For sidewalk project at El Pastel Bakery

\$18,000 in Transfers - For engineering in-kind services

\$1,870 in Transfers - For FD 107 cash match

\$38,820 in Transfers - For emergency repairs at Golf Course

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

L. Compensated Absences

The City allows employees to accumulate an unlimited amount of unused sick leave, vacation and holidays. Upon termination, the maximum hours paid are as follows:

	<u>Vacation</u>	<u>Sick Leave</u>
Salary (after completion of probation)	120	720(1)
Hourly (after completion of probation)	120	720(2)
Police Department	240	720
Fire Department	250	1200
Fire Marshal	166	800

(1) Salaried employees may be paid up to 720 hours if these hours were earned prior to January 1, 1984. Hours earned after this date are not paid. (2) Hourly employees may be paid up to 720 hours if these hours were earned prior to January 1, 1984. After this date, hourly employees may be paid a maximum of 240 hours.

There is no limit on accumulated holiday hours to be paid at termination. As of September 30, 2020, the liability for accrued vacation leave and accrued sick leave is approximately \$1,211,934. The amount applicable to the General Fund and Enterprise Fund of \$1,125,396 and \$86,538, respectively, and have been recorded in its respective fund.

M. Contracts With South Texas Water Authority

South Texas Water Authority contract: Five-year contract with the City running from October 1, 2017 through September 30, 2022.

The South Texas Water Authority (STWA) was created in 1979 as a conservation and reclamation district to finance, construct and operate a regional water supply system which will supply treated water on a wholesale basis to the incorporated cities of Kingsville, Bishop, Driscoll, and Agua Dulce and to the unincorporated community of Banquete. Each of these cities is completely reliant on ground water from the Goliad Formation, an aquifer which underlies Nueces, Kleberg and several adjacent counties. Withdrawal of water from the Goliad Formation created numerous zones of depression or declines in the water table. Additionally, some locations in the area as well as a number of individual wells were producing water of marginal quality particularly in regard to dissolved solids and chloride levels. The Authority's system, which was completed and accepted on September 1, 1984, consists of pipeline facilities originating at the City of Corpus Christi O.N. Stevens Water Treatment Plant at Calallen, Texas, with terminal ground storage facilities located at Driscoll (150,000 gallons), Bishop (750,000), Kingsville (5,000,000), Banquete and Agua Dulce (150,000). The Authority is also authorized to contract the sale of water to non-members. Contracts have been entered into with Coastal Bend Youth City, Ricardo Water Supply Corporation and Nueces Water Supply Corporation. The Authority has the ability to levy property taxes in its district not to exceed \$.10 per \$100 assessed valuation. The Authority purchases treated water from the City of Corpus Christi and delivers it into ground storage facilities constructed by it and located at the designated delivery point in each customer city. Use and resale of such water by the customer city is subject to all of the terms, conditions, and restrictions set forth in the Authority's water supply contract with Corpus Christi. The price of water will be uniform among the STWA customer cities and will be based on water rates as discussed below.

PRICES AND TERMS

(A) Water Rate - The City shall pay for all water delivered into its system from the Authority at the water rate, which shall be the sum of two elements - a handling charge and the cost of water as described as following:

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

1. Handling Charge

- a. The handling charge shall be designed to cover all of the Authority's expenses other than the cost of water, including operation and maintenance expenses and amounts budgeted to be paid in the current year for capital improvements, plus an amount sufficient to accumulate and maintain a reasonably adequate reserve fund as stated in subparagraph b, less tax receipts and all other income and revenue. The handling charge, commencing on the effective date of this one-year contract extension and remaining in effect until September 30, 2020 was \$.426386 per thousand gallons of water delivered.
- b. The adjustment in the handling charge may exceed an increase of 5% in any contract year if the Authority obtains prior written approval of customers representing in the aggregate not less than 75% of the water purchased from the Authority during its preceding Fiscal Year.
- c. Notice of a change in handling charge shall be delivered to the City on or before the 10th day of August of each contract year. The notice shall state the amount of the new charge and the reason and calculations for the adjustment. The new handling charge shall be effective commencing at the beginning of the next contract year.
- d. The City may object to the handling charge for any contract year after the initial year by delivering to the Authority a notice stating the nature of the City's objection to the charge. The objection shall be resolved by following the dispute resolution procedures established in the contract. If the dispute is not resolved by the beginning of the subject contract year, the City shall pay at the new rate until the dispute is resolved. The handling charge determined through the dispute resolution procedure shall be effective as the beginning of that contract year unless otherwise agreed by the parties.
- e. Any change in the handling charge, by agreement, dispute resolution, or otherwise shall apply to all customers of the Authority, in accordance with the contract.

2. Cost of Water

The cost of water shall be defined as meaning the actual price per one thousand gallons paid by the Authority to the City of Corpus Christi for water received by the Authority under the Corpus Christi Water Supply Agreement during a service month. It is expected that the cost of water will fluctuate from month to month, resulting in a corresponding fluctuation in the water rate. The water rate ranged from \$.2509620 to \$.2556238 per thousand gallons.

(B) Water Supply Contract - The City and STWA signed a five-year contract on September 25, 2017 which is in effect until September 30, 2022.

(C) Guaranteed Purchase - The City shall purchase a minimum volume of water not to be less than \$300,000 annually unless additional purchases are necessary to supplement the City of Kingsville water requirements. The City purchased \$380,312 and \$399,947 in 2020 and 2019, respectfully.

N. Risk Management

1. The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtained general; law enforcement, error and omissions; automobile, mobile equipment, real and personal property liability coverage; workers' compensation and unemployment insurance at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State to form the Texas Municipal League Intergovernmental Risk Pool, (TML), a Self-Funded Pool currently operating as a common risk management and insurance program for approximately 1,800 members. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining

CITY OF KINGSVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. TML's annual financial statements can be obtained at 211 East Seventh Street, Third Floor, Austin, Texas 78701.

2. Health Insurance

The City began to self-insure for health insurance due to the high cost of commercial health insurance, effective October 1, 2001. A stop loss policy which covers health claims in excess of \$75,000 per individual with a maximum lifetime coverage of \$925,000 is kept in force. In addition, the City's aggregate stop loss coverage is \$1 million and the City maintains aggregate coverage of its group health expenses at 100% of projected claims. Settlements have not exceeded insurance coverage during the past three years.

All funds of the City participate in the program and make payments to the Self-Insurance Fund based on estimates of amounts needed to pay prior and current year claims. The claims liability of \$453,923 at September 30, 2020 is based on requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund claims liability amounts for fiscal year 2020 and 2019 were:

	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2019	\$ 270,323	\$ 3,157,507	\$ 3,220,735	\$ 207,095
2020	\$ 207,095	\$ 3,321,182	\$ 3,074,354	\$ 453,923

The liability at year end is equal to three months of paid claims subsequent to September 30, 2020 but that had been incurred prior to that date, and is considered a current liability for reporting purposes.

3. Litigation Tort Claims

The City is a defendant in various tort claims and lawsuits involving general liability, automobile, civil rights actions, and various contractual matters. In the opinion of the City's management and counsel, the outcome of the pending litigation will not have a material effect on the City's financial position or operation.

O. Closure and Postclosure Care Cost

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, expense provisions and related liabilities are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure costs is based on the amount of the landfill used during the year. The amount of the liability is based on what it would cost to have all such closure and postclosure care performed in the current year, and is assigned to periods based on cumulative landfill use. The estimated liability for landfill closure and postclosure care costs recorded in the business-type activities at September 30, 2020 is \$1,781,054 based on 16.485% usage (filled) of the landfill through September 30, 2020. It is estimated that an additional \$8,649,414 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity in 2115. The estimated total current cost for the landfill closure and postclosure care of \$10,430,468 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2020. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

CITY OF KINGSVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

P. Segment Information for Enterprise Funds

Because the utility system fund is a segment and is reported as a major fund in the fund financial statement, segment disclosures herein are not reported.

Q. Non-Budgeted Funds

Budgets are prepared for all governmental funds except the Federal and State Grant Funds. As grants are awarded, grant budgets are established through budget amendments. The budgets are prepared on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

R. Subsequent Event

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through April 9, 2021 (the date of the Audit Report). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that require additional disclosure.

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT B-1
Page 1 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
General Property Taxes:				
Current taxes	\$ 5,895,538	\$ 5,895,538	\$ 5,767,719	\$ (127,819)
Delinquent taxes	100,000	100,000	138,470	38,470
Penalty and interest	100,000	100,000	102,371	2,371
Late rendition fee	7,000	7,000	6,479	(521)
In lieu of tax payments	106,000	106,000	100,000	(6,000)
Total General Property Taxes	6,208,538	6,208,538	6,115,039	(93,499)
City Sales Tax	5,021,800	5,021,800	5,116,414	94,614
Mixed Drink Tax	60,000	60,000	48,876	(11,124)
Bingo Tax	--	--	2,986	2,986
Business Taxes:				
Electric franchise tax	500,000	500,000	688,066	188,066
Telephone franchise tax	40,000	40,000	51,916	11,916
Gas franchise tax	50,000	50,000	75,649	25,649
Cable T.V. franchise tax	60,000	60,000	53,203	(6,797)
Total Business Taxes	650,000	650,000	868,834	218,834
Total Taxes	11,940,338	11,940,338	12,152,149	211,811
Permits and Licenses:				
Plumbing permits	11,000	11,000	8,860	(2,140)
Electric permits	19,000	19,000	22,256	3,256
Building permits	51,000	51,000	76,498	25,498
Moving permits	600	600	475	(125)
Other permits	68,700	68,700	98,609	29,909
Amusement licenses	45	45	30	(15)
Beer and mixed drink licenses	7,000	7,000	4,473	(2,527)
Contractor licenses	30,000	30,000	34,835	4,835
Solicitor licenses	400	400	175	(225)
Food handler licenses	30,000	30,000	26,850	(3,150)
Other licenses	100	100	25	(75)
Total Permits and Licenses	217,845	217,845	273,086	55,241
Charges for Services:				
General Service Fees:				
Zoning fees	4,000	4,000	3,110	(890)
Platting fees	1,000	1,000	--	(1,000)
Animal control fees	--	--	9,026	9,026
Police accident reports	1,000	1,000	396	(604)
Arrest fees	15,000	15,000	8,636	(6,364)
Child safety	--	--	140	140
Ambulance service	575,000	575,000	613,256	38,256
Park and recreational fees	411,550	450,900	334,286	(116,614)
Cell tower rental	2,400	2,400	6,819	4,419
Street maintenance fees	812,000	812,000	807,064	(4,936)
Septic tank application fee	--	--	1,645	1,645
Other service fees	30,570	43,563	82,199	38,636
Total General Service Fees	1,852,520	1,904,863	1,866,577	(38,286)

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT B-1
Page 2 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City/County Services:				
Demolition recovery revenue	30,000	30,000	21,073	(8,927)
Weed control	15,000	15,000	15,417	417
Total City/County Services	45,000	45,000	36,490	(8,510)
Sanitation Services:				
Garbage fees	3,360,000	3,360,000	3,294,041	(65,959)
Landfill fees	627,000	627,000	787,816	160,816
Miscellaneous	47,900	47,900	35,462	(12,438)
Total Sanitation Services	4,034,900	4,034,900	4,117,319	82,419
Total Charges for Services	5,932,420	5,984,763	6,020,386	35,623
Fines and Forfeits:				
Court fines	770,000	770,000	601,692	(168,308)
Minor fines	6,100	6,100	2,275	(3,825)
Collection of state taxes	22,000	22,000	17,899	(4,101)
Other court fines	24,000	24,000	27,105	3,105
Total Fines and Forfeits	822,100	822,100	648,971	(173,129)
Special Assessments	3,800	3,800	5,333	1,533
Interest and Miscellaneous:				
Interest from investments	200,000	200,000	184,230	(15,770)
Auction revenue	5,000	5,000	--	(5,000)
Sale of city publications	1,000	1,000	1,638	638
Sale of recycle item	10,000	10,000	10,417	417
Miscellaneous	59,088	59,088	33,230	(25,858)
Total Interest and Miscellaneous	275,088	275,088	229,515	(45,573)
Gain or Loss on Sale of Property	--	--	23,500	23,500
Donations	--	25,488	23,517	(1,971)
Intergovernmental Revenue	835,000	1,114,334	2,033,862	919,528
Total Revenues	20,026,591	20,383,756	21,410,319	1,026,563
Expenditures:				
City Administration Department				
City Commission:				
Personal services	64,372	61,102	61,102	--
Supplies	1,500	493	125	368
Services	73,115	77,393	37,820	39,573
Total City Commission	138,987	138,988	99,047	39,941

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT B-1
Page 3 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
City Manager:				
Personal services	281,278	272,815	233,859	38,956
Supplies	2,500	2,415	372	2,043
Services	34,502	34,587	20,115	14,472
Lease payments	2,172	2,172	1,968	204
Total City Manager	320,452	311,989	256,314	55,675
City Special:				
Personal services	29,000	122,698	122,698	--
Supplies	5,595	141,241	91,208	50,033
Services	641,797	641,787	526,981	114,806
Building maintenance	--	50,000	40,185	9,815
Lease payments	15,655	15,655	13,799	1,856
Total City Special	692,047	971,381	794,871	176,510
Economic Development:				
Personal services	65,000	65,000	65,000	--
Supplies	--	4	4	--
Services	91,800	91,796	45,000	46,796
Total Economic Development	156,800	156,800	110,004	46,796
Total City Administration Department	1,308,286	1,579,158	1,260,236	318,922
Management Services Department				
Personnel:				
Personal services	311,350	320,031	318,934	1,097
Supplies	16,561	13,541	10,602	2,939
Services	57,458	55,394	41,095	14,299
Lease payments	912	990	990	--
Total Personnel	386,281	389,957	371,621	18,336
Municipal Court:				
Personal services	276,814	276,814	273,879	2,935
Supplies	3,566	3,566	1,900	1,666
Services	9,229	9,229	2,228	7,001
Total Municipal Court	289,609	289,609	278,007	11,602
Finance:				
Personal services	533,948	536,184	535,662	522
Supplies	5,996	7,048	5,734	1,314
Services	107,412	77,246	68,403	8,843
Lease payments	1,716	2,523	2,523	--
Total Finance	649,072	623,001	612,322	10,679

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT B-1
Page 4 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Facilities:				
Personal services	133,018	134,392	134,380	12
Supplies	45,463	41,804	41,804	--
Services	160,664	157,667	157,666	1
Equipment maintenance	9,300	11,206	10,842	364
Building maintenance	146,721	174,471	142,276	32,195
Total Facilities	495,166	519,540	486,968	32,572
Information Technology:				
Personal services	171,327	166,305	164,290	2,015
Supplies	61,678	59,818	40,609	19,209
Services	312,850	312,098	294,944	17,154
Lease payments	30,215	31,047	30,422	625
Total Information Technology	576,070	569,267	530,265	39,002
Total Management Services Department	2,396,198	2,391,374	2,279,183	112,191
Legal Department				
Personal services	204,314	205,600	205,361	239
Supplies	700	426	400	26
Services	46,887	46,914	20,474	26,440
Lease payments	456	462	462	--
Total Legal Department	252,357	253,401	226,697	26,704
Urban Development Department				
Planning:				
Personal services	159,890	138,817	125,404	13,413
Supplies	1,650	1,645	750	895
Services	12,099	11,586	4,016	7,570
Equipment maintenance	2,000	1,970	--	1,970
Lease payments	1,722	1,722	--	1,722
Total Planning	177,361	155,740	130,170	25,570
Permits and Licenses:				
Personal services	105,583	112,462	112,268	194
Supplies	3,424	2,409	1,219	1,190
Services	10,786	36,886	34,250	2,636
Equipment maintenance	500	500	288	212
Lease payments	3,061	3,061	1,887	1,174
Total Permits and Licenses	123,354	155,318	149,912	5,406

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT B-1
Page 5 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Appearance:				
Personal services	198,856	199,983	197,181	2,802
Supplies	15,520	14,495	6,769	7,726
Services	65,978	63,766	47,137	16,629
Equipment maintenance	1,700	2,500	1,757	743
Building maintenance	1,447	10,382	7,670	2,712
Lease payments	2,388	2,388	2,141	247
Capital outlay	62,802	62,802	--	62,802
Total Community Appearance	348,691	356,316	262,655	93,661
Downtown Manager:				
Personal services	66,915	66,654	61,421	5,233
Supplies	1,000	1,100	1,090	10
Services	20,215	23,381	19,806	3,575
Building maintenance	8,000	8,116	7,988	128
Lease payments	--	450	--	450
Total Downtown Manager	96,130	99,701	90,305	9,396
Total Urban Development Department	745,536	767,074	633,042	134,032
Police Department				
Personal services	4,887,338	4,887,338	4,856,509	30,829
Supplies	189,092	189,285	139,417	49,868
Services	450,820	451,141	379,045	72,096
Equipment maintenance	90,753	90,269	67,102	23,167
Building maintenance	18,471	18,471	--	18,471
Lease payments	86,655	86,055	13,747	72,308
Capital outlay	457,937	460,663	301,474	159,189
Total Police Department	6,181,066	6,183,222	5,757,294	425,928
Fire Department				
Personal services	2,863,033	2,860,533	2,790,853	69,680
Supplies	160,896	174,703	152,215	22,488
Services	233,831	247,569	206,106	41,463
Equipment maintenance	53,932	54,520	41,473	13,047
Lease payments	77,726	77,726	77,703	23
Capital outlay	256,105	256,105	--	256,105
Total Fire Department	3,645,523	3,671,156	3,268,350	402,806
Volunteer Fire Department				
Personal services	18,895	18,895	8,699	10,196
Supplies	14,330	16,524	8,058	8,466
Services	26,679	24,485	15,361	9,124
Equipment maintenance	2,000	2,000	1,697	303
Total Volunteer Fire Department	61,904	61,904	33,815	28,089

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT B-1
Page 6 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Works Department				
Public Works Administration:				
Personal services	183,656	206,700	201,527	5,173
Supplies	4,221	3,513	2,298	1,215
Services	69,769	71,398	68,105	3,293
Equipment maintenance	1,500	804	251	553
Lease payments	6,399	6,092	5,014	1,078
Capital outlay	17,500	17,500	14,213	3,287
Total Public Works Administration	283,045	306,006	291,408	14,598
Garage:				
Personal services	435,306	435,306	435,237	69
Supplies	17,758	16,246	13,865	2,381
Services	6,808	7,820	5,707	2,113
Equipment maintenance	4,100	4,600	4,378	222
Capital outlay	14,427	14,427	14,427	--
Total Garage	478,399	478,399	473,614	4,785
Sanitation:				
Personal services	677,535	664,118	657,061	7,057
Supplies	184,600	150,651	148,919	1,732
Services	18,214	17,276	17,276	--
Equipment maintenance	232,640	248,532	245,517	3,015
Building maintenance	1,000	100	16	84
Lease payments	146,529	146,681	95,279	51,402
Capital outlay	60,000	71,691	71,691	--
Bad debt	15,000	34,583	34,583	--
Total Sanitation	1,335,518	1,333,632	1,270,342	63,290
Street:				
Personal services	963,134	955,634	874,203	81,431
Supplies	75,808	73,618	73,618	--
Services	220,248	225,672	225,672	--
Equipment maintenance	57,446	89,327	87,792	1,535
Building maintenance	956,471	912,800	643,111	269,689
Lease payments	124,557	124,557	124,498	59
Bad debt	--	1,784	1,784	--
Total Street	2,397,664	2,383,392	2,030,678	352,714

CITY OF KINGSVILLE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT B-1

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Landfill:				
Personal services	491,239	489,739	452,760	36,979
Supplies	97,091	83,231	57,888	25,343
Services	438,857	364,815	335,263	29,552
Equipment maintenance	88,500	99,291	94,362	4,929
Building maintenance	24,236	92,056	70,872	21,184
Lease payments	68,309	68,309	68,308	1
Capital outlay	318,662	318,662	314,043	4,619
Bad debt	--	3,291	3,291	--
Total Landfill	1,526,894	1,519,394	1,396,787	122,607
Recycling Center:				
Personal services	38,105	32,534	29,261	3,273
Supplies	1,150	1,170	472	698
Services	13,471	13,471	10,450	3,021
Equipment maintenance	800	780	--	780
Building maintenance	500	500	54	446
Total Recycling Center	54,026	48,455	40,237	8,218
Total Public Works Department	6,075,546	6,069,278	5,503,066	566,212
Health Department				
Personal services	264,610	264,610	255,444	9,166
Supplies	33,326	33,501	20,491	13,010
Services	46,805	50,954	41,385	9,569
Equipment maintenance	2,800	3,400	2,212	1,188
Building maintenance	10,000	2,990	1,865	1,125
Lease payments	--	2,086	1,319	767
Capital outlay	5,413	5,413	5,413	--
Total Health Department	362,954	362,954	328,129	34,825
Parks and Recreation Department				
Personal services	650,536	598,333	548,241	50,092
Supplies	82,445	126,388	82,630	43,758
Services	152,143	184,937	140,936	44,001
Equipment maintenance	17,000	24,968	15,401	9,567
Building maintenance	43,358	58,124	31,888	26,236
Lease payments	2,563	4,988	4,108	880
Capital outlay	43,000	67,363	64,631	2,732
Total Parks and Recreation Department	991,045	1,065,101	887,835	177,266

CITY OF KINGSVILLE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT B-1
Page 8 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Golf Course				
Personal services	312,538	333,283	322,460	10,823
Supplies	82,923	81,241	83,035	(1,794)
Services	80,445	83,448	54,637	28,811
Equipment maintenance	7,500	3,446	2,168	1,278
Building maintenance	90,324	198,769	87,067	111,702
Lease payments	57,547	60,280	57,182	3,098
Capital outlay	--	14,930	9,150	5,780
Total Golf Course	631,277	775,397	615,699	159,698
Library Department				
Personal services	204,688	215,285	214,401	884
Supplies	38,910	34,571	34,571	--
Services	30,573	21,737	21,737	--
Equipment maintenance	8,460	10,172	10,172	--
Building maintenance	4,534	5,400	5,400	--
Total Library Department	287,165	287,165	286,281	884
Tourism Department				
Supplies	3,232	3,232	--	3,232
Services	--	43,000	43,000	--
Total Tourism Department	3,232	46,232	43,000	3,232
Total Expenditures	22,942,089	23,513,417	21,122,627	2,390,790
Excess (deficiency) of revenues (under) expenditures	(2,915,498)	(3,129,661)	287,692	3,417,353
Other Financing Sources (Uses):				
Operating transfers in	1,524,915	1,848,667	1,852,833	4,166
Operating transfers out	(440,444)	(483,380)	(404,296)	79,084
Insurance settlement	--	--	14,548	14,548
Lease proceeds	634,044	634,044	622,780	(11,264)
Total Other Financing Sources (Uses)	1,718,515	1,999,331	2,085,865	86,534
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,196,983)	(1,130,330)	2,373,557	3,503,887
Fund Balances/Equity, October 1	10,778,333	10,778,333	10,778,333	--
Fund Balances/Equity, September 30	\$ 9,581,350	\$ 9,648,003	\$ 13,151,890	\$ 3,503,887

CITY OF KINGSVILLE
POLICE FORFEITURE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeits:				
Confiscated revenue	\$ --	\$ --	\$ 99,460	\$ 99,460
Minor fines	13,000	13,000	10,783	(2,217)
Total Fines and Forfeits	13,000	13,000	110,243	97,243
Interest and Miscellaneous:				
Interest from investments	26,100	26,100	11,718	(14,382)
Total Interest and Miscellaneous	26,100	26,100	11,718	(14,382)
Total Revenues	39,100	39,100	121,961	82,861
Expenditures:				
Management Services Department				
Municipal Court:				
Services	12,000	11,908	4,163	7,745
Lease payments	5,000	5,092	4,023	1,069
Total Municipal Court	17,000	17,000	8,186	8,814
Total Management Services Department	17,000	17,000	8,186	8,814
Police Department				
Supplies	49,180	49,165	25,424	23,741
Services	125,998	124,638	51,591	73,047
Equipment maintenance	--	1,375	968	407
Capital outlay	120,144	120,144	104,338	15,806
Total Police Department	295,322	295,322	182,321	113,001
Total Expenditures	312,322	312,322	190,507	121,815
Excess (deficiency) of revenues (under) expenditures	(273,222)	(273,222)	(68,546)	204,676
Other Financing Sources (Uses):				
Operating transfers out	--	--	(4,167)	(4,167)
Total Other Financing Sources (Uses)	--	--	(4,167)	(4,167)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(273,222)	(273,222)	(72,713)	200,509
Fund Balances/Equity, October 1	1,307,616	1,307,616	1,307,616	--
Fund Balances/Equity, September 30	\$ 1,034,394	\$ 1,034,394	\$ 1,234,903	\$ 200,509

CITY OF KINGSVILLE

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM LAST TEN FISCAL YEARS *

EXHIBIT B-3

	Measurement Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 1,587,157	\$ 1,556,039	\$ 1,542,091	\$ 1,518,194	\$ 1,478,821	\$ 1,277,906
Interest (on the total pension liability)	4,239,811	4,062,979	3,865,404	3,724,025	3,700,688	3,516,450
Changes of benefit terms	--	--	--	--	--	--
Difference between expected and actual experience	(657,718)	(228,198)	(59,073)	(830,982)	(652,092)	37,693
Changes in assumptions	73,235	--	--	--	70,021	--
Benefit payments, including refunds of employee contributions	(3,027,032)	(2,546,244)	(2,310,479)	(2,346,871)	(2,279,840)	(2,321,247)
Net Change in Total Pension Liability	2,215,453	2,844,576	3,037,943	2,064,366	2,317,598	2,510,802
Total Pension Liability - Beginning	63,531,959	60,687,383	57,649,440	55,585,074	53,267,476	50,756,674
Total Pension Liability - Ending (A)	<u>\$ 65,747,412</u>	<u>\$ 63,531,959</u>	<u>\$ 60,687,383</u>	<u>\$ 57,649,440</u>	<u>\$ 55,585,074</u>	<u>\$ 53,267,476</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 1,014,471	\$ 1,007,184	\$ 1,044,347	\$ 1,044,455	\$ 1,067,110	\$ 1,076,141
Contributions - employee	818,122	802,082	795,478	780,276	778,913	761,677
Net investment income	8,819,344	(1,785,743)	7,318,990	3,378,510	74,370	2,755,154
Benefit payments, including refunds of employee contributions	(3,027,032)	(2,546,244)	(2,310,479)	(2,346,871)	(2,279,840)	(2,321,247)
Administrative expense	(49,847)	(34,517)	(37,934)	(38,160)	(45,302)	(28,766)
Other	(1,497)	(1,803)	(1,922)	(2,056)	(2,237)	(2,365)
Net Change in Plan Fiduciary Net Position	7,573,561	(2,559,041)	6,808,480	2,816,154	(406,986)	2,240,594
Plan Fiduciary Net Position - Beginning	57,062,804	59,621,846	52,813,366	49,997,212	50,404,198	48,163,604
Plan Fiduciary Net Position - Ending (B)	<u>\$ 64,636,365</u>	<u>\$ 57,062,805</u>	<u>\$ 59,621,846</u>	<u>\$ 52,813,366</u>	<u>\$ 49,997,212</u>	<u>\$ 50,404,198</u>
Net Pension Liability - Ending (A-B)	<u>\$ 1,111,047</u>	<u>\$ 6,469,154</u>	<u>\$ 1,065,537</u>	<u>\$ 4,836,074</u>	<u>\$ 5,587,862</u>	<u>\$ 2,863,278</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.31%	89.82%	98.24%	91.61%	89.95%	94.62%
Covered Payroll	\$ 11,687,462	\$ 11,458,315	\$ 11,363,969	\$ 11,146,799	\$ 11,127,323	\$ 10,881,102
Net Pension Liability as a Percentage of Covered Payroll	9.51%	56.46%	9.38%	43.39%	50.22%	26.31%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

CITY OF KINGSVILLE**SCHEDULE OF CITY CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *****EXHIBIT B-4**

	Fiscal Year Ended September 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,033,057	\$ 1,011,365	\$ 1,023,749	\$ 1,036,718	\$ 1,056,924	\$ 1,067,110	\$ 1,076,141
Contributions in relation to the contractually required contribution	(1,033,057)	(1,011,365)	(1,023,749)	(1,036,718)	(1,056,924)	(1,067,110)	(1,076,141)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's covered payroll	\$ 11,782,516	\$ 11,612,444	\$ 11,503,830	\$ 11,222,189	\$ 11,208,130	\$ 11,127,323	\$ 10,881,102
Contributions as a percentage of covered payroll	8.77%	8.71%	8.90%	9.24%	9.43%	9.59%	9.89%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

CITY OF KINGSVILLE**SCHEDULE OF CHANGES IN THE TOTAL
OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS ***

	Fiscal Year Ended September 30,			q
	2020	2019	2018	
Total OPEB Liability				
Service Cost	\$ 71,543	\$ 51,950	\$ 50,437	
Interest	47,127	50,802	50,887	
Changes of benefit terms	--	--	--	
Differences between expected and actual experience	(508,154)	176,817	(11,837)	
Changes in assumptions or other inputs	(448,465)	190,814	--	
Benefit payments	(46,607)	(156,361)	(30,090)	
Net Change in Total OPEB Liability	<u>(884,556)</u>	<u>314,022</u>	<u>59,397</u>	
Total OPEB Liability - Beginning	<u>1,666,666</u>	<u>1,352,644</u>	<u>1,293,247</u>	
Total OPEB Liability - Ending	<u>\$ 782,110</u>	<u>\$ 1,666,666</u>	<u>\$ 1,352,644</u>	
Covered Payroll	\$ 9,472,505	\$ 10,029,006	\$ 9,736,899	
Total OPEB Liability as a percentage of covered payroll	8.26%	16.62%	13.89%	

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

CITY OF KINGSVILLE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2020

The basis of budgeting in the General Fund Budgetary Comparison Schedule is the same as Accounting Principles Generally Accepted in the United States of America (GAAP).

Texas Municipal Retirement System

Valuation Date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	26 years
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information	There were no benefit changes during the year.

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CITY OF KINGSVILLE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

City of Kingsville OPEB Plan

Valuation Date	September 30, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	4 years
Inflation	3.0%
Salary Increases	3.0%, including inflation
Discount Rate	2.41%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits.
Mortality	<p>Active Employees: PubG.H-2010 (general employees) and PubS.H-2010 (public safety) Employee Mortality Tables, Generational with Projections Scale MP-2020 for males or females, as appropriate.</p> <p>Retirees:: PubG.H-2010 (general employees) and PubS.H-2010 (public safety) Healthy Retiree Mortality Tables, Generational with Projections Scale MP-2020 for males or females, as appropriate.</p>
Changes of Benefit Terms	None
Changes of Assumptions	<p>Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.</p> <p>The following are the discount rates used in each period:</p> <p>2018 - 3.83%</p> <p>2019 - 2.75%</p> <p>2020 - 2.41%</p> <p>Mortality Rates:</p> <p>2018 - RPH-2014 Healthy Annuitant Mortality Table, Generational Mortality Improvement with Projection Scale MP-2018</p> <p>2019 - PubG.H-2010 (general employees) and PubS.H-2010 (public safety) Employee and Healthy Annuitant Generational with MP-2019</p> <p>2020 - PubG.H-2010 (general employees) and PubS.H-2010 (public safety) Employee and Healthy Annuitant Generational with MP-2020</p>

**COMBINING STATEMENTS AND BUDGET COMPARISONS
AS SUPPLEMENTARY INFORMATION**

CITY OF KINGSVILLE*COMBINING BALANCE SHEET**NONMAJOR GOVERNMENTAL FUNDS**SEPTEMBER 30, 2020*

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Assets:			
Cash and cash equivalents	\$ 575	\$ --	\$ 575
Equity in pooled cash and cash equivalents	293,763	34,278	328,041
Receivables (net of allowances for uncollectibles):			
Accounts	41,344	--	41,344
Due from:			
Other governments	147,104	--	147,104
Inventory, at cost	14,022	--	14,022
Restricted assets:			
Cash and cash equivalents	355,082	156,825	511,907
Total Assets	<u>\$ 851,890</u>	<u>\$ 191,103</u>	<u>\$ 1,042,993</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY			
Liabilities:			
Accounts payable	\$ 122,054	\$ --	\$ 122,054
Accrued wages payable	1,885	--	1,885
Due to:			
Other funds	36,403	69,625	106,028
Other governments	447	--	447
Total Liabilities	<u>160,789</u>	<u>69,625</u>	<u>230,414</u>
Deferred Inflows of Resources:			
Deferred revenue	52,839	--	52,839
Total Deferred Inflows of Resources	<u>52,839</u>	<u>--</u>	<u>52,839</u>
Equity:			
Fund balances:			
Restricted:			
Capital outlay	--	121,478	121,478
Tourism	378,676	--	378,676
Federal and state programs	254,528	--	254,528
Committed:			
Park maintenance	5,000	--	5,000
Assigned:			
Drug awareness	58	--	58
Total Equity	<u>638,262</u>	<u>121,478</u>	<u>759,740</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 851,890</u>	<u>\$ 191,103</u>	<u>\$ 1,042,993</u>

CITY OF KINGSVILLE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes	\$ 508,437	\$ --	\$ 508,437
Charges for services	50,090	--	50,090
Interest and miscellaneous	971	5,222	6,193
Donations	250	--	250
Federal and state grants	573,163	--	573,163
Total Revenues	<u>1,132,911</u>	<u>5,222</u>	<u>1,138,133</u>
Expenditures:			
Current:			
General government and administration	108,479	--	108,479
Public safety	262,662	49,248	311,910
City/County	425	97,790	98,215
Tourism	493,110	--	493,110
Total Expenditures	<u>864,676</u>	<u>147,038</u>	<u>1,011,714</u>
Excess (deficiency) of revenues (under) expenditures	268,235	(141,816)	126,419
Other Financing Sources (Uses):			
Transfers in	192,044	--	192,044
Transfers out	(383,095)	(105,913)	(489,008)
Total Other Financing Sources (Uses)	<u>(191,051)</u>	<u>(105,913)</u>	<u>(296,964)</u>
Net Change in Fund Balances	77,184	(247,729)	(170,545)
Fund Balances/Equity, October 1	561,078	369,207	930,285
Fund Balances/Equity, September 30	<u>\$ 638,262</u>	<u>\$ 121,478</u>	<u>\$ 759,740</u>

CITY OF KINGSVILLE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2020

	Tourism Fund	Federal Grants
ASSETS		
Assets:		
Cash and cash equivalents	\$ 575	\$ --
Equity in pooled cash and cash equivalents	40,080	207,777
Receivables (net of allowances for uncollectibles):		
Accounts	41,344	--
Due from:		
Other governments	--	139,167
Inventory, at cost	14,022	--
Restricted assets:		
Cash and cash equivalents	355,082	--
Total Assets	<u>\$ 451,103</u>	<u>\$ 346,944</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY		
Liabilities:		
Accounts payable	\$ 30,692	\$ 91,362
Accrued wages payable	1,885	--
Due to:		
Other funds	36,403	--
Other governments	447	--
Total Liabilities	<u>69,427</u>	<u>91,362</u>
Deferred Inflows of Resources:		
Deferred revenue	3,000	1,054
Total Deferred Inflows of Resources	<u>3,000</u>	<u>1,054</u>
Equity:		
Fund balances:		
Restricted:		
Tourism	378,676	--
Federal and state programs	--	254,528
Committed:		
Park maintenance	--	--
Assigned:		
Drug awareness	--	--
Total Equity	<u>378,676</u>	<u>254,528</u>
Total Liabilities, Deferred Inflows of Resources, and Equity	<u>\$ 451,103</u>	<u>\$ 346,944</u>

EXHIBIT C-3

State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ --	\$ --	\$ 575
37,687	8,219	293,763
--	--	41,344
7,937	--	147,104
--	--	14,022
--	--	355,082
<u>\$ 45,624</u>	<u>\$ 8,219</u>	<u>\$ 851,890</u>
\$ --	\$ --	\$ 122,054
--	--	1,885
--	--	36,403
--	--	447
<u>--</u>	<u>--</u>	<u>160,789</u>
45,624	3,161	52,839
<u>45,624</u>	<u>3,161</u>	<u>52,839</u>
--	--	378,676
--	--	254,528
--	5,000	5,000
--	58	58
<u>--</u>	<u>5,058</u>	<u>638,262</u>
<u>\$ 45,624</u>	<u>\$ 8,219</u>	<u>\$ 851,890</u>

CITY OF KINGSVILLE

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Tourism Fund	Federal Grants
Revenue:		
Taxes	\$ 508,437	\$ --
Charges for services	50,090	--
Interest and miscellaneous	284	687
Donations	250	--
Federal and state grants	--	500,767
Total Revenues	<u>559,061</u>	<u>501,454</u>
Expenditures:		
Current:		
General government and administration	--	88,133
Public safety	--	210,612
City/County	--	425
Tourism	493,110	--
Total Expenditures	<u>493,110</u>	<u>299,170</u>
Excess (deficiency) of revenues (under) expenditures	65,951	202,284
Other Financing Sources (Uses):		
Transfers in	77,044	110,000
Transfers out	(121,626)	(257,870)
Total Other Financing Sources (Uses)	<u>(44,582)</u>	<u>(147,870)</u>
Net Change in Fund Balances	21,369	54,414
Fund Balances/Equity, October 1	357,307	200,114
Fund Balances/Equity, September 30	<u>\$ 378,676</u>	<u>\$ 254,528</u>

EXHIBIT C-4

State Grants	Other Special Revenues	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ 508,437
--	--	50,090
--	--	971
--	--	250
72,396	--	573,163
<u>72,396</u>	<u>--</u>	<u>1,132,911</u>
20,346	--	108,479
52,050	--	262,662
--	--	425
--	--	493,110
<u>72,396</u>	<u>--</u>	<u>864,676</u>
--	--	268,235
--	5,000	192,044
(3,599)	--	(383,095)
<u>(3,599)</u>	<u>5,000</u>	<u>(191,051)</u>
(3,599)	5,000	77,184
3,599	58	561,078
<u>\$ --</u>	<u>\$ 5,058</u>	<u>\$ 638,262</u>

CITY OF KINGSVILLE
TOURISM FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020
EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
General Property Taxes:				
Hotel/Motel property tax	\$ 620,000	\$ 620,000	\$ 508,437	\$ (111,563)
Total General Property Taxes	620,000	620,000	508,437	(111,563)
Charges for Services:				
General Service Fees:				
Park and recreational fees	52,620	52,620	50,090	(2,530)
Total General Service Fees	52,620	52,620	50,090	(2,530)
Sanitation Services:				
Miscellaneous	200	200	--	(200)
Total Sanitation Services	200	200	--	(200)
Total Charges for Services	52,820	52,820	50,090	(2,730)
Interest and Miscellaneous:				
Interest from investments	191	191	174	(17)
Miscellaneous	--	--	110	110
Total Interest and Miscellaneous	191	191	284	93
Donations	--	--	250	250
Total Revenues	673,011	673,011	559,061	(113,950)
Expenditures:				
Tourism Department				
Personal services	232,679	227,153	207,892	19,261
Supplies	16,760	20,531	14,252	6,279
Services	364,580	353,935	249,618	104,317
Equipment maintenance	1,500	1,238	1,037	201
Building maintenance	25,000	38,899	16,294	22,605
Lease payments	4,253	5,060	4,017	1,043
Total Tourism Department	644,772	646,816	493,110	153,706
Total Expenditures	644,772	646,816	493,110	153,706
Excess (deficiency) of revenues (under) expenditures	28,239	26,195	65,951	39,756
Other Financing Sources (Uses):				
Operating transfers in	75,000	77,044	77,044	--
Operating transfers out	(119,582)	(121,626)	(121,626)	--
Total Other Financing Sources (Uses)	(44,582)	(44,582)	(44,582)	--
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(16,343)	(18,387)	21,369	39,756
Fund Balances/Equity, October 1	357,307	357,307	357,307	--
Fund Balances/Equity, September 30	\$ 340,964	\$ 338,920	\$ 378,676	\$ 39,756

CITY OF KINGSVILLE

FEDERAL GRANTS FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and Miscellaneous:				
Miscellaneous	\$ --	\$ --	\$ 687	\$ 687
Total Interest and Miscellaneous	--	--	687	687
Federal and state grants	729,688	1,351,696	500,767	(850,929)
Total Revenues	729,688	1,351,696	501,454	(850,242)
Expenditures:				
Urban Development Department				
Downtown Manager:				
Services	--	70,433	47,983	22,450
Building maintenance	300,000	649,567	40,150	609,417
Total Downtown Manager	300,000	720,000	88,133	631,867
Total Urban Development Department	300,000	720,000	88,133	631,867
Police Department				
Personal services	255,000	344,145	101,801	242,344
Supplies	--	25,788	443	25,345
Services	--	4,047	--	4,047
Capital outlay	--	114,207	108,368	5,839
Total Police Department	255,000	488,187	210,612	277,575
Parks and Recreation Department				
Supplies	--	4,500	425	4,075
Building maintenance	421,000	229,157	--	229,157
Capital outlay	--	187,343	--	187,343
Total Parks and Recreation Department	421,000	421,000	425	420,575
Total Expenditures	976,000	1,629,187	299,170	1,330,017
Excess (deficiency) of revenues (under) expenditures	(246,312)	(277,491)	202,284	479,775
Other Financing Sources (Uses):				
Operating transfers in	247,000	317,000	110,000	(207,000)
Operating transfers out	(3,744)	(257,870)	(257,870)	--
Total Other Financing Sources (Uses)	243,256	59,130	(147,870)	207,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(3,056)	(218,361)	54,414	272,775
Fund Balances/Equity, October 1	200,114	200,114	200,114	--
Fund Balances/Equity, September 30	\$ 197,058	\$ (18,247)	\$ 254,528	\$ 272,775

CITY OF KINGSVILLE

STATE GRANTS FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal and state grants	\$ 78,000	\$ 115,427	\$ 72,396	\$ (43,031)
Total Revenues	78,000	115,427	72,396	(43,031)
Expenditures:				
City Administration Department				
City Special:				
Capital outlay	--	34,078	20,346	13,732
Total City Special	--	34,078	20,346	13,732
Total City Administration Department	--	34,078	20,346	13,732
Police Department				
Personal services	78,000	78,000	51,070	26,930
Services	--	3,349	980	2,369
Total Police Department	78,000	81,349	52,050	29,299
Total Expenditures	78,000	115,427	72,396	43,031
Excess (deficiency) of revenues (under) expenditures	--	--	--	--
Other Financing Sources (Uses):				
Operating transfers out	(3,599)	(3,599)	(3,599)	--
Total Other Financing Sources (Uses)	(3,599)	(3,599)	(3,599)	--
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(3,599)	(3,599)	(3,599)	--
Fund Balances/Equity, October 1	3,599	3,599	3,599	--
Fund Balances/Equity, September 30	\$ --	\$ --	\$ --	\$ --

CITY OF KINGSVILLE
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020
EXHIBIT C-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
General Property Taxes:				
Current taxes	\$ 1,430,725	\$ 1,430,725	\$ 1,412,580	\$ (18,145)
Delinquent taxes	40,000	40,000	36,620	(3,380)
Penalty and interest	32,000	32,000	28,142	(3,858)
Total General Property Taxes	<u>1,502,725</u>	<u>1,502,725</u>	<u>1,477,342</u>	<u>(25,383)</u>
Interest and Miscellaneous:				
Interest from investments	20,000	20,000	8,908	(11,092)
Total Interest and Miscellaneous	<u>20,000</u>	<u>20,000</u>	<u>8,908</u>	<u>(11,092)</u>
Total Revenues	<u>1,522,725</u>	<u>1,522,725</u>	<u>1,486,250</u>	<u>(36,475)</u>
Expenditures:				
Debt Service				
Principal retired	1,226,940	1,226,940	1,226,939	1
Interest	303,916	303,916	251,620	52,296
Bond issuance costs	--	61,843	61,843	--
Paying agent fees	3,400	3,400	2,900	500
Total Debt Service	<u>1,534,256</u>	<u>1,596,099</u>	<u>1,543,302</u>	<u>52,797</u>
Total Expenditures	<u>1,534,256</u>	<u>1,596,099</u>	<u>1,543,302</u>	<u>52,797</u>
Excess (deficiency) of revenues (under) expenditures	(11,531)	(73,374)	(57,052)	16,322
Other Financing Sources (Uses):				
Operating transfers in	49,765	49,765	49,765	--
Bond proceeds - refunding bonds	--	2,705,982	2,705,982	--
Bond premium	--	358,635	358,635	--
Payment to escrow agent	--	(3,051,000)	(3,051,000)	--
Total Other Financing Sources (Uses)	<u>49,765</u>	<u>63,382</u>	<u>63,382</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	38,234	(9,992)	6,330	16,322
Fund Balances/Equity, October 1	612,098	612,098	612,098	--
Fund Balances/Equity, September 30	<u>\$ 650,332</u>	<u>\$ 602,106</u>	<u>\$ 618,428</u>	<u>\$ 16,322</u>

CITY OF KINGSVILLE
CAPITAL IMPROVEMENTS FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT C-9
Page 1 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and Miscellaneous:				
Interest from investments	\$ 22,200	\$ 22,200	\$ 5,222	\$ (16,978)
Total Interest and Miscellaneous	22,200	22,200	5,222	(16,978)
Total Revenues	22,200	22,200	5,222	(16,978)
Expenditures:				
City Administration Department				
City Special:				
Services	16,372	16,372	--	16,372
Capital outlay	117,500	14,500	--	14,500
Total City Special	133,872	30,872	--	30,872
Total City Administration Department	133,872	30,872	--	30,872
Police Department				
Capital outlay	54,000	54,000	49,248	4,752
Total Police Department	54,000	54,000	49,248	4,752
Public Works Department				
Street:				
Building maintenance	30,000	30,000	--	30,000
Total Street	30,000	30,000	--	30,000
Total Public Works Department	30,000	30,000	--	30,000
Parks and Recreation Department				
Building maintenance	139,875	139,250	7,790	131,460
Capital outlay	90,000	90,000	90,000	--
Total Parks and Recreation Department	229,875	229,250	97,790	131,460
Total Expenditures	447,747	344,122	147,038	197,084
Excess (deficiency) of revenues (under) expenditures	(425,547)	(321,922)	(141,816)	180,106

CITY OF KINGSVILLE
CAPITAL IMPROVEMENTS FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT C-9
Page 2 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses):				
Operating transfers out	(199,288)	(302,913)	(105,913)	197,000
Total Other Financing Sources (Uses)	(199,288)	(302,913)	(105,913)	197,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(624,835)	(624,835)	(247,729)	377,106
Fund Balances/Equity, October 1	369,207	369,207	369,207	--
Fund Balances/Equity, September 30	<u>\$ (255,628)</u>	<u>\$ (255,628)</u>	<u>\$ 121,478</u>	<u>\$ 377,106</u>

CITY OF KINGSVILLE**EXHIBIT C-10**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

YEAR ENDED SEPTEMBER 30, 2019

	Balance October 1, 2019	Additions	Deductions	Balance September 30, 2020
Corporation Court Cash Bond Account Fund				
ASSETS				
Cash and investments	\$ 82,691	\$ 75,461	127,196	\$ 30,956
Total Assets	<u>\$ 82,691</u>	<u>\$ 75,461</u>	<u>\$ 127,196</u>	<u>\$ 30,956</u>
LIABILITIES				
Cash bonds held	\$ 82,691	\$ 75,461	\$ 127,196	\$ 30,956
Total Liabilities	<u>\$ 82,691</u>	<u>\$ 75,461</u>	<u>\$ 127,196</u>	<u>\$ 30,956</u>

Statistical Section

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

Contents

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Financial Trends

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

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Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

122-130

Debt Capacity

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

131-137

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time with other governments.

138-139

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

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

CITY OF KINGSVILLE
NET POSITION BY COMPONENT,
LAST TEN FISCAL YEARS

	Fiscal Year				
	2020	2019	2018	2017	2016
Governmental Activities					
Net investment in Capital Assets	\$ 8,732,847	\$ 8,388,284	\$ 6,481,143	\$ 8,359,623	\$ 8,385,155
Restricted	3,023,392	3,538,577	3,450,739	3,391,989	2,691,190
Unrestricted	8,737,572	5,855,585	7,847,141	4,923,248	5,042,603
Total Governmental Activities Net Position	<u>\$ 20,493,811</u>	<u>\$ 17,782,446</u>	<u>\$ 17,779,023</u>	<u>\$ 16,674,860</u>	<u>\$ 16,118,948</u>
Business-type activities					
Net Investment in Capital Assets	\$ 9,726,407	\$ 9,265,006	\$ 9,269,664	\$ 7,888,672	\$ 5,337,203
Restricted	2,734,415	3,599,174	2,277,168	3,124,894	3,783,641
Unrestricted	4,061,441	2,504,378	2,541,750	2,394,348	5,265,570
Total Business-Type Activities Net Position	<u>\$ 16,522,263</u>	<u>\$ 15,368,558</u>	<u>\$ 14,088,582</u>	<u>\$ 13,407,914</u>	<u>\$ 14,386,414</u>
Primary Government					
Net investment in Capital Assets	\$ 18,459,254	\$ 17,653,290	\$ 15,750,807	\$ 16,248,295	\$ 13,722,358
Restricted	5,757,807	7,137,751	5,727,907	6,516,883	6,474,831
Unrestricted	12,799,013	8,359,963	10,388,891	7,317,596	10,308,173
Total Primary Government Net Position	<u>\$ 37,016,074</u>	<u>\$ 33,151,004</u>	<u>\$ 31,867,605</u>	<u>\$ 30,082,774</u>	<u>\$ 30,505,362</u>

SCHEDULE 1

	Fiscal Year				
	2015	2014	2013	2012	2011
\$	9,978,832	\$ 7,857,043	\$ 7,196,801	\$ 8,641,553	\$ 8,703,647
	3,214,449	4,552,225	5,952,091	3,139,930	-
	<u>2,347,890</u>	<u>1,671,613</u>	<u>2,846,877</u>	<u>4,221,605</u>	<u>6,456,755</u>
\$	<u>15,541,171</u>	<u>14,080,881</u>	<u>15,995,769</u>	<u>16,003,088</u>	<u>15,160,402</u>
\$	3,658,702	\$ 842,427	\$ 2,766,006	\$ 4,049,345	\$ 3,398,641
	5,606,600	6,361,728	539,925	1,086,225	1,403,545
	<u>4,667,465</u>	<u>8,899,435</u>	<u>11,624,979</u>	<u>8,689,906</u>	<u>6,601,689</u>
\$	<u>13,932,767</u>	<u>16,103,590</u>	<u>14,930,910</u>	<u>13,825,476</u>	<u>11,403,875</u>
\$	13,637,534	\$ 8,699,470	\$ 9,962,807	\$ 12,690,898	\$ 12,102,288
	8,821,049	10,913,953	6,492,016	4,226,155	2,086,412
	<u>7,015,355</u>	<u>10,571,048</u>	<u>14,471,856</u>	<u>12,911,511</u>	<u>13,058,444</u>
\$	<u>29,473,938</u>	<u>30,184,471</u>	<u>30,926,679</u>	<u>29,828,564</u>	<u>27,247,144</u>

CITY OF KINGSVILLE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year				
	2020	2019	2018	2017	2016
Expenses					
Governmental Activities:					
General Government	\$ 4,658,647	\$ 4,719,760	\$ 4,509,275	\$ 4,803,413	\$ 4,487,935
Public Safety	9,544,822	10,272,984	9,299,188	9,056,283	10,415,086
Public Works	3,053,129	3,632,080	3,382,760	3,978,987	3,321,641
City/County	2,168,364	2,337,837	2,060,985	2,116,324	2,735,353
Tourism	543,425	651,531	590,957	976,056	533,758
Interest on Long-Term Debt	266,416	279,826	337,368	362,092	415,124
Total Governmental Activities Expenses	20,234,803	21,894,018	20,180,533	21,293,155	21,908,897
Business-Type Activities:					
Water	4,126,370	4,392,972	4,381,668	4,587,773	4,576,376
Solid Waste	2,735,102	2,966,136	2,697,771	2,861,670	2,594,497
Waste Water	2,957,232	2,939,875	3,004,453	3,234,997	2,992,974
Storm Water	1,261	860	327	270	253
Total Business-Type Activity Expenses	9,819,965	10,299,843	10,084,219	10,684,710	10,164,100
Total Primary Government Expenses	\$ 30,054,768	\$ 32,193,861	\$ 30,264,752	\$ 31,977,865	\$ 32,072,997
Program Revenue (see schedule 3)					
Governmental Activities					
Charges for Services:					
General Government	\$ 380,421	\$ 324,138	\$ 270,992	\$ 289,523	\$ 342,476
Public Safety	1,386,835	1,597,664	2,515,424	1,738,745	3,596,477
Public Works	807,064	787,122	813,052	853,075	601,700
City/County	370,251	361,675	314,270	308,082	467,315
Tourism	50,090	58,534	51,128	55,173	935
Operating Grants and Contributions	2,607,026	1,379,626	1,003,090	1,192,770	1,071,004
Capital Grants and Contributions	-	-	-	-	-
	5,601,687	4,508,759	4,967,956	4,437,368	6,079,907
Business-Type Activities:					
Charges for Services:					
Water	4,886,760	4,730,167	5,071,190	5,084,940	4,748,558
Waste Water	4,141,620	3,800,783	3,543,469	3,497,038	3,409,252
Solid Waste	4,115,973	3,890,518	3,927,251	3,924,740	3,856,298
Storm Water	404,887	390,799	330,649	227,449	226,086
Operating Grants and Contributions	142,715	24,907	42,587	191,926	111,987
Capital Grants and Contributions	-	-	-	-	-
Total Business-Type Activities Program Revenues	13,691,955	12,837,174	12,915,146	12,926,093	12,352,181
Total Primary Government Program Revenues	\$ 19,293,642	\$ 17,345,933	\$ 17,883,102	\$ 17,363,461	\$ 18,432,088

SCHEDULE 2

Fiscal Year				
2015	2014	2013	2012	2011
\$ 3,995,650	\$ 4,127,259	\$ 3,957,983	\$ 3,285,875	\$ 2,974,363
9,204,930	10,189,111	9,100,303	9,475,608	9,144,528
3,306,944	3,727,188	3,342,824	2,823,707	2,521,159
1,861,469	797,635	754,701	811,546	801,490
489,686	482,331	404,947	389,259	484,470
255,927	309,706	362,523	335,136	319,288
<u>19,114,606</u>	<u>19,633,230</u>	<u>17,923,281</u>	<u>17,121,131</u>	<u>16,245,298</u>
4,136,054	4,569,960	4,232,121	4,570,338	3,847,697
2,705,535	2,706,916	2,541,678	2,417,443	2,669,749
2,769,038	2,547,557	2,287,392	2,451,466	2,392,136
631	834	1,074	-	-
<u>9,611,258</u>	<u>9,825,267</u>	<u>9,062,265</u>	<u>9,439,247</u>	<u>8,909,582</u>
<u>\$ 28,725,864</u>	<u>\$ 29,458,497</u>	<u>\$ 26,985,546</u>	<u>\$ 26,560,378</u>	<u>\$ 25,154,880</u>
\$ 336,553	\$ 427,047	\$ 373,672	\$ 265,724	\$ 357,478
3,394,881	2,374,591	2,718,033	1,975,762	2,486,253
62,577	54,893	531,161	23,470	48,367
295,084	30,038	23,118	21,581	32,587
1,985	626,066	519,940	542,582	483,424
947,173	298,649	403,484	308,366	479,148
-	2,074	2,673	19,700	92,993
<u>5,038,253</u>	<u>3,813,358</u>	<u>4,572,081</u>	<u>3,157,185</u>	<u>3,980,250</u>
4,509,790	5,021,529	5,239,019	5,064,986	4,516,381
3,451,936	3,830,649	3,357,948	3,815,313	3,646,165
3,915,060	3,776,750	3,303,720	3,329,276	3,363,894
224,545	228,883	243,952	-	-
-	-	-	-	-
-	-	-	-	-
<u>12,101,331</u>	<u>12,857,811</u>	<u>12,144,639</u>	<u>12,209,575</u>	<u>11,526,440</u>
<u>\$ 17,139,584</u>	<u>\$ 16,671,169</u>	<u>\$ 16,716,720</u>	<u>\$ 15,366,760</u>	<u>\$ 15,506,690</u>

CITY OF KINGSVILLE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year				
	2020	2019	2018	2017	2016
Net (Expense)/Revenue					
Governmental Activities	\$ (14,633,116)	\$ (17,385,259)	\$ (15,212,577)	\$ (16,855,787)	\$ (15,828,990)
Business-Type Activities	3,871,990	2,537,331	2,830,927	2,241,383	2,188,081
Total Primary Government Net Expenses	<u>\$ (10,761,126)</u>	<u>\$ (14,847,928)</u>	<u>\$ (12,381,650)</u>	<u>\$ (14,614,404)</u>	<u>\$ (13,640,909)</u>
General Revenues - Other Changes in Net Position					
Governmental Activities					
Taxes					
Property Taxes	\$ 7,651,822	\$ 7,407,799	\$ 6,983,970	\$ 6,837,284	\$ 6,425,348
Franchise Taxes	868,834	1,023,299	979,444	989,053	996,256
Sales Taxes	5,116,414	5,080,332	4,764,200	4,770,174	4,599,145
Hotel/Motel Taxes	508,437	649,312	566,267	549,471	510,673
Other Taxes	51,862	67,931	64,514	66,553	55,932
Payment in Lieu of Taxes	-	-	-	-	100,000
Insurance Settlement	-	-	-	573,250	1,605,908
Investment Earnings	260,690	396,086	280,161	134,896	251,491
Gain (loss) on disposal of capital assets	23,500	31,605	3,000	87,712	-
Miscellaneous (loss)	39,536	40,982	61,377	98,935	24,320
Transfers	2,823,386	2,691,336	2,286,274	3,304,371	1,837,694
Total Governmental Activities	<u>17,344,481</u>	<u>17,388,682</u>	<u>15,989,207</u>	<u>17,411,699</u>	<u>16,406,767</u>
Business-Type Activities					
Investment Earnings	105,101	157,476	84,354	73,974	103,258
Other	-	-	8,002	10,514	-
Transfers	(2,823,386)	(2,691,336)	(2,286,274)	(3,304,371)	(1,837,694)
Total Business-Type Activities	<u>(2,718,285)</u>	<u>(2,533,860)</u>	<u>(2,193,918)</u>	<u>(3,219,883)</u>	<u>(1,734,436)</u>
Total Primary Government	<u>\$ 14,626,196</u>	<u>\$ 14,854,822</u>	<u>\$ 13,795,289</u>	<u>\$ 14,191,816</u>	<u>\$ 14,672,331</u>
Changes in Net Position					
Governmental Activities (loss)	\$ 2,711,365	\$ 3,423	\$ 776,630	\$ 555,912	\$ 577,777
Business-Type Activities (loss)	1,153,705	3,471	637,009	(978,500)	453,645
Total Primary Government (loss)	<u>\$ 3,865,070</u>	<u>\$ 6,894</u>	<u>\$ 1,413,639</u>	<u>\$ (422,588)</u>	<u>\$ 1,031,422</u>

SCHEDULE 2
(Continued)

Fiscal Year				
2015	2014	2013	2012	2011
\$ (14,076,353)	\$ (15,819,872)	\$ (13,351,200)	\$ (13,963,946)	\$ (12,265,048)
<u>2,490,073</u>	<u>3,032,544</u>	<u>3,082,374</u>	<u>2,770,328</u>	<u>2,616,858</u>
<u>\$ (11,586,280)</u>	<u>\$ (12,787,328)</u>	<u>\$ (10,268,826)</u>	<u>\$ (11,193,618)</u>	<u>\$ (9,648,190)</u>
\$ 6,247,458	\$ 6,111,394	\$ 5,956,227	\$ 5,891,693	\$ 5,898,032
1,003,931	1,019,888	971,761	977,459	981,170
4,520,268	4,543,435	4,338,360	4,204,521	4,582,312
564,056	-	-	-	-
57,265	57,136	49,137	45,703	46,381
100,000	100,000	100,000	100,000	100,000
-	-	-	-	-
128,334	83,492	211,942	83,886	87,229
-	-	-	-	-
21,292	2,000	399	295,794	220
<u>4,442,361</u>	<u>1,987,639</u>	<u>1,849,660</u>	<u>2,662,842</u>	<u>2,439,847</u>
<u>17,084,965</u>	<u>13,904,984</u>	<u>13,477,486</u>	<u>14,261,898</u>	<u>14,135,191</u>
45,957	127,777	37,971	137,410	129,857
-	-	-	-	-
<u>(4,442,361)</u>	<u>(1,987,638)</u>	<u>(1,849,660)</u>	<u>(2,662,842)</u>	<u>(2,439,847)</u>
<u>(4,396,404)</u>	<u>(1,859,861)</u>	<u>(1,811,689)</u>	<u>(2,525,432)</u>	<u>(2,309,990)</u>
<u>\$ 12,688,561</u>	<u>\$ 12,045,123</u>	<u>\$ 11,665,797</u>	<u>\$ 11,736,466</u>	<u>\$ 11,825,201</u>
\$ 3,008,612	\$ (1,914,888)	\$ 126,286	\$ 297,952	\$ 1,870,143
<u>(1,906,331)</u>	<u>1,172,684</u>	<u>1,270,685</u>	<u>244,896</u>	<u>306,868</u>
<u>\$ 1,102,281</u>	<u>\$ (742,204)</u>	<u>\$ 1,396,971</u>	<u>\$ 542,848</u>	<u>\$ 2,177,011</u>

CITY OF KINGSVILLE

*FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS*

	Fiscal Year				
	2020	2019	2018	2017	2016
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	375,986	320,068	354,036	285,323	252,475
Restricted	8,391	5,600	2,314	97,057	97,400
Committed	3,701,093	3,259,455	2,664,778	1,266,453	2,945,543
Unassigned	9,066,420	7,193,210	6,963,901	7,470,863	7,149,475
Total General Fund	\$ <u>13,151,890</u>	\$ <u>10,778,333</u>	\$ <u>9,985,029</u>	\$ <u>9,119,696</u>	\$ <u>10,444,893</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported in Special Revenue Funds	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Restricted					
Debt Service Funds	618,428	612,098	559,382	757,325	618,994
Special Revenue Funds	638,204	561,021	344,117	412,248	534,268
Capital Projects Funds	121,478	369,208	1,723,633	4,007,567	6,509,573
Unassigned, Reported in Special Revenue Funds	1,234,903	1,307,616	2,091,534	1,461,090	1,726,151
Assigned					
Drug Awareness	58	58	58	2,365	2,365
Total All Other Governmental Funds	\$ <u>2,613,071</u>	\$ <u>2,850,001</u>	\$ <u>4,718,724</u>	\$ <u>6,640,595</u>	\$ <u>9,391,351</u>

Notes:

The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

SCHEDULE 3

		Fiscal Year							
2015		2014		2013		2012		2011	
\$	-	\$	-	\$	-	\$	-	\$	-
	-		890,143		-		-		-
	224,369		208,104		208,104		208,104		186,270
	137,203		129,744		122,629		124,837		124,067
	4,817,647		6,396,343		5,785,885		4,771,546		4,191,118
	5,339,938		4,792,075		4,933,418		5,629,480		5,917,128
\$	<u>10,519,157</u>	\$	<u>12,416,409</u>	\$	<u>11,050,036</u>	\$	<u>10,733,967</u>	\$	<u>10,418,583</u>
\$	-	\$	-	\$	-	\$	-	\$	-
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	579,648		588,942		625,918		733,821		654,664
	1,124,758		2,095,662		570,780		451,571		10,303
	-		-		3,498,203		3,066,934		4,349,466
	1,439,902		890,143		1,734,655		1,681,034		2,509,776
	2,365		2,365		-		-		-
\$	<u>3,146,673</u>	\$	<u>3,577,112</u>	\$	<u>6,429,556</u>	\$	<u>5,933,360</u>	\$	<u>7,524,209</u>

CITY OF KINGSVILLE

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS

	Fiscal Year				
	2020	2019	2018	2017 *	2016 *
Revenues					
Property Taxes	\$ 7,492,381	\$ 7,120,452	\$ 6,998,136	\$ 6,706,943	\$ 6,370,231
Taxes-Other	6,645,547	6,924,607	6,488,517	6,483,549	6,267,496
Licenses, Fees and Permits	273,086	239,639	193,757	246,379	262,275
Fines and Penalties	759,214	894,774	1,886,822	1,107,731	2,999,672
Charges for Services	6,070,476	5,852,479	5,860,636	5,900,175	5,417,808
Special Assessment	5,333	4,811	774	2,797	-
Intergovernmental	2,033,862	585,000	550,000	550,000	550,000
Investment Earnings/Other	256,334	432,802	300,139	207,464	402,997
Gain or Loss on Sale of Property	23,500	45,599	-	-	-
Federal Grant	573,163	787,787	448,342	642,770	521,004
Donations	23,767	45,891	7,025	29,300	1,730
Total Revenues	<u>24,156,663</u>	<u>22,933,841</u>	<u>22,734,148</u>	<u>21,877,108</u>	<u>22,793,213</u>
Expenditures					
General Government	4,535,714	4,423,846	4,334,387	5,387,819	4,499,066
Public Safety	8,990,262	9,108,029	8,994,258	9,392,971	9,726,283
Public Works	5,048,455	5,708,912	5,244,664	5,994,479	4,953,034
City/County	2,046,965	2,137,638	2,009,023	2,976,194	2,846,518
Tourism	536,110	639,401	580,694	971,148	553,609
Other	-	-	-	-	-
Capital Outlay	1,167,343	2,080,589	3,151,215	2,750,583	2,165,305
Debt Service					
Interest	251,620	332,397	357,712	458,762	278,696
Principal	1,226,939	1,097,715	1,124,637	980,798	1,463,485
Bond Issuance Cost	64,743	3,150	2,900	3,550	91,800
Total Expenditures	<u>23,868,151</u>	<u>25,531,677</u>	<u>25,799,490</u>	<u>28,916,304</u>	<u>26,577,796</u>
Excess of Revenues over/ (under) Expenditures	<u>288,512</u>	<u>(2,597,836)</u>	<u>(3,065,342)</u>	<u>(7,039,196)</u>	<u>(3,784,583)</u>
Other Financing Sources (uses)					
Gain on Sale of Assets	-	-	3,000	105,806	-
Issuance of Debt	1,158,780	42,166	845,105	750,879	10,396
Bonds Issued	5,690,984	-	-	-	6,740,000
Bond Issuance Costs	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	198,693
Insurance Settlement	-	-	-	573,250	1,605,908
Refunding Bonds Issued	-	-	-	-	-
Payment to Refunding Bonds Escrow Agent	-	-	-	-	-
Transfers In	2,094,642	2,209,342	1,669,896	3,121,412	2,365,743
Transfers Out	<u>(897,471)</u>	<u>(729,092)</u>	<u>(509,196)</u>	<u>(1,588,105)</u>	<u>(965,743)</u>
Total Other Financing Sources (uses)	<u>8,046,935</u>	<u>1,522,416</u>	<u>2,008,805</u>	<u>2,963,242</u>	<u>9,954,997</u>
Net Change In Fund Balances	\$ <u>8,335,447</u>	\$ <u>(1,075,420)</u>	\$ <u>(1,056,537)</u>	\$ <u>(4,075,954)</u>	\$ <u>6,170,414</u>
Debt Services as a Percentage of Noncapital Expenditures	6.80%	6.11%	6.54%	5.51%	7.51%

* Restated to reflect capital outlay that is part of the above expenditures

SCHEDULE 4

Fiscal Year				
2015 *	2014 *	2013 *	2012	2011
\$ 6,324,292	\$ 6,211,394	\$ 6,056,227	\$ 6,019,795	\$ 5,998,518
6,144,962	6,224,035	5,834,703	5,769,313	6,093,287
281,595	371,219	228,156	185,708	175,386
2,857,165	1,766,230	2,193,241	1,367,469	1,975,760
4,868,259	4,448,868	4,417,144	4,453,626	4,245,457
-	2,571	9,965	15,725	45,192
947,173	300,723	393,927	326,628	548,805
161,103	176,663	372,414	178,110	273,989
-	-	-	-	-
-	-	-	-	-
4,400	2,000	399	295,794	220
21,588,949	19,503,703	19,506,176	18,612,168	19,356,614
3,946,280	4,031,495	3,854,608	3,406,264	3,519,126
9,420,023	9,720,606	9,193,035	9,221,523	9,470,845
4,961,418	5,519,498	4,830,337	5,447,175	4,360,930
1,892,789	771,719	768,239	773,413	813,991
513,596	480,742	401,893	389,081	484,470
2,800	53,888	35,230	17,187	37,053
2,362,760	1,217,907	635,678	-	-
318,555	377,700	469,062	536,062	291,020
1,425,793	1,452,714	1,417,329	1,266,933	1,453,000
-	-	-	-	-
24,844,014	23,626,269	21,605,411	21,057,638	20,430,435
(3,255,065)	(4,122,566)	(2,099,235)	(2,445,470)	(1,073,821)
-	38,000	23,000	58,500	11,000
-	458,350	414,191	-	-
-	-	965,000	-	5,385,040
-	-	-	-	-
-	-	58,408	-	80,361
-	-	-	-	-
-	-	1,260,000	-	-
-	-	(1,247,918)	-	-
2,297,234	2,767,926	1,880,045	1,677,920	1,682,936
(479,714)	(1,517,925)	(441,587)	(427,920)	(432,936)
1,817,520	1,746,351	2,911,139	1,308,500	6,726,401
\$ (1,437,545)	\$ (2,376,215)	\$ 811,904	\$ (1,136,970)	\$ 5,652,580
7.77%	8.17%	9.00%	8.56%	8.54%

CITY OF KINGSVILLE

SCHEDULE 5

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSANDS)

Fiscal Year	Real Property	Mineral Property	Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2011	\$ 649,713,780	\$ 31,463,010	\$ 70,658,350	\$ 69,436,322	\$ 682,398,818	\$ 0.84220	\$ 751,835,140
2012	660,216,670	24,266,424	72,655,450	73,884,909	683,253,635	0.84220	757,138,544
2013	664,122,931	23,606,860	80,127,290	74,423,849	693,433,232	0.84220	767,857,081
2014	676,002,957	26,907,000	88,736,830	77,398,392	714,248,395	0.84220	791,646,787
2015	694,469,813	26,395,108	95,315,110	87,266,366	728,913,665	0.84220	816,180,031
2016	723,790,576	29,640,590	99,061,220	96,803,747	755,688,639	0.84220	852,492,386
2017	761,756,167	39,541,260	89,558,210	101,398,477	789,457,160	0.84220	890,855,637
2018	793,841,251	39,726,389	83,376,720	115,036,371	801,907,989	0.84220	916,944,360
2019	848,688,558	45,403,810	87,986,520	135,228,653	846,850,235	0.83000	982,078,888
2020	889,415,464	30,688,477	86,717,700	125,595,358	881,226,283	0.85304	1,006,821,641

Source: Kleberg County Tax Assessor Office

Note: The Kleberg County Appraisal District assesses properties every three years. Property is assessed at fair market value.

CITY OF KINGSVILLE

*DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(RATE PER \$100 OF ASSESSED VALUE)*

SCHEDULE 6

Fiscal Year	City Direct Rates			Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Total Direct Rate	School District	County	STWA
2011	\$ 0.62543	\$ 0.21677	\$ 0.84220	\$ 1.35520	\$ 0.69546	\$ 0.06189
2012	0.63752	0.20468	0.84220	1.46380	0.75100	0.06189
2013	0.66395	0.17825	0.84220	1.49410	0.74481	0.06189
2014	0.65404	0.18816	0.84220	1.51890	0.74481	0.08511
2015	0.65558	0.18662	0.84220	1.51890	0.74481	0.85409
2016	0.65567	0.18653	0.84220	1.51890	0.81500	0.83250
2017	0.66088	0.18132	0.84220	1.51890	0.82880	0.08294
2018	0.69055	0.15165	0.84220	1.51890	0.79500	0.08517
2019	0.66488	0.16512	0.83000	1.51890	0.78145	0.08666
2020	0.68522	0.16782	0.85304	1.51890	0.76950	0.08691

Source: Kleberg County Tax Assessor Office

CITY OF KINGSVILLE

PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 7

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
AEP Texas Inc.	\$ 18,426,680	1	2.30%			
KL Phase 1 Owner LTD	13,795,990	2	1.72%			
Rockstar Oak Tree LLC	12,476,420	3	1.56%			
Apexone Javelina LLC	9,031,930	4	1.13%			
Kingspointe-Victoria LLC	8,685,680	5	1.08%			
Alpha Lake LTD	8,680,800	6	1.08%			
KL Phase II Owner LTD	8,674,190	7	1.08%			
HEB Grocery Inc	8,098,300	8	1.01%			
Wal-Mart Stores Inc #01-0442	6,612,750	9	0.82%			
Wal-Mart Stores Texas, LLC US00442	5,791,470	10	0.72%			
AEP Texas Central Company				\$ 10,269,870	1	1.61%
Wal-Mart Stores East LP #01-0442				7,790,360	2	1.22%
Kingsville Two				6,876,800	3	1.08%
Eddie Yaklin Ford Lincoln Mercury LTD				6,836,240	4	1.07%
HBC Holding LTD				6,829,380	5	1.07%
Collegiate Kingsville Partners LP				6,387,370	6	1.00%
Wal-Mart Stores Inc #01-0442				5,555,450	7	0.87%
HEB Grocery Inc				4,698,090	8	0.74%
Lowes Home Centers Inc				4,296,710	9	0.67%
Yaklin, Eddie L				4,228,540	10	0.66%
Total	\$ 100,274,210		12.50%	\$ 63,768,810		9.98%

Source: Kleberg County Appraisal District

CITY OF KINGSVILLE**PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS****SCHEDULE 8**

Fiscal Year	Taxes Levied for the Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2011	\$ 5,759,638	\$ 5,557,746	96.5%	\$ 176,757	\$ 5,734,503	99.56%
2012	5,751,687	5,564,076	96.7%	154,822	5,718,898	99.43%
2013	5,831,373	5,618,741	96.4%	175,635	5,794,376	99.37%
2014	5,987,424	5,791,937	96.7%	150,973	5,942,910	99.26%
2015	6,145,880	5,939,500	96.6%	154,206	6,093,706	99.15%
2016	6,350,640	6,115,195	96.3%	169,760	6,284,955	98.97%
2017	6,640,180	6,396,334	96.3%	154,768	6,551,102	98.66%
2018	6,880,532	6,645,832	96.6%	113,126	6,758,958	98.23%
2019	7,056,152	6,799,232	96.4%	98,618	6,897,850	97.76%
2020	7,473,551	7,180,302	96.1%	-	7,180,302	96.08%

Source: Kleberg County Tax Assessor Office

Note: These accounts represent cash collections and any adjustments to the tax roll per the Kleberg County Appraisal District.

CITY OF KINGSVILLE
TAXABLE SALES BY CATEGORY,
LAST TEN CALENDAR YEARS
(DOLLARS IN THOUSANDS)

	Fiscal Year				
	2020	2019	2018	2017	2016
Building Materials, Hardware, etc.	\$ 44,066	\$ 33,660	\$ 31,589	\$ 31,293	\$ 31,075
General Merchandise	53,764	49,564	53,021	50,670	48,926
Food Stores	23,879	20,778	21,319	20,990	18,733
Automotive Dealers and Gasoline	23,598	22,820	21,449	21,689	22,194
Apparel and Accessory Stores	5,434	3,147	2,343	3,209	4,256
Home Furniture, Furnishing, and Equipment	3,735	4,594	4,828	4,685	5,059
Eating and Drinking Places	53,372	55,899	51,130	48,936	46,526
All Other Outlets	10,093	12,724	14,066	14,064	15,596
Total	\$ <u>217,941</u>	\$ <u>203,186</u>	\$ <u>199,745</u>	\$ <u>195,536</u>	\$ <u>192,365</u>
City Direct Sales Tax Rate	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Texas Comptroller of Public Accounts

Note: Retail sales information is not available on a fiscal-year basis; the above information is presented on a calendar year basis.

*Estimate, due to the timing of the Comptroller's reports, actual third and fourth quarter amounts are not available.

SCHEDULE 9

Fiscal Year				
2015	2014	2013	2012	2011
\$ 28,114	\$ 26,377	\$ 25,717	\$ 24,742	\$ 23,997
48,493	47,472	46,063	46,642	45,585
21,273	20,521	19,363	17,751	17,093
23,225	22,701	22,359	23,282	21,096
5,388	6,089	6,161	5,662	4,943
5,439	5,795	4,100	2,497	693
48,222	46,716	44,846	43,511	40,727
12,843	17,483	19,920	17,576	15,306
<u>\$ 192,997</u>	<u>\$ 193,154</u>	<u>\$ 188,529</u>	<u>\$ 181,663</u>	<u>\$ 169,440</u>
1.5%	1.5%	1.5%	1.5%	1.5%

CITY OF KINGSVILLE

*DIRECT AND OVERLAPPING SALES TAX RATES,
LAST TEN FISCAL YEARS*

SCHEDULE 10

<u>Fiscal Year</u>	<u>City Property Tax Relief</u>	<u>City Sales Tax</u>	<u>Kleberg County Property Tax Relief</u>	<u>State Sales Tax</u>
2011	1.00%	0.50%	0.50%	6.25%
2012	1.00%	0.50%	0.50%	6.25%
2013	0.50%	1.00%	0.50%	6.25%
2014	0.50%	1.00%	0.50%	6.25%
2015	0.50%	1.00%	0.50%	6.25%
2016	0.50%	1.00%	0.50%	6.25%
2017	0.50%	1.00%	0.50%	6.25%
2018	0.50%	1.00%	0.50%	6.25%
2019	0.50%	1.00%	0.50%	6.25%
2020	0.50%	1.00%	0.50%	6.25%

Source: Texas Comptroller of Public Accounts

Note: The City sales tax rate may be changes only with the approval of state legislature.
The Direct Rate is allocated to the General Fund.

CITY OF KINGSVILLE

RATIOS OF OUTSTANDING DEBT BY TYPE, LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-Type Activities	
	General Obligation Bonds	Capital Leases	Water Revenue Bonds	Certificates of Obligation
2011	\$ 9,556,290	\$ 110,518	\$ 190,000	\$ 18,503,710
2012	8,977,194	84,647	-	17,467,552
2013	9,182,245	57,637	-	20,416,799
2014	8,332,813	417,362	-	19,110,710
2015	7,502,881	327,194	-	17,323,616
2016	13,588,258	273,205	-	15,492,771
2017	12,713,167	635,470	-	14,074,091
2018	11,671,955	768,108	-	12,745,112
2019	10,571,999	597,466	-	11,435,585
2020	9,416,303	692,143	-	10,236,215

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. See Schedule 16 for personal income.

SCHEDULE 11

Capital Lease	Total Primary Government	Percentage of Personal Income	Per Capita
\$ -	\$ 28,360,518	2.38%	\$ 1,077.00
-	26,529,393	3.73%	1,004.41
354,930	29,656,681	3.80%	1,114.95
299,882	28,160,767	3.72%	1,070.26
243,255	25,396,946	3.46%	957.33
184,999	29,539,233	4.05%	1,126.89
443,332	27,866,060	3.81%	1,062.58
917,457	26,102,632	3.58%	997.16
709,053	23,314,103	3.20%	803.16
1,416,379	21,761,040	2.99%	763.60

CITY OF KINGSVILLE

SCHEDULE 12

RATIOS OF GENERAL BONDED DEBT OUTSTANDING,
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding		Net Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita (1)
	General Obligation Bonds	Less: Amount Available in Debt Service Fund			
2011	\$ 9,666,808	\$ 654,664	\$ 9,012,144	1.3980%	\$ 342.24
2012	9,062,841	733,822	8,329,019	1.1970%	315.29
2013	9,239,882	625,918	8,613,964	1.2033%	323.84
2014	8,750,175	588,912	8,161,235	1.1053%	310.17
2015	7,830,075	579,648	7,250,427	0.9594%	273.30
2016	13,861,463	618,994	13,242,469	1.6260%	505.19
2017	13,348,638	757,325	12,591,313	1.4984%	480.13
2018	12,440,063	559,382	11,880,681	1.3567%	453.86
2019	11,169,465	612,098	10,557,367	1.1373%	363.69
2020	10,108,446	806,680	9,301,766	0.9238%	326.40

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Per Capita calculation was restated since it was originally stated based on General Bond Debt not Net Bonded Debt.

CITY OF KINGSVILLE

*DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2020*

SCHEDULE 13

	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Governmental Unit			
Debt Repaid With Property Taxes			
Kingsville ISD	\$ 60,070,000	85.69%	\$ 51,473,983
Kleberg County	6,515,000	53.69%	3,497,904
Ricardo ISD	1,118,000	5.95%	66,521
South Texas Water Authority	3,640,000	39.68%	<u>1,444,352</u>
Subtotal, Overlapping Debt			56,482,760
City Direct Debt; Bonds			18,665,000
Capital Leases			<u>692,143</u>
Total Direct and Overlapping Debt			<u>\$ 75,839,903</u>

Sources: Data provided by Municipal Advisory Council of Texas

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Kingsville. The percentage of overlapping debt applicable is estimated by the percent of area of each government that is within the boundaries of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident-and therefore responsible for repaying the debt-of each overlapping government.

CITY OF KINGSVILLE

LEGAL DEBT MARGIN INFORMATION,
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSANDS)

	Fiscal Year				
	2011	2012	2013	2014	2015
Debt Limit	\$ 187,958,785	\$ 189,284,636	\$ 191,964,270	\$ 197,911,697	\$ 204,045,008
Total Net Debt Applicable to Limit	<u>8,901,626</u>	<u>8,165,426</u>	<u>8,430,848</u>	<u>7,628,579</u>	<u>6,814,889</u>
Legal Debt Margin	\$ <u>179,057,159</u>	\$ <u>181,119,210</u>	\$ <u>183,533,422</u>	\$ <u>190,283,118</u>	\$ <u>197,230,119</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	4.74%	4.31%	4.39%	3.85%	3.34%

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 25 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

SCHEDULE 14

	Fiscal Year				
	2016	2017	2018	2019	2020
\$	213,123,097	\$ 222,713,909	\$ 229,236,090	\$ 245,519,722	\$ 251,705,410
	<u>12,673,491</u>	<u>11,676,198</u>	<u>10,849,298</u>	<u>9,741,152</u>	<u>8,083,010</u>
\$	<u>200,449,606</u>	<u>\$ 211,037,711</u>	<u>\$ 218,386,792</u>	<u>\$ 235,778,570</u>	<u>\$ 243,622,400</u>
	5.95%	5.24%	4.73%	3.97%	3.21%

Assessed Value		\$ 1,006,821,641
Debt Limit (25% of assessed value)		<u>251,705,410</u>
Debt Applicable to Limit:		
General Obligation Bonds	\$ 8,889,690	
Less: Amount Set Aside for Repayment of General Obligation Debt	<u>806,680</u>	
Total Net Debt Applicable to Limit		<u>8,083,010</u>
Legal Debt Margin		<u>\$ 243,622,400</u>

CITY OF KINGSVILLE

PLEDGED-REVENUE COVERAGE,
LAST TEN FISCAL YEARS
(DOLLARS IN THOUSANDS)

SCHEDULE 15

Waste Water Revenue Bonds and Certificates of Obligation Bonds (a)						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2011	\$ 7,880,275	\$ 4,406,943	\$ 3,473,332	\$ 487,000	\$ 601,778	3.19
2012	8,376,945	4,987,855	3,389,090	683,067	620,735	2.60
2013	8,824,532	4,956,345	3,868,187	832,670	601,948	2.70
2014	9,078,218	5,465,760	3,612,458	997,285	806,694	2.00
2015	8,186,271	5,462,815	2,723,456	1,159,208	448,536	1.69
2016	8,383,896	6,043,456	2,340,440	1,181,515	425,352	1.46
2017	* 8,809,429	6,734,194	2,075,235	1,259,203	400,464	1.25
2018	8,945,308	6,280,160	2,665,148	1,205,363	372,188	1.69
2019	8,921,749	5,947,375	2,974,374	1,227,285	340,985	1.78
2020	9,433,267	5,792,508	3,640,759	1,183,061	271,518	3.99

Sanitation C. O. Bonds Series 2007 and 2009 (b)						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2011	\$ 3,642,049	\$ 2,669,749	\$ 972,300	\$ 288,256	\$ 144,941	2.24
2012	3,815,313	2,417,443	1,397,870	609,892	101,135	1.97
2013	3,303,720	2,136,838	1,166,882	594,848	86,903	1.71
2014	3,776,750	2,289,592	1,487,158	613,474	68,481	2.18
2015	3,915,060	2,216,623	1,698,437	602,808	46,460	2.62
2016	3,856,298	2,121,758	1,734,540	621,433	31,058	2.66
2017	3,924,740	2,409,641	1,515,099	124,836	12,057	11.07
2018	3,927,251	2,221,933	1,705,318	96,794	7,954	16.28
2019	3,890,518	2,448,061	1,442,457	42,085	4,898	24.35
2020	4,115,973	2,289,817	1,826,156	46,293	3,472	36.70

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, amortization expenses or transfers.

(a) These bonds are secured by ad valorem taxes and further secured by the net revenues of the wastewater and sanitary sewer system. It is the City's intent that these bonds will be paid from net revenue of the Utility System. The revenue and expenses represented are those of the water and waste water department.

(b) These bonds are secured by ad valorem taxes and are further secured by the net revenue of the waste water and sanitation sewer system. It is the City's intent to pay these bonds from the net revenue of the sanitation department since this was the purpose for the bonds. In the year 2004 for government-wide financial statement presentation, these bonds were reclassified as Utility Fund bonds and, therefore, were restated in the Utility Fund.

* This year has been restated

CITY OF KINGSVILLE

DEMOGRAPHIC AND ECONOMIC STATISTICS,
LAST TEN CALENDAR YEARS

SCHEDULE 16

Calendar Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2011	26,333	675,409 **	32,936	27.6	N/A	3,533	6.5%
2012	26,413	710,675 **	35,788 **	27.6	N/A	3,821	4.8%
2013	26,599	780,392	38,058	27.7	N/A	4,014	4.9%
2014	26,312	756,396	37,334	27.2	N/A	3,406	3.6%
2015	26,529	733,792	36,500	31.4	N/A	3,427	6.2%
2016	26,213	728,862	38,757	28.4	N/A	3,426	6.8%
2017	26,225	730,890	39,724	26.6	N/A	3,440	6.5%
2018	26,177	729,588	38,886	26.8	N/A	3,435	4.9%
2019	29,028	729,101	20,417	26.5	N/A	3,437	4.7%
2020	28,498	728,729	22,011	27.1	N/A	3,429	9.7%

** Corrections from previous report, quoting Coastal Bend Council of Governments

Sources: City of Kingsville
Kingsville Independent School District
Greater Kingsville Economic Development Council
U.S. Census Bureau
U.S. Department of Commerce Bureau of Economic Analysis
Workforce Solutions of the Coastal Bend
Kingsville Economic Development Center

Notes: Population, median age, and educational level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

U.S. Census Bureau for population 25 years or older, some years not available.

CITY OF KINGSVILLE

TOP TEN EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 17

Employer	2020			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
NAS Kingsville	1,500	1	12.26%	1,834	1	13.77%
Texas A&M Kingsville	950	2	7.77%	1,160	2	11.27%
Celanese	600	3	4.90%	290	9	2.18%
Kingsville ISD	502	4	4.10%	651	3	4.89%
Kleberg County	300	5	2.45%			1.95%
City of Kingsville	290	6	2.37%	264	10	2.30%
Walmart	250	7	2.04%	307	6	2.25%
HEB	272	8	2.22%	300	T-7	
Border Patrol	246	9	2.01%	300	T-7	2.25%
Christus Spohn	221	10	1.81%	310	5	2.07%
King Ranch				376	4	2.82%
Total	\$ 5,131		41.94%	\$ 5,792		45.75%

Source: Workforce Solutions
of Coast
Greater Kingsville EDC

Labor Force
Employment
Unemployment
Rate

13,340
12,233
1,107
8.3%

2011 Information from '10-11 CAFR

CITY OF KINGSVILLE

SCHEDULE 18

**FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
City Commission	5	5	5	5	5	5	5	5	5	5
General Government	46	45	43	45	40	34	38	35	33	29
Fire	32	33	33	32	34	33	30	32	31	32
Health	10	10	8	8	10	10	10	10	12	12
Library	9	8	9	9	9	9	9	6	9	9
Police	65	66	67	66	64	65	60	65	64	64
Public Works	93	99	93	93	98	94	94	94	94	95
Task Force	0	0	0	0	11	11	11	11	12	12
Parks Dept.	11	12	11	10	10	9	0	0	0	0
Golf Course	<u>7</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>278</u>	<u>286</u>	<u>277</u>	<u>276</u>	<u>289</u>	<u>276</u>	<u>257</u>	<u>258</u>	<u>260</u>	<u>258</u>

Source: City of Kingsville

Notes: A full-time employee is scheduled to work 2080 hours per year (including vacation and sick leave).
Full-time equivalent employment is calculated by dividing total labor hours by 2080.

CITY OF KINGSVILLE
OPERATING INDICATORS BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Government					
Building Permits Issued	1,829	2,144	2,059	2,374	2,058
Building Inspections Conducted	1,315	1,788	1,633	2,170	1,400
Police					
Physical Arrest	1,611	1,856	1,295	1,060	1,014
Parking Violations	68	165	246	408	663
Traffic Violations	4,046	3,237	6,307	3,032	3,192
Fire					
Emergency Responses	3,630	3,074	3,005	3,005	2,826
Fire Calls	654	723	610	641	556
Inspections	587	456	434	388	356
Refuse Collections					
Refuse Collected (tons per day; 365)	113	104	82	86	82
Recyclables Collected (tons per day; 365)	2	-	1	1	1
Other Public Works					
Street Resurfacing (miles)	2	2	2	2	3
Potholes Repaired	15,405	21,166	15,136	4,205	4,487
Parks and Recreation					
Athletic Field Permits Issued	220	486	474	396	348
Community Center Admissions	125	225	219	97	83
Library					
Volumes in Collection	60,081	58,728	55,326	53,903	55,878
Total Volumes Borrowed	15,644	26,636	34,859	34,014	34,895
Health					
Environmental Health	284	339	285	350	430
Consumer Health	2,253	2,975	2,436	2,847	2,906
Weed Control	3,382	3,181	3,966	3,967	4,995
Animal Control	7,995	7,740	8,225	7,075	7,438
Water					
New Connections	37	42	36	47	33
Water Main Breaks	620	319	254	342	294
Average Daily Consumption (thousands of gallons)	2,373	3,499	3,499	3,229	3,134
Peak Daily Consumption (thousands of gallons)	4,971	6,096	6,096	5,567	4,438
Wastewater					
Average Daily Sewer Treatment (thousands of gallons)	2,500	2,500	2,500	2,200	2,100

Sources: Various City Departments

SCHEDULE 19

2015	2014	2013	2012	2011
2,511	2,137	2,078	2,392	1,964
1,644	1,129	1,878	2,267	1,654
1,175	1,590	1,356	1,519	2,590
1,089	1,110	80	243	47
4,675	4,604	4,443	3,240	4,611
2,760	3,297	2,880	2,797	2,214
596	612	573	460	398
382	400	354	462	383
93	83	65	74	70
1	1	1	1	1
5	2	3	2	3
5,200	4,000	3,000	2,400	5,000
413	-	-	-	-
126	-	-	-	-
54,327	57,326	59,630	58,503	59,245
19,995	39,780	44,502	47,997	45,420
491	390	496	1,846	1,763
2,611	2,087	2,556	1,833	2,348
3,776	2,924	3,082	2,827	2,915
8,649	9,589	9,201	9,220	8,681
24	35	51	48	28
295	267	271	244	339
3,153	3,470	3,661	4,036	3,818
6,002	6,023	5,040	5,554	5,633
2,400	2,300	2,200	2,200	1,800

CITY OF KINGSVILLE
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>Function/Program</u>	Fiscal Year				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Police					
Stations	1	1	1	1	1
Patrol Units	63	63	62	64	56
Fire Stations	2	2	2	2	2
Refuse Collections					
Collection Trucks	14	14	14	14	17
Other Public Works					
Street (miles)	146	146	146	146	146
Highway (miles)					
Streetlights	1,296	1,296	1,302	1,302	1,302
Traffic Signals	4	4	4	4	4
Parks and Recreation					
Acreage	195	195	195	195	195
Playgrounds	9	9	9	9	9
Baseball/Softball Diamonds	12	12	12	12	12
Soccer/Football Fields	12	12	12	12	12
Community Centers	2	2	2	2	2
Water					
Water Mains (miles)	120	120	120	120	120
Fire Hydrants	820	808	808	808	808
Storage Capacity (thousands of gallons)	5,425	5,425	5,632	5,632	5,632
Wastewater					
Sanitary Sewers (miles)	98	98	142	142	141
Storm Sewers (miles)	33	33	33	33	33
Treatment Capacity (thousand of gallons)	4,000	4,000	4,000	4,000	4,000

Sources: Various City Departments

SCHEDULE 20

	Fiscal Year			
2015	2014	2013	2012	2011
1	1	1	1	1
56	53	65	64	55
2	2	2	2	2
17	17	17	13	13
146	144	121	121	121
1,276	1,276	584	584	584
4	4	4	4	4
195	195	195	195	195
9	9	9	9	9
12	12	12	12	12
12	12	12	12	12
2	2	2	2	2
120	120	120	120	123
808	808	808	808	812
9,760	9,764	9,764	9,764	9,764
140	138	99	98	97
33	33	17	16	16
4,000	6,000	6,000	6,000	4,000

JOHN WOMACK & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JOHN L. WOMACK, CPA
MARGARET KELLY, CPA

P.O. BOX 1147
KINGSVILLE, TEXAS 78364
(361) 592-2671
FAX (361) 592-1411

Independent Auditor's 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

Mayor and City Commission
City of Kingsville
P.O. Box 1458
Kingsville, Texas 78364

Members of the Mayor and City Commission:

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, each major fund, and the aggregate remaining fund information of City of Kingsville, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of Kingsville's basic financial statements and have issued our report thereon dated April 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Kingsville's 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 Kingsville's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kingsville's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-1, that we consider to be a significant deficiency.



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kingsville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

City of Kingsville's Response to Findings

City of Kingsville's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Kingsville's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Respectfully submitted,

A handwritten signature in black ink that reads "John Womack + Co., P.C." The signature is written in a cursive, flowing style.

John Womack & Company, P.C.
Kingsville, TX
April 9, 2021

JOHN WOMACK & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN L. WOMACK, CPA
MARGARET KELLY, CPA

P.O. BOX 1147
KINGSVILLE, TEXAS 78364
(361) 592-2671
FAX (361) 592-1411

Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance

Mayor and City Commission
City of Kingsville
P.O. Box 1458
Kingsville, Texas 78364

Members of the Mayor and City Commission:

Report on Compliance for Each Major Federal Program

We have audited the City of Kingsville's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on City of Kingsville's major federal program for the year ended September 30, 2020. City of Kingsville's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Kingsville's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kingsville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Kingsville's compliance.



PRIVATE COMPANIES PRACTICE SECTION, AICPA DIVISION FOR CPA FIRMS

Opinion on Each Major Federal Program

In our opinion, the City of Kingsville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the City of Kingsville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Kingsville's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Kingsville's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



John Womack & Company, P.C.
Kingsville, TX
April 9, 2021

CITY OF KINGSVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2020

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?	<u> </u> Yes	<u> X </u> No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No
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2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?	<u> </u> Yes	<u> X </u> No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: August 2019

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	<u> </u> Yes	<u> X </u> No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No
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B. Financial Statement Findings

2020-1 Internal Control over Utility Billing

Condition: The commercial sewer billing rate was incorrectly calculated resulting in a \$.21/1,000 gallons lower rate for usage above the 3,000 gallon minimum than the correct rate based on the increase approved by the City Commission.

CITY OF KINGSVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2020

Criteria: The control process should ensure that the billing rate, based on the Commission's approval, is correctly calculated and correctly entered into the billing software.

Cause: An incorrect prior year base amount was utilized in the calculation.

Effect: The effect was a loss of revenue from commercial sewer services.

Recommendation: We recommend that the City review its internal control policies and procedures over utility billing to ensure that rates are both calculated correctly in accordance with the Commission's approval process, and properly entered into the billing software.

Client Response: The City concurs with this finding. The City has corrected the commercial sewer billing rate in the billing system, and will implement an additional layer of review in the internal control procedures to ensure that all billing rates are correctly calculated and input.

C. Federal Award Findings and Questioned Costs

NONE

CITY OF KINGSVILLE*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2020*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings or questioned costs in the prior year.		

CITY OF KINGSVILLE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The City has corrected the commercial sewer billing rate in the billing system, and will implement an additional layer of review in the internal control procedures to ensure that all billing rates are correctly calculated and input. Deborah Balli, Director of Finance, will coordinate these efforts.

CITY OF KINGSVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT D-1

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
OTHER PROGRAMS:				
<u>U. S. Department of the Treasury</u>				
Passed Through Texas Department of Emergency Management: COVID-19 Coronavirus Relief Fund	21.019	N/A	\$	\$ 1,380,449
Total U. S. Department of the Treasury			--	1,380,449
<u>U. S. Department of the Interior</u>				
Passed Through Texas Parks and Wildlife: Texas Parks and Wildlife Grant	15.916	P19AP00107		425
Total U. S. Department of the Interior			--	425
<u>U. S. Department of Justice</u>				
Passed Through Texas Department of Emergency Management: COVID-19 Coronavirus Emergency Supplemental Fund	16.034	2020-VD-BX-0002		29,816
Total U. S. Department of Justice			--	29,816
<u>U. S. Department of Housing & Urban Development</u>				
Passed Through Texas Department of Agriculture:				
Community Development Block Grant	14.228	7218269		133,010
Community Development Block Grant	14.228	7219012		35,604
Community Development Block Grant	14.228	7219192	--	--
Total Passed Through Texas Department of Agriculture			--	168,614
Total U. S. Department of Housing & Urban Development			--	168,614
<u>Department of Homeland Security</u>				
Passed Through Texas Department of Public Safety:				
Homeland Security Grant	97.067	2019-SHSP-LETPA-SURVEQ		54,995
Operation Stone Garden	97.067	EMW-2019-SS-00034-S01		125,801
Total Passed Through Texas Department of Public Safety			--	180,796
Passed Through Federal Emergency Management Agency:				
Disaster Recovery Assistance	97.036	PA-06-TX 4272 PW 00133		254,126
Total Department of Homeland Security			--	434,922
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 2,014,226

The accompanying notes are an integral part of this schedule.

CITY OF KINGSVILLE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2020

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of City of Kingsville. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

City of Kingsville has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.